

3.6 million UK families worse off after budget cuts

Simon Whelan
17 November 2021

The £20 per week cut to the Universal Credit (UC) social security benefit, together with changes made to the way UC payments are “tapered” by Boris Johnson’s Conservative government, will leave 3.6 million families across the UK worse off.

This is the analysis of last month’s budget by the Resolution Foundation (RF). Changes to UC mean 40,000 fewer people in poverty within working families, but 160,000 more people in poverty in unemployed families, according to the think tank’s analysis.

UC was introduced from 2013 as a combination/replacement for several different previous welfare benefits. The taper rate is the amount of UC withdrawn for every pound a claimant earns through work. The work allowance, the amount some claimants earn before the taper is triggered, has been raised by £500 a year. The taper rate was cut by 8 pence from 63p to 55p. The £2 billion a year change means working benefit claimants keep 45p of every extra pound they earn, instead of 37p.

Of the measures, RF senior economist Karl Handscomb said, “These changes are not enough to offset the damage from the recent £20 a week cut to Universal Credit. While 1.3 million families on Universal Credit will be better off, almost three-quarters of UC families will see their incomes fall this autumn as the cost-of-living crunch bites. Universal Credit has performed extremely well during the crisis. But the recent cut in support means that our basic safety net remains far too weak to support families facing economic bad news.”

According to separate research conducted by the foundation, fiscal measures introduced in just the two years since Johnson came to power, including the recent budget, will increase the tax burden by £3,000 a

year per household. The foundation found that the changes to the amount families can keep from their earnings if they are on UC only partially offset the effect of withdrawing the £20-a-week boost put in place at the beginning of the pandemic. On average, recipients would lose £800 a year, the RF calculated. The £3,000 figure produced by the RF includes business taxes, which are regularly passed on to consumers.

The RF focuses on measuring and improving the living standards for those on low to middle incomes. It conducts research across a range of economic and social policy areas, including incomes, inequality and poverty; jobs, skills and pay; housing; wealth and assets; tax and welfare; public spending and the state, and economic growth.

The government removed the UC uplift payment, along with the jobs furlough scheme, which supported millions of workers, on the basis of lies that the pandemic is as good as over.

The UC £20 cut was the largest one-off reduction made to welfare spending in British history, removing a collective £6 billion from the poorest. Johnson’s savage cuts are worse than the Tories’ 1988 slashing of housing benefits and even the 1931 cut to unemployment benefit carried out during the Great Depression by the National Government under former Labour leader Ramsay MacDonald.

The entire edifice of UC is based on workers receiving poverty-level wages. The tapering system is effectively a tax on the lowest paid. Approximately six million people receive UC payments in households containing 3.4 million children. UC is a punitive system, offering minimal financial support, often delayed, and reduced by cruel financial sanctions, payment reductions and financial caps. The benefit is

pitched at such a low level that cutting the £20 uplift increase pushes millions of people, including children, into desperate financial circumstances.

The Joseph Rowntree Foundation estimates that the £20 cut will on its own force half a million more people into poverty. Approximately 40 percent of those claiming UC are employed at poverty-level wages and receive the benefit because their earned income does not cover basic living costs like utility bills, food and rent.

Cutting the UC uplift and reducing the “taper rate” will still mean a further 120,000 people driven into poverty. The Citizens Advice Bureau warned that the taper rate change does not “cushion the blow” of the £20 cut for those still looking for work, or the 1.7 million unable to work because of disability, health issues or caring responsibilities.

Approximately 73 percent of UK families on UC in 2022-23 will be worse off, with more than a quarter (27 percent), marginally better off. The RF says over half of families will be worse off by more than £1,000 a year when everything is factored in, and 75 percent will see a drop in income.

Millions of workers are constantly being churned between states of poorly paid part-time or full-time employment, and unemployment.

The superexploitation and wretched low pay experienced by the working class negates last month’s increase in the National Living Wage (NLW). For those on zero hours contracts, what matters as much as the hourly rate is the number of hours worked. Weeks with no work/no hours or too few hours, and therefore reduced/no wages, can plunge families into debt, especially when the benefit system is deliberately rendered laboriously slow to respond to changes in workers’ status.

The NLW rose but 55p in each extra pound is lost to workers as a result of changes to UC. With the end of the £20 weekly uplift, the RF found that despite the minimum wage rise the lowest paid fifth of households will still lose £280 a year.

The attack on workers’ income is taking place amid conditions of rapidly rising prices and wages failing to keep pace with rising inflation. On Wednesday, it was announced that the Consumer Prices Index measure of annual inflation rose to 4.2 percent in October. This was sharply up from 3.1 percent in September and is its

highest level since 2011. The Retail Price Index measure of inflation, which includes housing costs, is already just short of 5 percent.

UK household incomes will be down approximately £1,000 next year, according to earlier RF analysis, as rising prices combine with welfare benefit cuts and rising taxes. The Institute for Public Policy Research says a typical family will lose £500 a year because of the planned increase in national insurance taxes and an expected 5 percent rise in council tax.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact