

UK Labour's budget piles on suffering for workers, but not enough to satisfy ruling class

Robert Stevens

26 November 2025

Chancellor Rachel Reeves said that her budget choices were “not austerity, not reckless borrowing, but cutting tax, cutting [National Health Service] waiting lists and cutting the cost of living.” But this was a budget that satisfied neither workers increasingly hostile to the Starmer Labour government, nor a ruling class demanding far more savage austerity than has been imposed so far.

Such is the crisis of the Labour government that there was speculation that if the bond markets responded unfavourably, this could spell the end of Reeves as Chancellor and hasten the end of Prime Minister Keir Starmer's time in Number 10.

Sky News correspondent Beth Rigby said that she was told ahead of the budget by a “cabinet minister” that “this will be a budget for self-preservation and not the country”.

The government is hemmed in on all sides, with rising anger from below, particularly over a cost-of-living crisis pauperising millions of workers, countered by the financial elite who are insisting on further cuts to public spending to enrich the corporations and banks and increase military spending.

The Starmer government's commitment to austerity had been epitomised by its retaining the punitive two-child benefit welfare cap introduced by the previous Conservative government. One in three children and a quarter of adults are now living in poverty in Britain, with deprivation levels at their highest level this century. Of the 5.2 million children in poverty, more than half (55 percent) live in families with three or more children.

Labour concluded that it would be politically suicidal to keep the cap in place, though scrapping it will cost the Treasury £3 billion.

This and a pre-budget announcement that the

minimum wage will rise in line with recommendations from the government's independent adviser were the only significant concessions to rising social anger. Over 70 percent of children living in poverty are in families with at least one parent who is in work, part of a vast army of working poor.

From April, workers over 21 will see a 4.1 percent increase to their minimum wage, bringing it up to a paltry £12.71 an hour, when the RPI annual inflation rate was 4.3 percent in October.

While avoiding increasing the basic rate of income tax, which would have directly broken a manifesto promise, Reeves increased other taxes by £26 billion in a budget mainly hitting “working people”. Personal taxes will increase by £15 billion, with the Treasury taking in £11 billion in other taxes. This takes the overall tax burden to 38 percent of GDP by the end of the parliament, a record high.

In the largest single revenue raiser, Reeves announced the freezing of National Insurance (NI) and income tax thresholds for an extra three years, which will bring in almost £13 billion by 2030-31. Reeves declared, “I know that maintaining these thresholds is a decision that will affect working people. I said that last year and I won't pretend otherwise now.”

When considering the falling real-terms value of child benefit and rising rents and prices, a family of four is set to lose more each year in higher tax than they gain from freezes or other measures. The typical net loss will likely be between £400–£900 per year, rising annually.

The most affluent will see hardly any move on their income. All Reeves was prepared to do was raise a council tax surcharge on homes worth more than £2 million and £5 million, which will secure just £400 million in 2029-2030. This is miniscule compared to

overall government spending of over £1.2 trillion.

A Treasury press release, “Tax support for businesses”, reassured the largest 8,250 corporations in Britain—accounting for 40 percent of total employment and 48 percent of total turnover—“We’re maintaining the lowest corporation tax rate in the G7 (25%)”. Reeves added in her budget speech, “As well as retaining our generous full expensing offer for business investment, I will also introduce a new 40 percent first-year allowance so that businesses can write off more of the cost of their investment upfront.”

Another boon for the private sector was Reeves’ confirmation that 250 new Neighbourhood Health Centres will be constructed, involving both repurposing current estate and new building. This will be funded by a private finance-public sector partnership along the lines of the private finance initiative used most heavily by Tony Blair’s government, which left local NHS bodies saddled with £80 billion-plus debts.

The banks, with the four largest piling up £45.9 billion in profits in 2024, a figure which may be exceeded this year, remain unscathed. Reeves had trailed the budget with bank CEOs for weeks and their post-budget share value shot up. Lloyds increased by 3.8 percent, NatWest by 3.7 percent and Barclays 2.3 percent.

The *Guardian* reported this week that the bond markets were closely monitoring every syllable uttered by Reeves, even using AI tools trained on her previous speeches. The *Financial Times* noted, “Her decision to bolster her fiscal headroom to £21.7bn by the end of the forecast period—compared with £9.9bn at her last fiscal statement—was intended to reassure markets that she was wedded to sound public finances.”

However, the budget was a disaster for the armed forces and most hawkish sections of the ruling class insisting that the post-Cold War “peace dividend” be ended, and that tens of billions more are made available for military spending. Reeves announced that in “maintaining our commitment to NATO”, the UK was “set to spend 2.6 percent of GDP on defence by April 2027”—up less than half a percent from when Labour came to office in July 2024.

The budget confirmed that the government is living on borrowed time, as the ruling elite steps up demands that the main parties slash public spending, with welfare cuts the first target.

Reeves boasted, “I am building on our successful use of targeted checks on welfare claims to root out fraud and error and prevent public money being paid to people who are not entitled to it.” But such cost savings are chicken feed compared to what is required to satisfy the ruling elite and financial markets.

Accounting for Labour’s U-turn on cuts to disability benefits and winter fuel payments, Reeves added another £10 billion extra in welfare spending when including the cost of scrapping the two-child benefit cap.

Conservative opposition leader Kemi Badenoch denounced Reeves for delivering a “budget for benefits”, declaring it would increase benefits for 560,000 families by £5,000 on average. She contrasted this with her own plans, saying, “There is an alternative. We Conservatives have set it out. This Budget could have saved £47 billion, including £23 billion from welfare.”

Far-right Reform UK leader Nigel Farage, whose party leads the polls 10 points clear of Labour, has pledged a £20 billion a year cut in public spending, including £3.5 billion a year by cutting disability payments for many.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact