CSJ calls on Government to back the ‘just about managing’ by reversing Universal Credit cuts

- CSJ calls for the Chancellor to reverse the £3.4 billion cut
- It will return Universal Credit back to its original design, which will lead to 300,000 more people entering work
- Every pound spent on universal credit will go to the “just about managing”
- They suggest paying for it by raiding the planned increase in the income tax threshold, of which just 25 pence go to the “just about managing” group
- This will boost work incentives and stop 3 million people from seeing a £1,000 reduction in their income

The Centre for Social Justice (CSJ), chaired by Iain Duncan Smith MP, is calling on the Chancellor to reverse the 2015 Budget cuts to the Universal Credit work allowances and pay for it by raiding the planned increase in the income tax threshold.

In last year’s Budget, £3.4 billion was cut from the Universal Credit budget, causing people moving onto the benefit to lose an average of £1,000 as they transition into work, undermining the incentive to accept a job and move off welfare.

Now the Centre for Social Justice has published a report, The Case for Strengthening Universal Credit Work Allowances to urge the Government to restore those incentives in next month’s Autumn Statement. Doing so will return Universal Credit to its original design, which is estimated to boost employment by 300,000.

The money will go directly into the pockets of people who are reliant on in-work benefits, those who are just about managing.

In comparison, just 25 pence of every £1 invested in increasing the income tax personal allowance will go to those in the bottom half of earners. By choosing to invest in UC work allowances more people will find work and those in relatively low-paid work will be better supported.

The CSJ is calling on the Government to reinstate the UC work allowances, which are the maximum a claimant can earn before their benefit award starts to be withdrawn, to their level before the reductions in the 2015 Budget.

This would cost up to £3.4 billion from March 2022, depending on how this change was made. The cost of the change could be mitigated by delaying the uprating of the personal income tax allowance threshold to £12,500, which overwhelmingly benefits higher earners.
In her first speech as Prime Minister, Theresa May MP, promised to those who are just about managing that: “When it comes to taxes, we’ll prioritise not the wealthy, but you.” This change will help to achieve this, ensure that the just about managing get the support they need, and ensure that work always pays.

Iain Duncan Smith commented: “The purpose of Universal Credit was to make work pay.

“Most people on benefits want to work. They want a regular routine, an interaction with a community outside the home, a stake in society and a sense of purpose. Work gives this to them – and it is crucial that we make sure people are always better off because they are in work.

“Every penny invested in Universal Credit will go to low-paid workers, yet this is true of just 25 pence of every £1 invested in the income tax personal allowance. Investing in Universal Credit is a far better way of supporting those who need it most.

“This is why we must restore Universal Credit’s original budget, and help those who are just about managing to properly provide for themselves and their families.”

Andy Cook, Chief Executive of the CSJ, commented:

“Work is the best root out of poverty. Not only does work provide an income, it is also proven to improve people’s self-esteem, their sense of self-worth and their physical and mental health.

“It is all too easy for a family to be caught in a spiral of unemployment. A child in a workless household is almost three times as likely to be in poverty as a child living in a family where at least one adult works.

“It’s important that we break the cycle of worklessness by making the transition into work as smooth as possible for those taking their first steps into the jobs market.”

ENDS

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About the Centre for Social Justice
The Centre for Social Justice (CSJ) exists to put social justice at the heart of British politics. Advancing social justice is about identifying the root causes of poverty and providing a way out to those it affects. Established in 2004, the CSJ is an independent think tank that studies the root causes of poverty and aims to address them through practical policy interventions.

The CSJ’s vision is to give people in the UK who are experiencing the worst multiple disadvantage and injustice, every possible opportunity to reach their full potential. The principles behind this vision are:
• A mandate for the whole of the UK, not just isolated areas;
• A focus on the bottom 20 per cent and those who, without external intervention, may never fulfil their potential;
• An agenda that is evidence-based, targeted towards long-term solutions, and harnesses the best grass-roots practice;
• A commitment to providing a route out of poverty via a hand-up, not a hand-out;
• A commitment to the transformation of lives, not just alleviating symptoms.