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A missed chance to tackle family breakdown

The Centre for Social Justice gives its verdict on the Budget

Missing the point about child benefit

Whilst the CSJ welcomes the removal of the 'cliff edge' from the proposed child benefit reforms, there remains a fundamental flaw within the Government's plans that could threaten a new wave of family instability and breakdown.

The introduction of a gradual withdrawal of child benefit from households with one individual or more earning above £50,000 a year fails to deal with the significant danger in the Government's child benefit reform proposals: the financial disincentive against couple formation and commitment.

Despite a clear warning from the CSJ in our recent paper *Child Benefit Reform: Dealing with the Deficits*, the Coalition's tweaks to child benefit do absolutely nothing to address the one earner / two earner anomaly.

Ministers will still, therefore, introduce a bizarre new couple penalty into the tax system for higher earners which flies in the face of their commitment to 'shared parenting'.

This new model could also lead to greater benefit fraud as those who live together but are not married face a difficult decision. Either they will have voluntarily to inform the tax authorities of their personal arrangements or elect to commit fraud by denying the status of their relationship and continuing to claim the benefit. Married couples will not have that 'invisibility option'.

However, as the CSJ outlined, eliminating this couple penalty is possible and affordable by integrating child benefit into the tax credit system.

This measure would support the principle of wealthier families no longer receiving child benefit, but do so in a way that does not undermine two parent families and the aspiration of many lone parents to form couple relationships.

Failure to deal with these primary weaknesses reveals the Government's disregard, in this instance, of family stability and marriage.

Forgetting their marriage vows

The second missed opportunity was that of backing marriage in the tax system.

IFS figures show how recognising marriage in the tax system would benefit the poorest households more than the richest, whereas the commitment to raise income tax thresholds has the opposite impact.

Claiming that there is no money to fund some form of a transferable allowance (such as to married couples with children under 3 years old, costing £0.8 billion) is misleading. This Budget has allocated £3 billion to fund the Liberal Democrat priority of higher income tax thresholds.

Raising the personal allowance to £8,930 (instead of £9,205) would have funded both an increase in the tax threshold and a marriage tax break - the flagship Conservative family policy.

It seems at least another year will pass before the Coalition summons up the courage to take their marriage vows seriously.

For media inquiries, please contact Nick Wood of Media Intelligence Partners Ltd on 07889 617003 or 0203 008 8146 or Alistair Thompson on 07970 162225 or 0203 008 8145.

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NOTES TO EDITORS

The Centre for Social Justice (CSJ) is an independent think tank established in 2004 to put social justice at the heart of British politics.

In 2007 the CSJ published its landmark report, *Breakthrough Britain*. This publication, which set out 190 evidence-based policy recommendations to tackle poverty in Britain, transformed the social policy and political landscape and was awarded Publication of the Year by *Prospect Magazine* in 2008.

Since *Breakthrough Britain* the CSJ has published over 40 reports which have shaped government policy and influenced opposition parties. These have included the seminal papers *Dying To Belong* and *Dynamic Benefits*, which has led the Coalition Government's welfare reforms.

Further to this, the CSJ manages an Alliance of over 250 of the most effective grass roots, poverty-fighting organisations.