



Good Times Bad Times: The welfare myth of *them* and *us*

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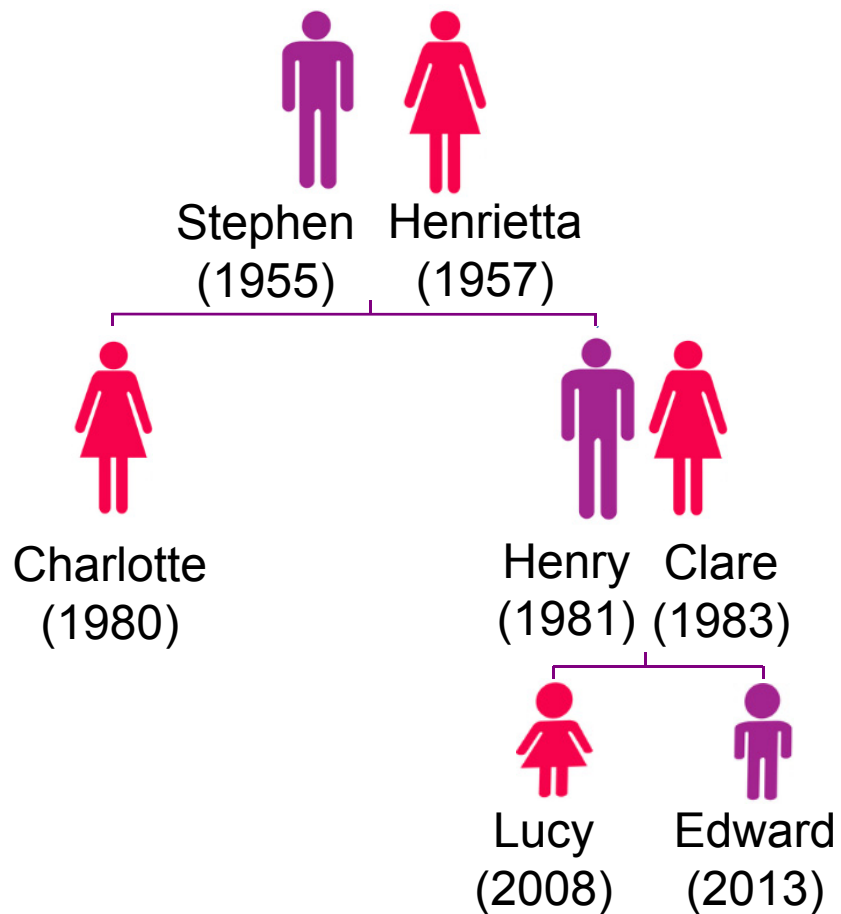


CENTRE FOR ANALYSIS OF SOCIAL EXCLUSION

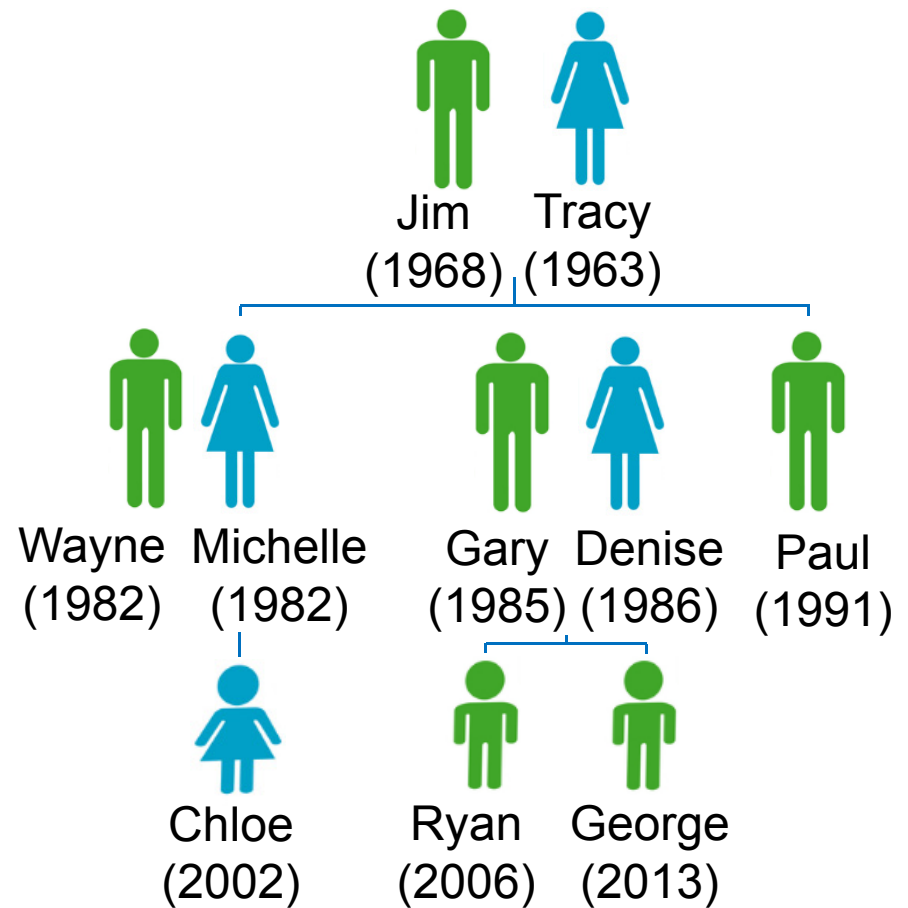


Where are they now? 25 years on

The Osbornes



The Ackroyds



Two nations? Them and us

Two groups need to be satisfied with our welfare system. Those who need it – who are old, who are vulnerable, who are disabled, or have lost their job and who we as a compassionate society want to support. And there's a second group. The people who pay for this system: who go out to work, who pay their taxes and expect it to be fair on them too. (George Osborne, Chancellor of the Exchequer, June 2013; emphasis added)

- 'Strivers' vs 'shirkers'
- 'Three generations who have never worked' vs 'hard working families'
- 'Curtains drawn in mid morning' vs 'alarm clock Britain'

Henry, Michelle and the State, 2010

Henry & Clare Osborne

£53,300 (after pension contributions)



£12,900 (income tax and NICs)



£545 Child Tax Credit

£1,060 Child Benefit



£1,988 Council Tax



£40,000



£6,900 indirect taxes



£4,000 NHS



NET £16,200 **to** the state this year

Michelle Ackroyd

£5,940 after NICs



£2,845 Child Tax Credit

£1,060 Child Benefit

£3,810 Working Tax Credit

£1,720 Housing Benefit



£612 Net Council Tax



£14,740



£3,000 Indirect Taxes

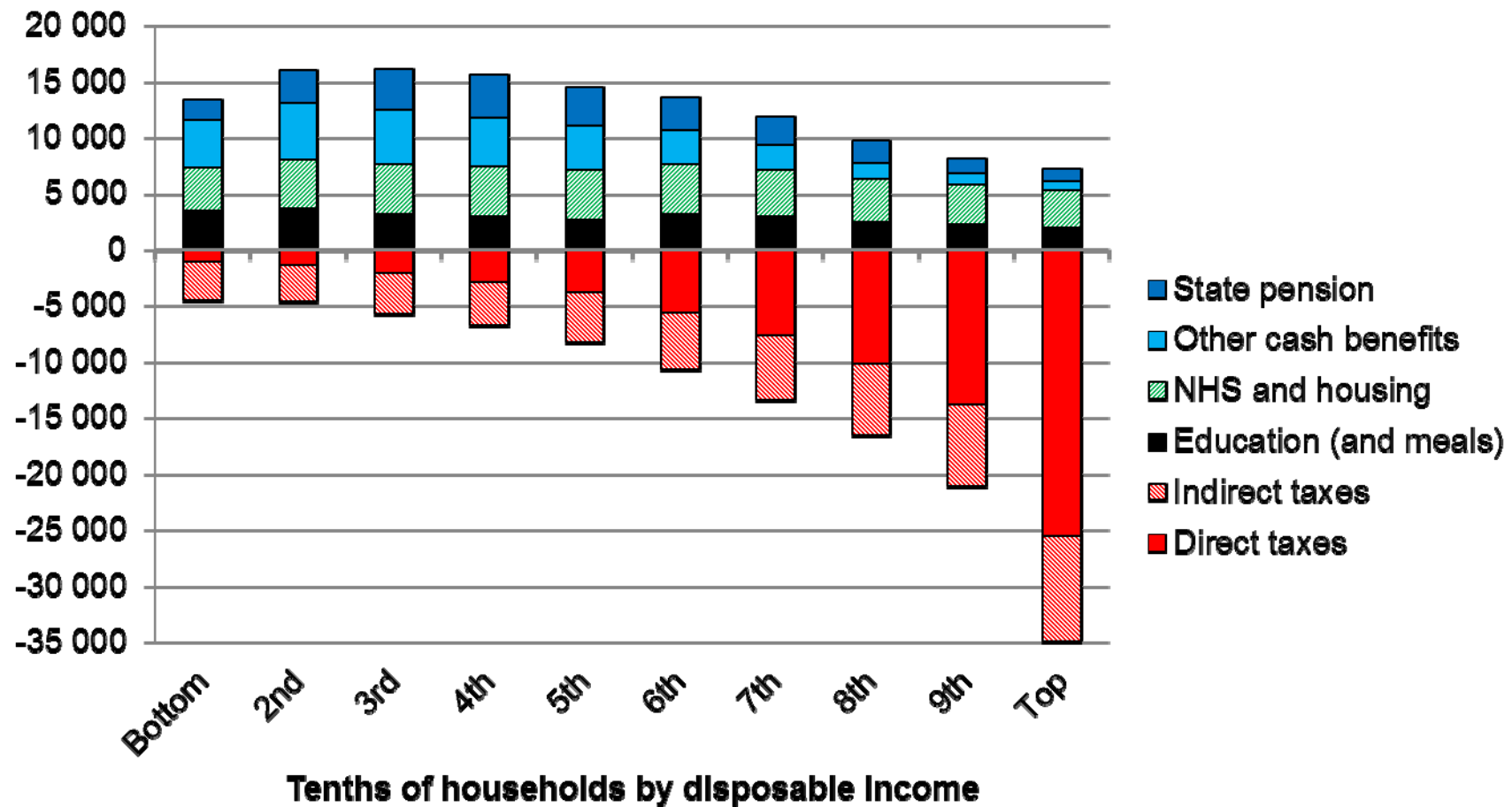


£10,300 Schools, NHS, housing



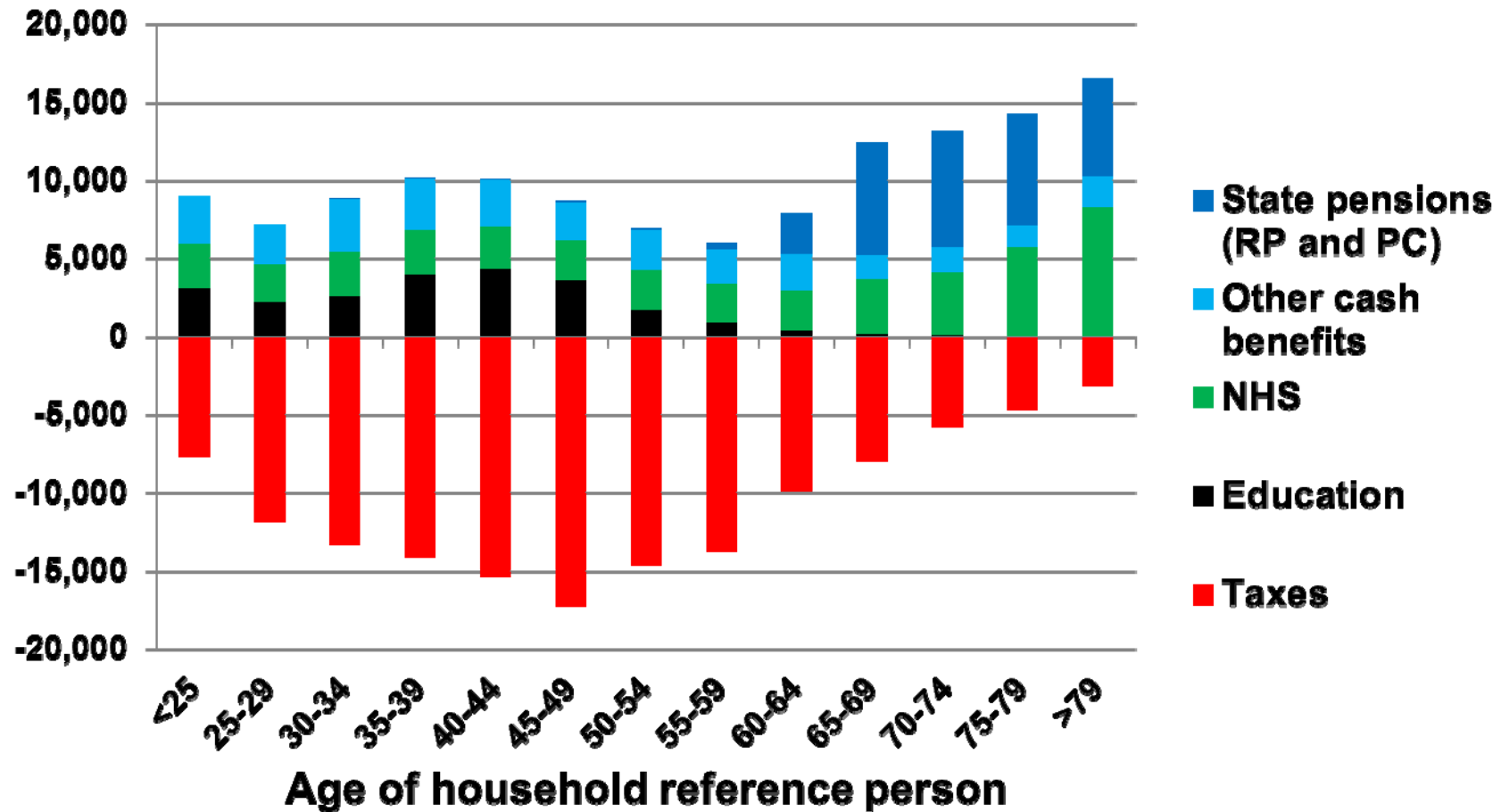
NET £16,100 **from** the state this year

Receipts from the welfare state and taxes by income group (£, 2010-11)



Source: Office for National Statistics (2013)

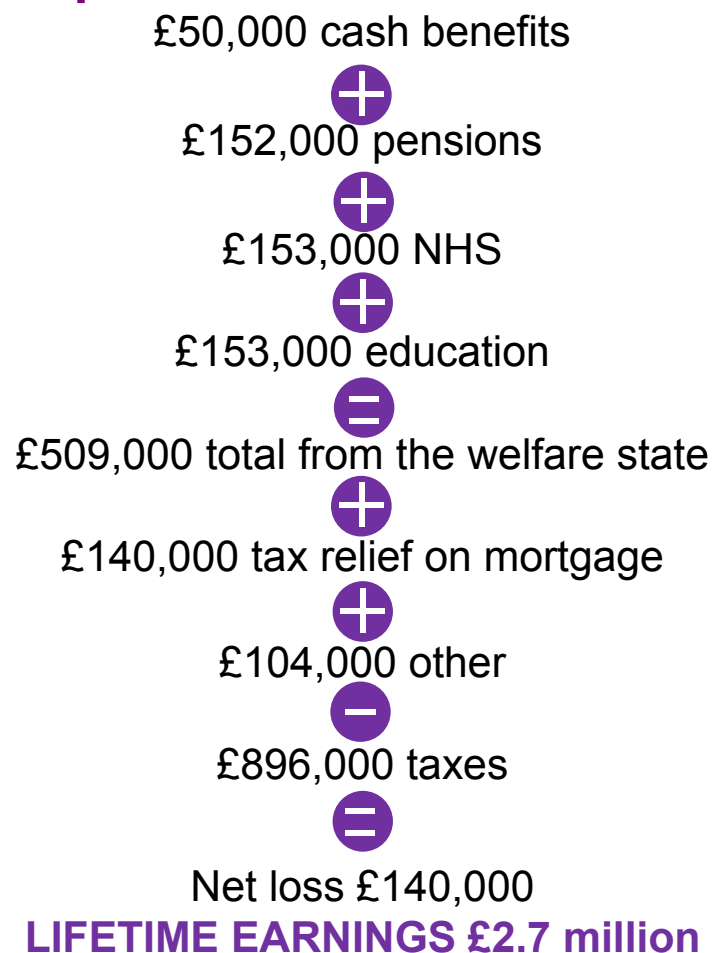
Average receipts and taxes by age, 2005-06 (£/year, not equivalised)



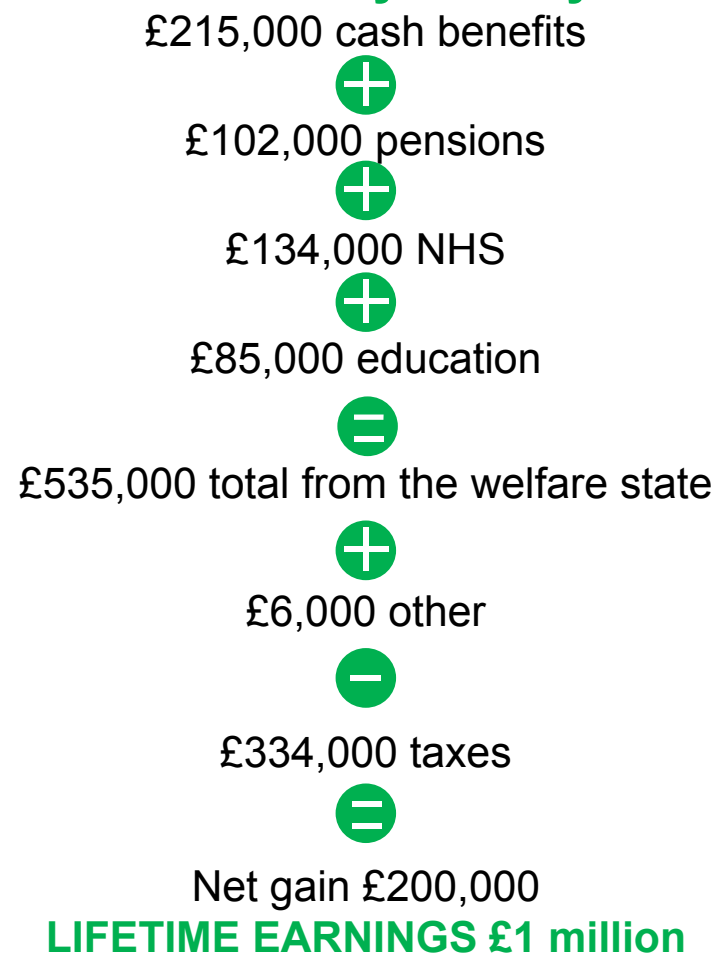
Source: Office for National Statistics from Redistribution of Income series.
Taxes are direct and indirect allocated to households.

The long view: The original lifetime sums (adjusted to 2010 earnings terms)

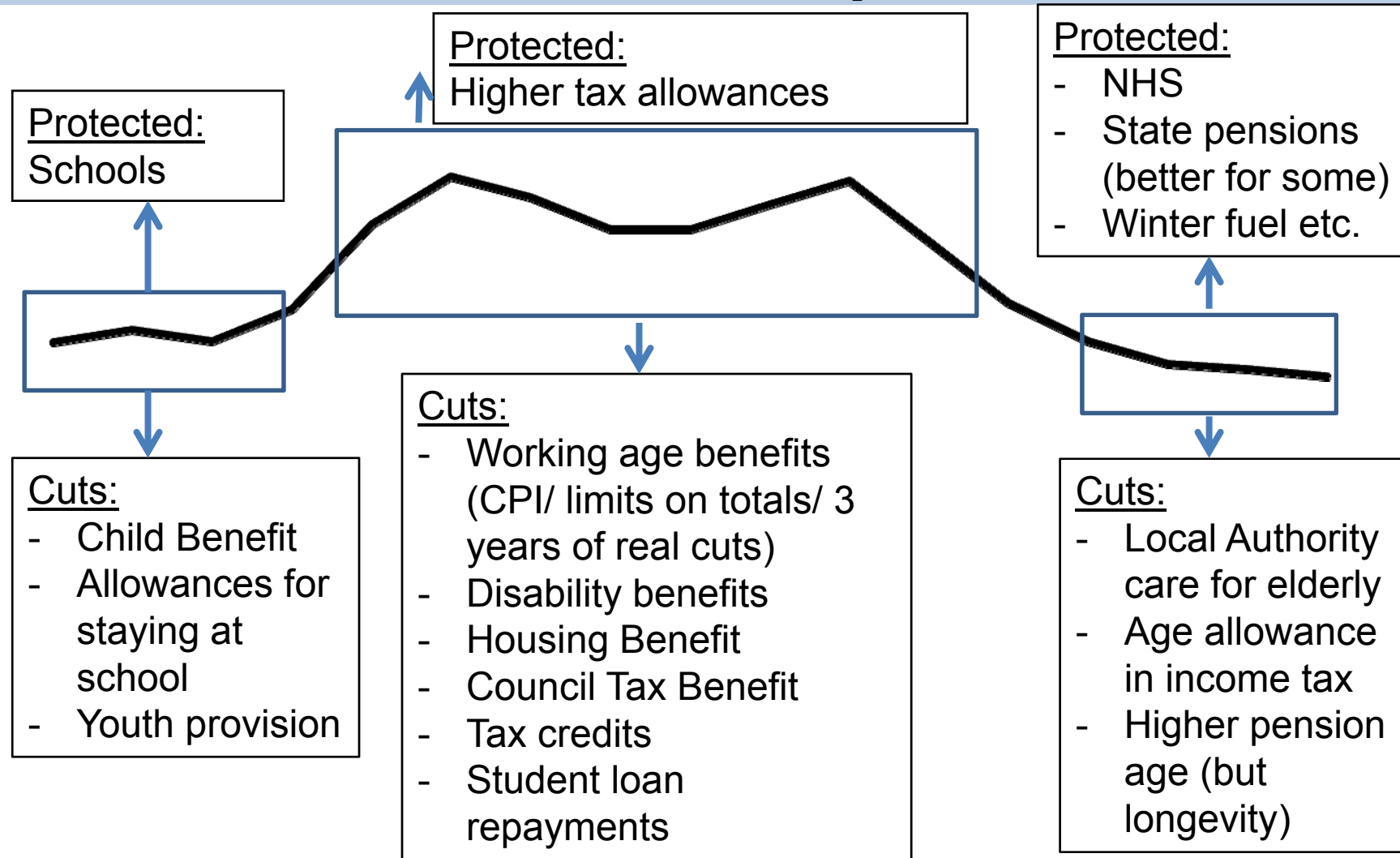
Stephen & Henrietta Osborne



Jim & Tracy Ackroyd

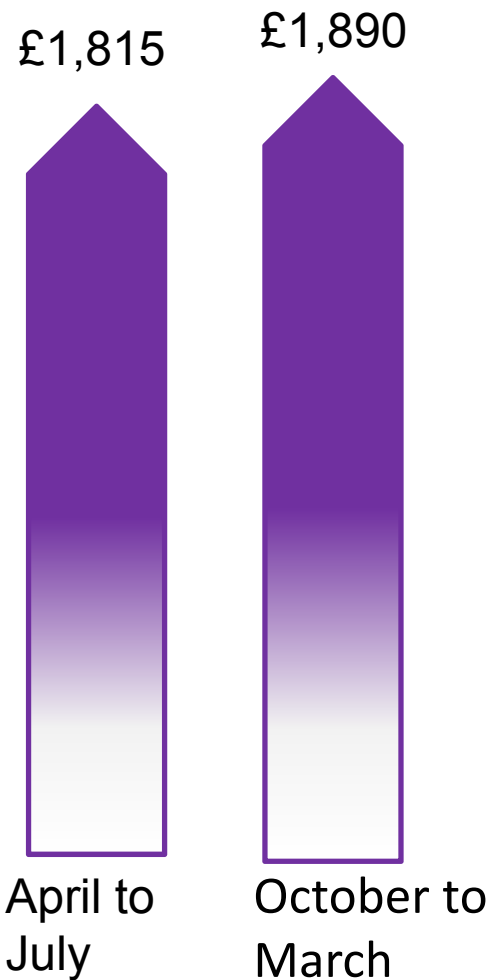


Parts of life-cycle redistribution are in retreat, but others protected

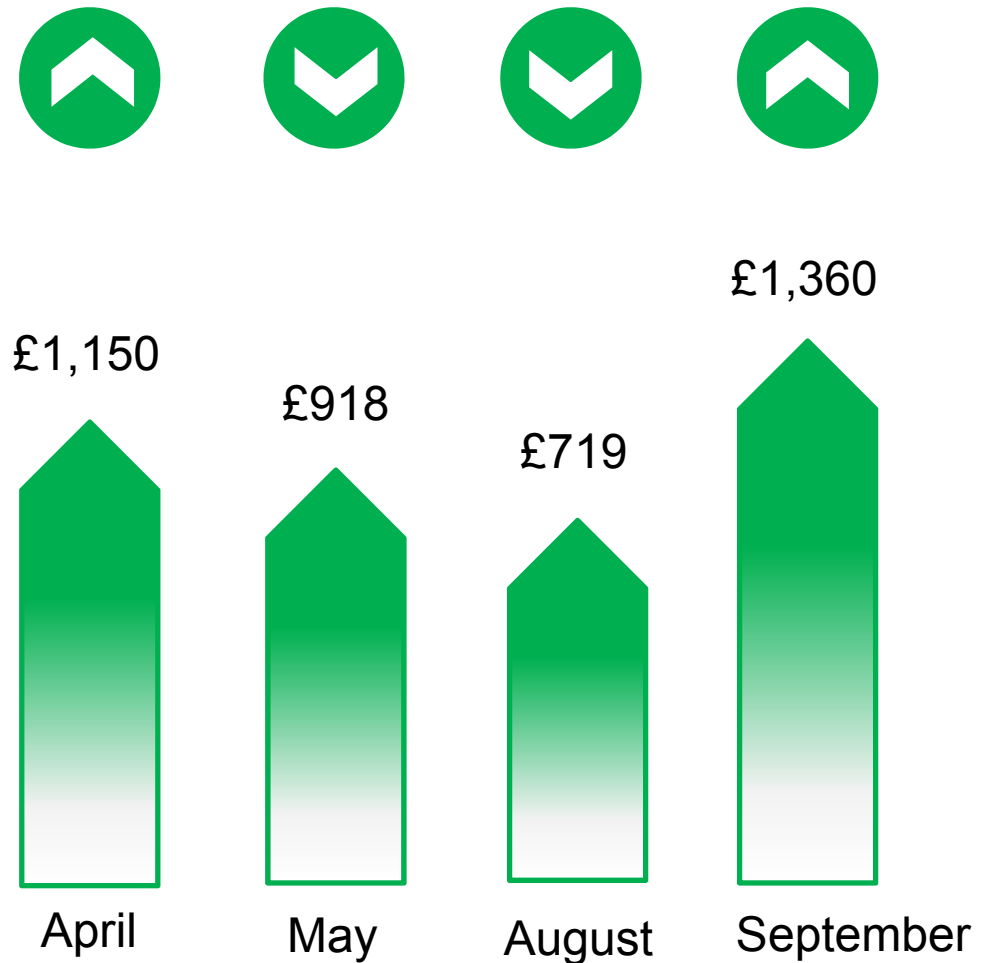


Life is complicated for some...

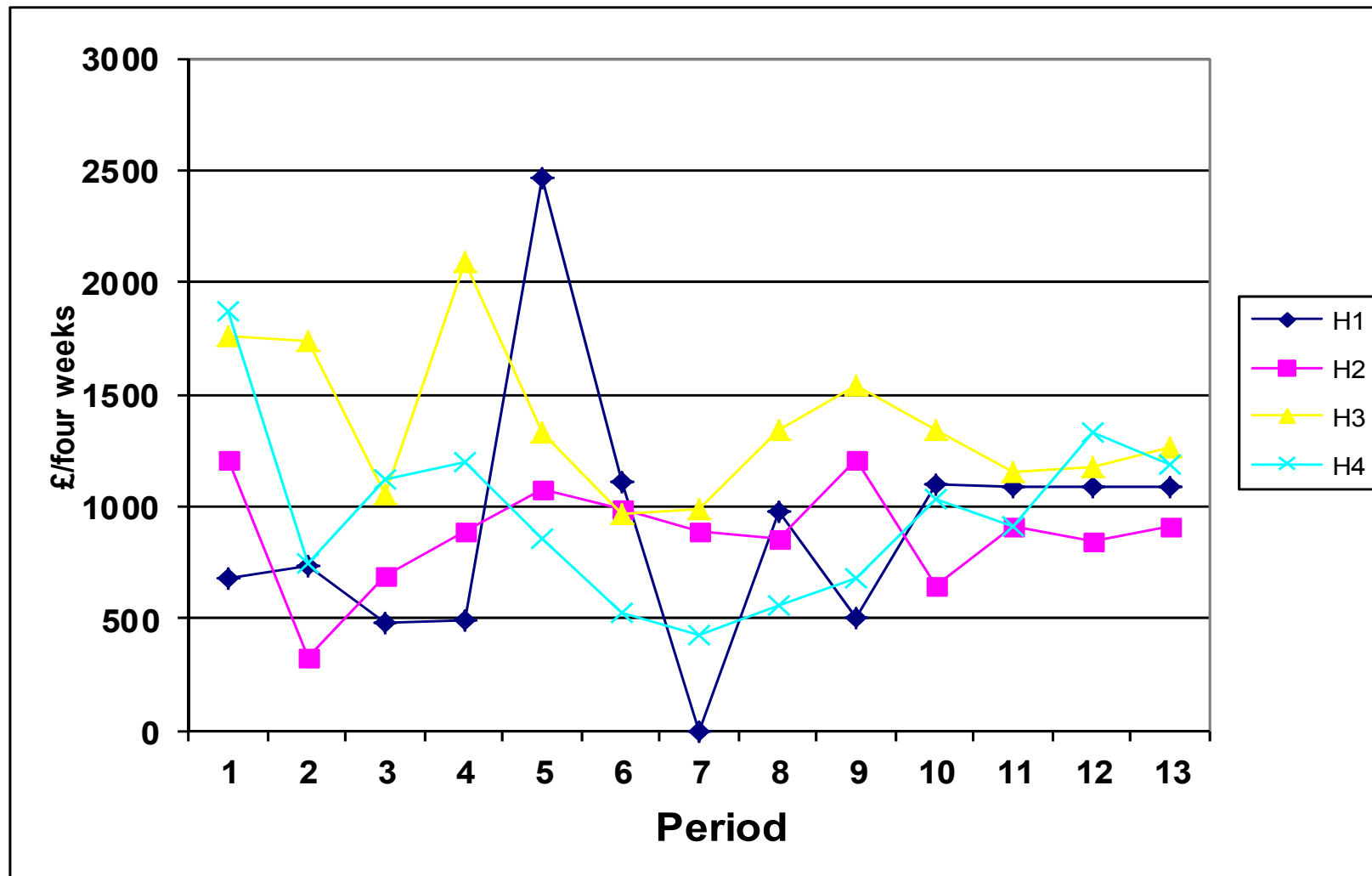
Charlotte Osborne



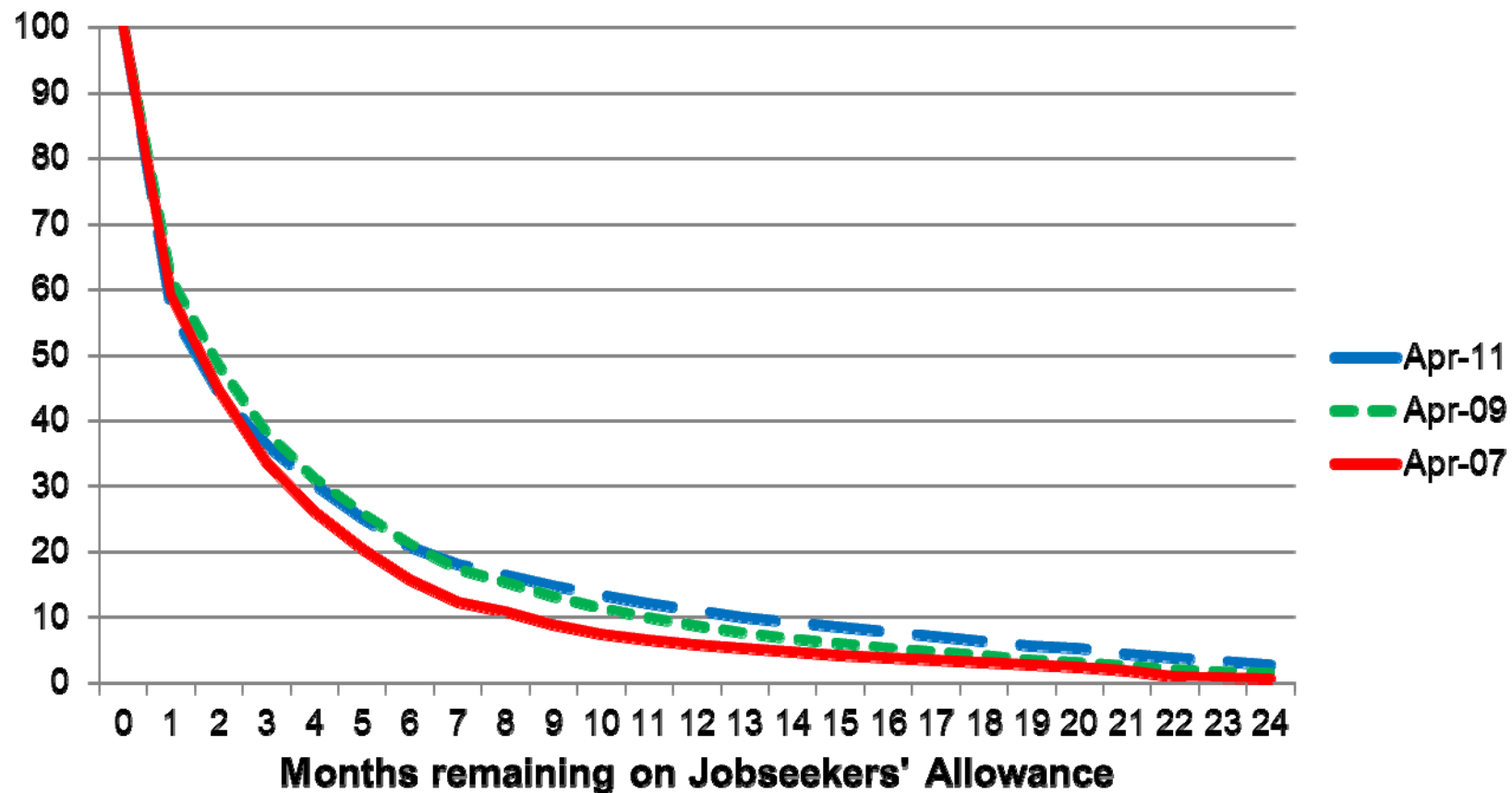
Gary and Denise Ackroyd



Tracking incomes over the year: Highly erratic cases (four week periods)



Durations on Jobseekers' Allowance, starting in 2007, 2009, 2011



Source: Data supplied by Department for Work and Pensions.

The next generation: George Ackroyd and Edward Osborne

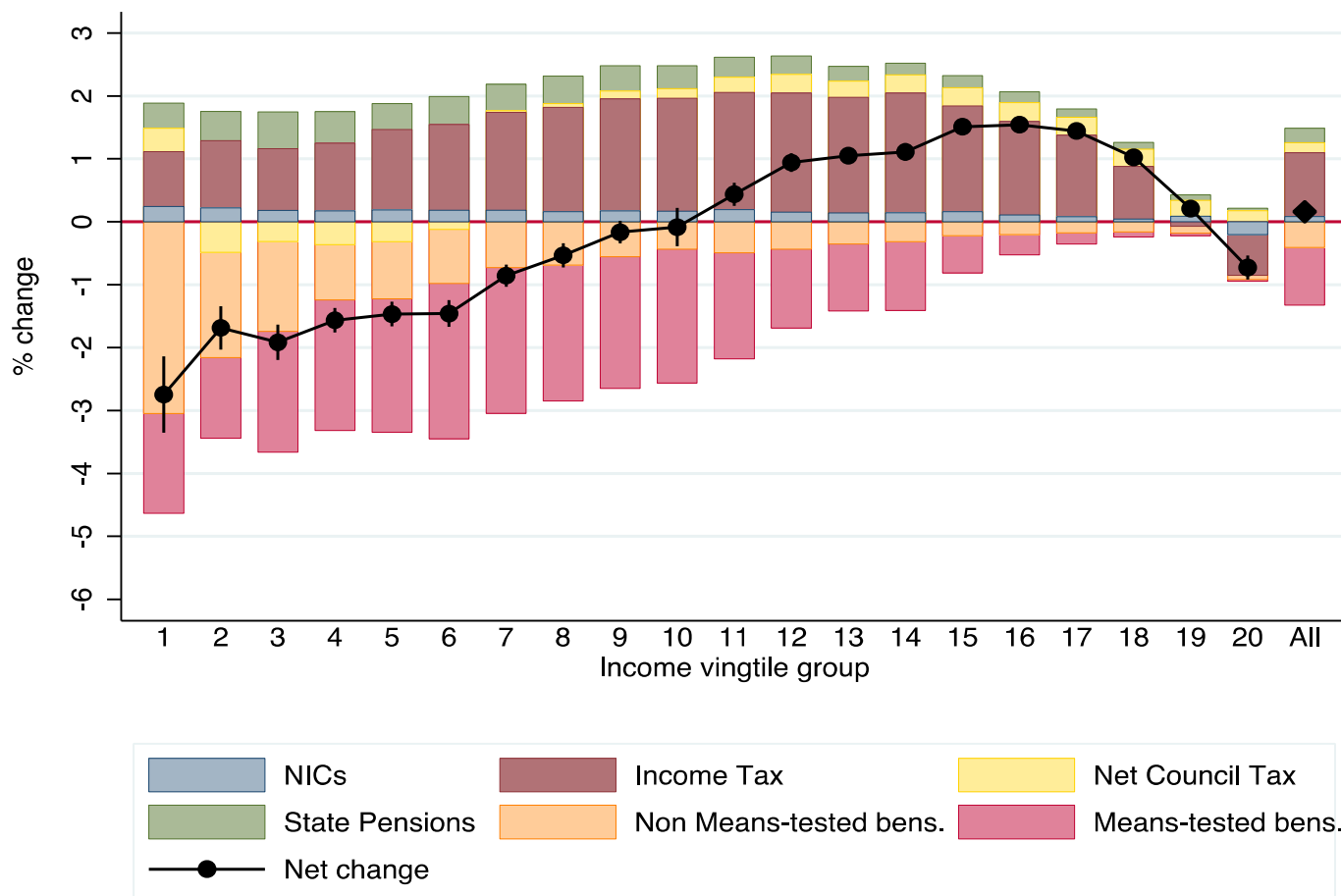
Edward Osborne		George Ackroyd	
Age	Development and skills	Age	Development and skills
5	60% up a scale of development	5	33% of the way up a scale of development
11	83% of students not on Free School Meals (FSM) achieve level 4	11	66% of students on FSM achieve level 4
16	62% of way up the GCSE national range	16	33% of way up the GCSE national range
19	58% achieve A Level qualifications who have not been on FSM	19	34% achieve A level qualifications who have had FSM
HE	55% of least deprived fifth go on to Higher Education	HE	18% of the most deprived fifth go on to higher education
Private /state school	64% of private A level students go to prestigious universities		24% of state school A level students go to prestigious universities

Winners and losers from austerity, May 2010 to 2014-15 (vs. CPI indexation)

Stephen Osborne	£96,840 annual earnings	
	Gain	Loss
	£29 total NICs	£926 total income tax
NET £59,241 after PC/TAX		
Henrietta Osborne	£8,608 annual earnings	
	Gain	Loss
	£113 total NICs	
	£547 total income tax	
Stephen and Henrietta Osborne	£297 Council Tax	£698 VAT
	TOTAL LOSS	£638 (=£12.20 per week)
Loss of disposable income per year		0.7%

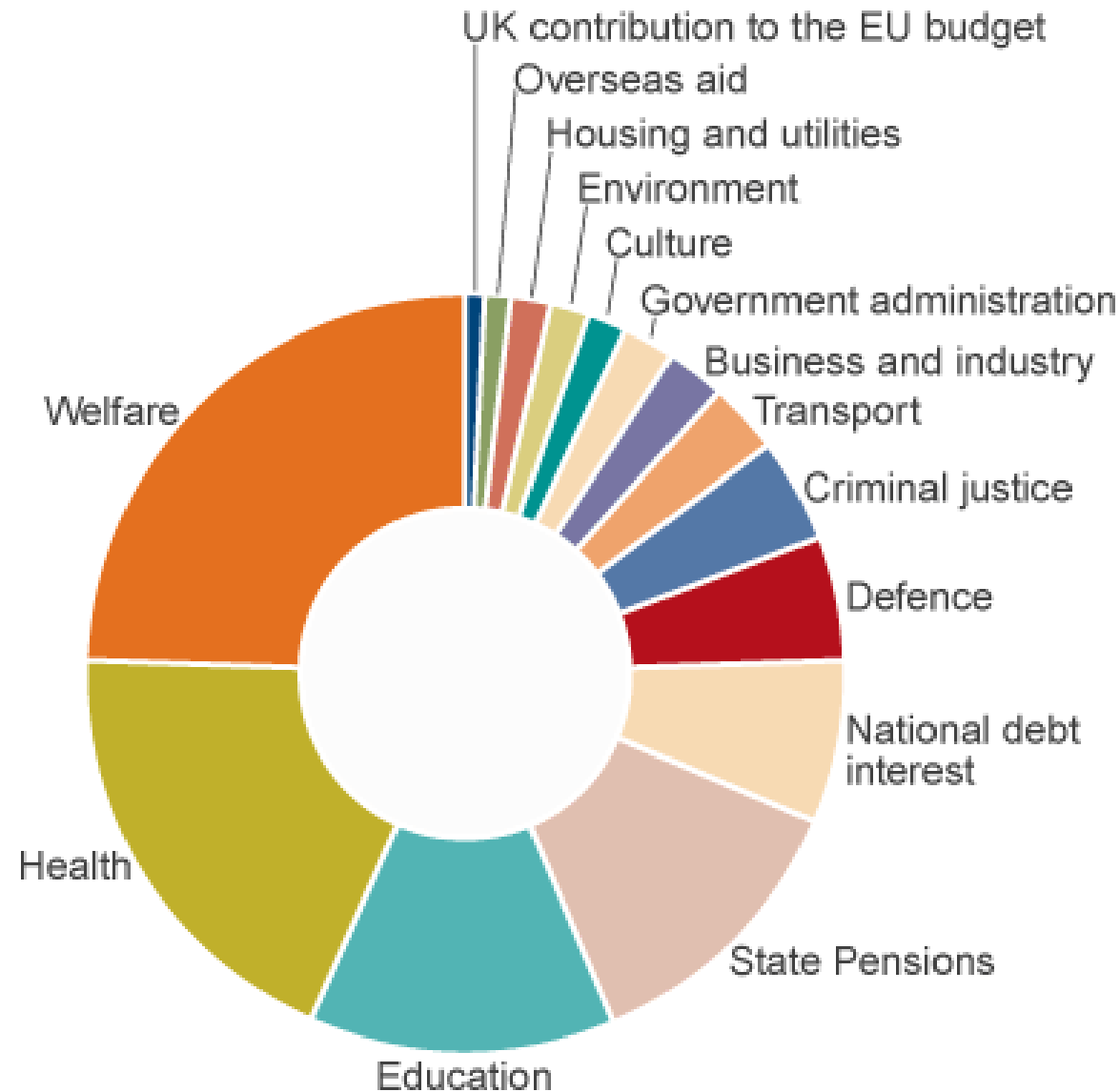
Michelle Ackroyd	£123 weekly earnings
Gain	Loss
	£2.28 Child Benefit
£2.04 Child Tax Credit	
	Working Tax Credit £6.61
	Housing Benefit £0.94
	Net Council Tax £5.09
	VAT at 17.5% £1.42
TOTAL LOSS	£14.27
Loss of income after housing costs	6%

LSE/Essex analysis of effects of *direct tax/benefit* reforms since *May 2010* (% change)



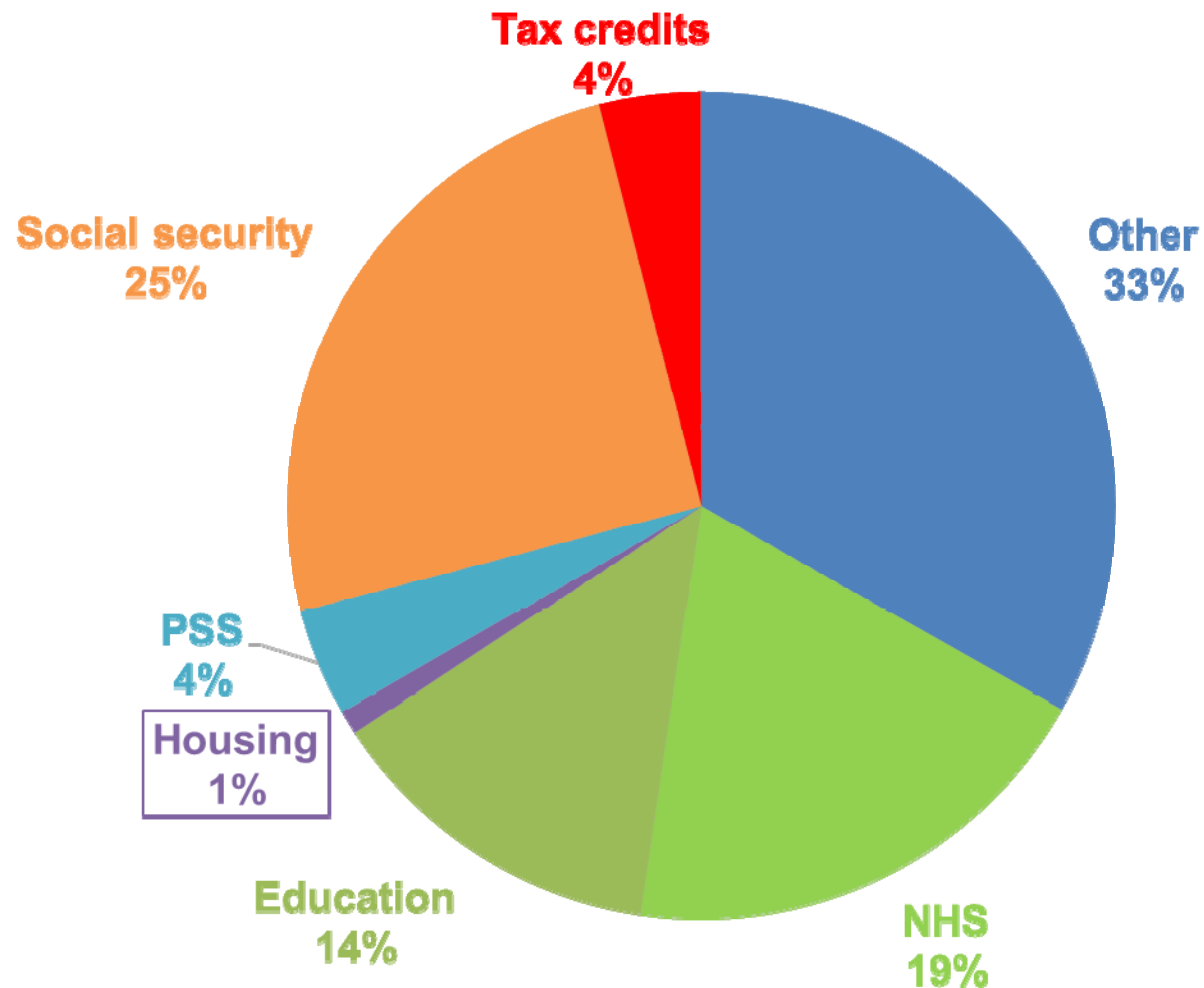
Source: De Agostini, Hills and Sutherland (2014). Changes to 2014-15 compared to CPI-linked base.

Where your money goes: Treasury view

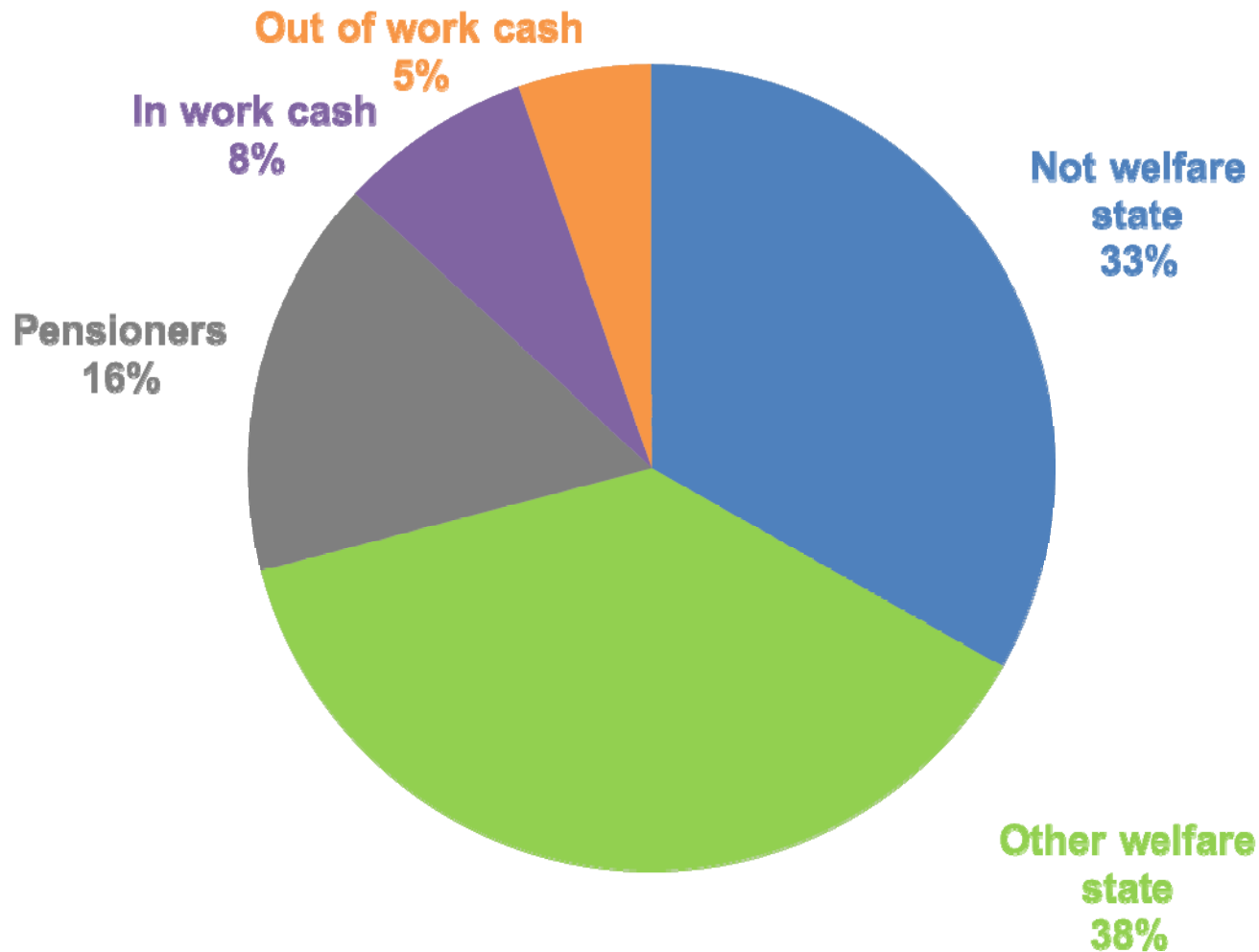


Source: HMRC

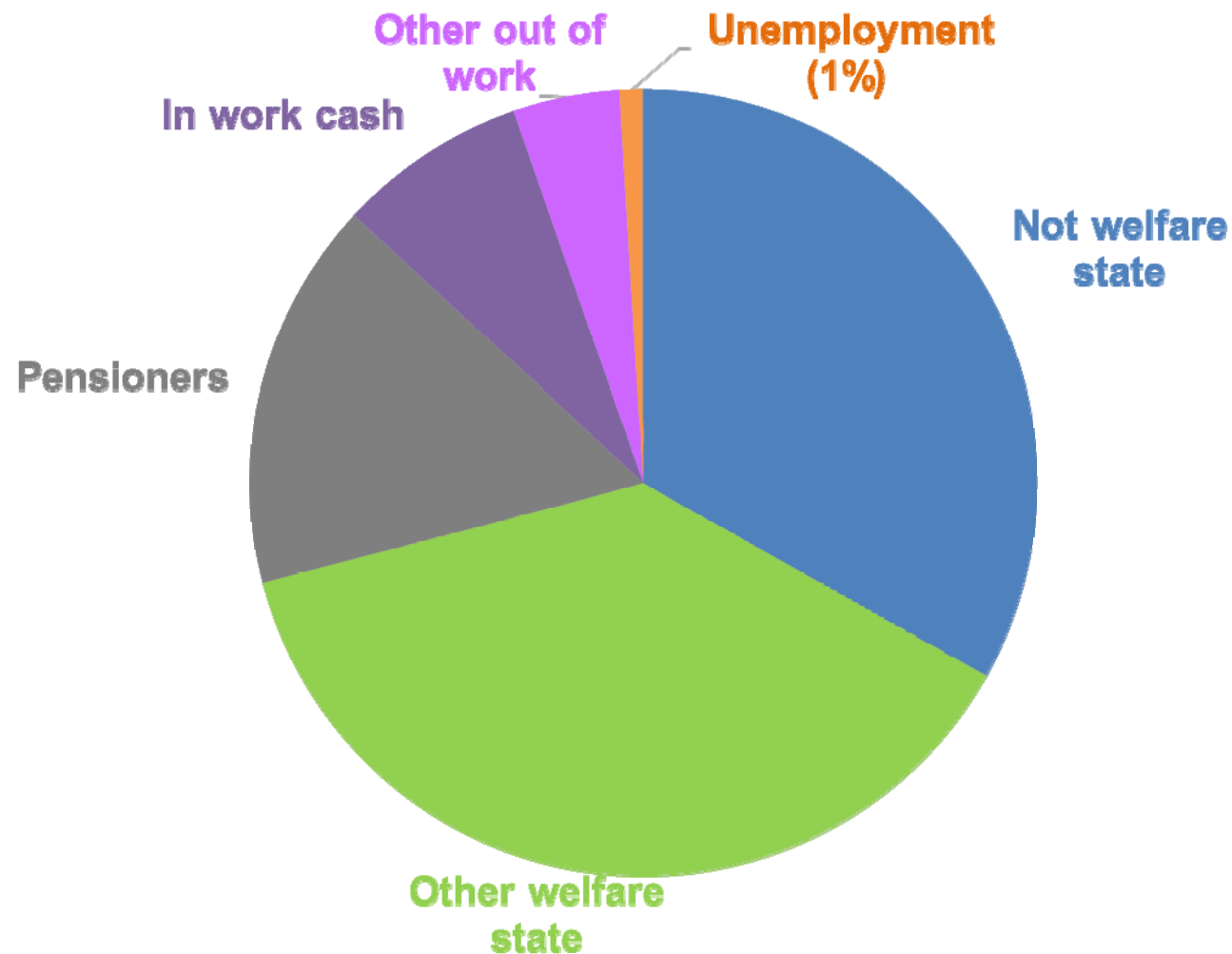
Where my money goes: Another view 1



Where your money goes: Another view 2



Where your money goes: Another view 3



The myths and the consequences

- The median belief is that 40 per cent of the social security and tax credit budget goes on benefits for unemployed people. It is actually 4 per cent. And cash transfers are less than half of all welfare state spending
- All 'welfare' payments to those of working age are less than £1 in £12.50 of what we spend on the welfare state
- And the average belief is that 27% of total benefits are claimed fraudulently. That would be £58 billion.
- This is 50 times DWP's estimates from random probes
- In effect, people think that fraud of unemployment benefits is at least tenth of all social security spending, when it is really one thousandth

Such myths have consequences....



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