

Measures to deal with inequalities of wealth

Coalition Government Policies following the 2010 General Election victory.

Context

As we have seen, the Labour government between 1997 & 2010 introduced a wide range of measures to reduce inequality and increase the wealth of disadvantaged groups such as people out of work, people in work but on low incomes, pensioners and people with disabilities. Emphasis was placed on getting people back into work with measures such as J_____ A_____, T_x Cr_____s for the low paid and introducing a m_____m w____. Overall, there was a big increase in government spending on welfare benefits while the system also seemed to become more and more complex.

All of this was based on an economy which was broadly successful and able to generate a lot of tax revenue for the government because businesses were doing well and most people were in work.

The recession

However, in 2008 the UK economy suffered a terrible shock along with economies throughout the world. This led to many companies going o__ o_ b_____ and an increase in unemployment which in turn means less tax revenue for the govt.

The Labour government borrowed massive amounts to save the banks and avoid total economic collapse. Eventually, in 2010, Labour lost power and the Conservative – Lib Dem coalition took power.

Changed times:

So the new govt took on a difficult situation. Total economic collapse had been avoided but the govt clearly needed to make cuts in public spending because govt borrowing was too high. But by how much? Govt spending creates a lot of jobs in firms around the country. If it cuts too much too quickly, this could put a lot of firms out of business and tip the economy back into full-scale recession. This is why Labour planned substantial but slow cuts spread over a number of years.

The other approach is to 'bite the bullet' and go for larger cuts early on so the govt. does not have to borrow so much. This should help to get the economy back in balance more quickly and lead to stability. This is the approach the new govt has gone for, while blaming the previous Labour govt for "causing an economic mess it has had to clean up".

The new government's plans /

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One area identified for big cuts and changes is the welfare system which is set to see its biggest overhaul for many generations. The c_____tion govt wants to simplify the c_____x system of benefits and change it so that it pushes people to look for w___ rather than live on benefits. The reforms also aim to make the welfare system more affordable in the longer term by reducing the overall amount of public (i.e. govt) spending on welfare benefits by £7 billion per y_____.

Here are some of the main proposals for the next few years ...

1. Reform and s_____fy the welfare system, and cut the amount of _____ the government spends on it. Labour accept the need for this and are willing to work with the government on it ... *but this co-operation may break down once the detail of the govt's proposals is examined.*
2. Introduce a **Universal Credit** to replace a variety of different benefits. People who qualify for the universal credit will have extra amounts added depending upon their cir_____ces. A new law will need to be passed first, after which changes would take effect from 2013. *(Labour are set to support this approach, but claim such a reform is simply building on changes they had already started when they were in govt.)*
3. Develop a welfare system that sees w___k as the primary route out of poverty and reduces the number of children in workless households. Aim to eradicate child p_____y by 2020. *Labour claim they focused on work and child poverty in 13 years of govt and achieved a great deal. Again they claim the new govt. is simply extending policies Labour already had underway.*
4. Introduce a **Work Programme**, a package of personalised support to get people into work - from jobseekers who have been out of work for some time, to those who have been receiving incap_____ty benefits for many years. The new Work Programme will provide intensive help to those looking for work, and support for those who could look for work but currently lack the confidence or sk_____s to try. *Critics say such a work programme fails to understand that most unemployed are very keen to work. The real problem is that there are simply not enough real jobs around, particularly during a recession.*

5. Promote self-employment to unemployed people and, through a **New Enterprise Allowance**, give up to 10,000 unemployed people per year advice and support to start their own business. *(Sounds a lot, but is a small number compared to potentially millions of unemployed.)*
6. Provide a decent State Pension, and encourage employers to provide high quality pensions, and make higher pension saving a priority. R_____ the age for the basic state pension, and allow more people to work l_____r if they wish. *However, many claim it is unfair to reduce the value of pensions when people have made an agreement in the past and have worked hard for many years. But can the govt afford to do anything else when so many people are living a lot longer and govt finances are already in a mess due to the recession?*
7. Reduce spending on benefits which are not going to the poorest groups e.g. the controversial decision to remove c_____ b_____ from couples where one is earning above £44,000. *However when two parents are earning £43,000 they will still receive c_____ b_____.* *This is a good example of how action may seem easy and common sense in the headlines but is normally a lot more complicated when it is actually put into place.*
8. Cap h_____g benefit so that families cannot receive more for rent than the average working family would be able to pay. *Some claim this will damage the social mix of districts by forcing all l_____ income groups out of expensive parts of cities such as London where people presently live side by side.* (On the other hand, can the government justify paying high rent to landlords to people because people wish to continue living in a particular area.)
9. A cap on benefits so that no family that **doesn't** work will receive more in benefits than the average family that **does** go out to work. Such measures instinctively sound fair. *On the other hand, some argue that a large family where the parents have worked hard and paid tax etc. for 20 or 30 years should not be forced into poverty by a strict limit on benefits if the parents lose their jobs in a recession through no fault of their own.*
10. Make the welfare system simpler to understand and easier for staff to administer. This, the govt. claims, will also make it easier to reduce both errors and benefit fraud which are recognised as a major problem in the UK. *However, all govts have spoken about getting rid of benefit fraud for the past 30 years ... yet the problem is still massive. Maybe it simply cannot be solved.*