

## Appendix VI – How Current Policy Sustains Mass Impoverishment

When the then new UK government set out its 2016 Autumn Statement, the Institute for Fiscal Studies (IFS) was able to compare its policies with those of its predecessor. In summary, while the policies of the May/Hammond government represent an improvement on those of the Cameron/Osborne government, their likely impact is still a continuation of the process of mass impoverishment. Analysis<sup>60</sup> by the Institute for IFS has painted a grim picture<sup>61</sup> of the near-term future:

*“On these projections, real wages will, remarkably, still be below their 2008 levels in 2021. One cannot stress enough how dreadful that is – more than a decade without real earnings growth.... We have certainly not seen a period remotely like it in the last 70 years.”*

The Resolution Foundation looked in detail at the impact of government policy by income level and concluded<sup>62</sup> that *“Overall the Chancellor reversed only 7 per cent of the inherited policy-related hit to the poorest half of families.”* In other words, Hammond’s predecessor’s policies were set to perpetuate the process of mass impoverishment; Hammond has improved things somewhat, but not greatly.

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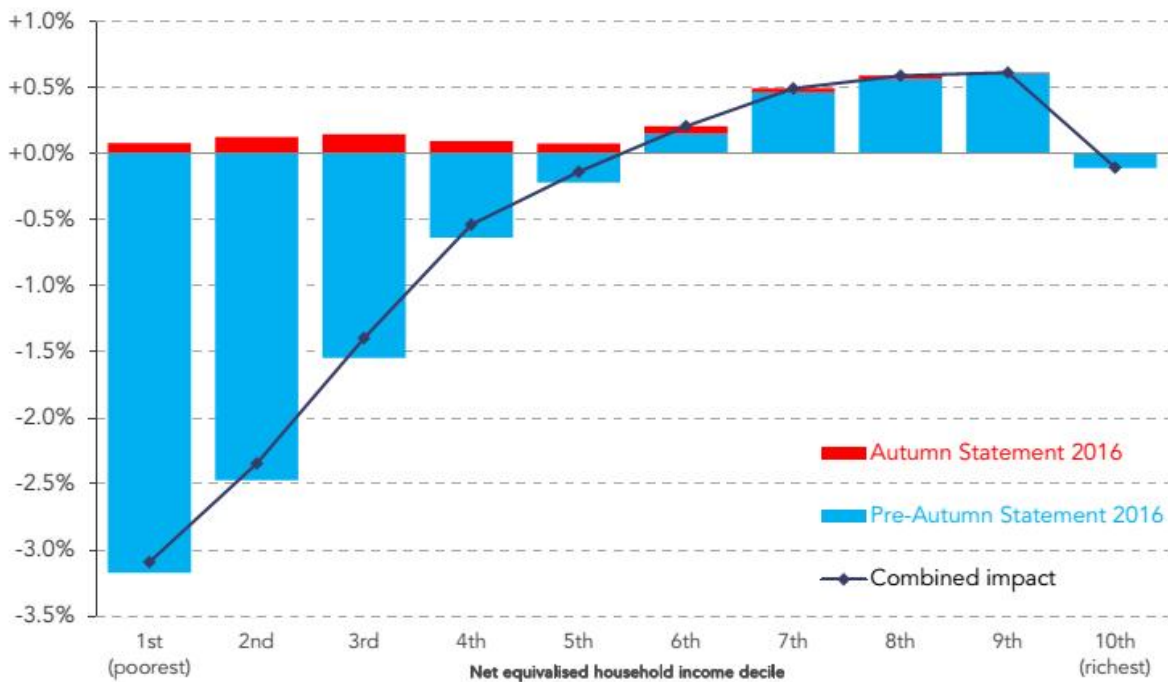
60 (Allen, Monaghan, & Inman , 2017)

61 (Thomas N. , 2016)

62 (Corlett, Finch, Gardiner, & Whittaker, 2016)

Figure 43: Resolution Foundation analysis of impact of tax and benefit changes by income decile

Proportional change in income by net equivalised household income decile



Notes: Includes impact of National Living Wage, announced income tax cuts, additional hours of free childcare, removal of family element, fuel duty freezes, limiting support to two children, work allowance cuts, pension tax relief cuts, Class 2 NICs abolition, benefit freeze & reducing UC taper to 63 per cent. Assumes full entitlement take-up, UC 80 per cent rolled out & measures affecting new claims/births half in place

Source: RF analysis using the IPPR tax-benefit model & OBR, Economic and Fiscal Outlook, November 2016

The red bars on the charts represent the policy changes introduced by Hammond’s 2016 budget. They are all beneficial, but they are not very large. On these projections, not only will average wages perform extremely poorly but the pain will also be disproportionately borne by the lower income segments of the population.