

## Budget 2013: Karen Rowlingson

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**[Karen Rowlingson \(/staff/profiles/social-policy/rowlingson-karen.aspx\)](/staff/profiles/social-policy/rowlingson-karen.aspx)**, Director of Social Policy and Director of the **[Centre on Household Assets and Savings Management \(CHASM\) \(/research/activity/social-policy/chasm/index.aspx\)](/research/activity/social-policy/chasm/index.aspx)**, contributes to opinion on the 2013 Budget.

Karen discusses the bedroom tax, benefits and the minimum wage.

"With the government broadly sticking to its 2010 tax and benefit plans, this budget will see the introduction of a number of measures that will hit those on the lowest incomes particularly hard.

For example, despite widespread opposition to the bedroom tax, the policy looks set to be introduced - albeit with some concession for foster carers and parents of members of the armed forces. This will place an additional strain on the budgets of those on the lowest incomes. The one per cent cap on increases in working-age benefits and tax credits will add to this strain still further as benefits continue to fail to keep pace with living costs.

The government defends these policies by pointing out that benefits have been rising faster than average earnings over the last five years but the longer term picture is rather different. Unemployment benefit/Jobseeker's Allowance was worth 22 per cent of average earnings in 1979 compared with only 15 per cent now. A single person is now expected to live on just £71 per week.

Of course, it is important to 'make work pay' and encourage people to look for jobs but when 1,700 people applied for just eight jobs in a new Costa Coffee shop recently, the problem does not seem to be lack of work incentives but just lack of jobs.

Another way to make work pay would be to increase the minimum wage and invest in training and skills to turn Britain away from being a low-wage economy. Of course, this all costs money. But money given to those at the bottom end of the income distribution is more likely to be spent than any money given to those at the top, stimulating economic growth in the process. A tax cut for those earning more than £150,000 is unlikely to stimulate demand in the same way that maintaining the real value of benefits would do."

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