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**Attention: industrial, economics, politics**

8 pages

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## **Cuts to hit poorest hardest**

The poorest ten per cent of the population will be hit 13 times harder by spending cuts than the richest ten per cent, according to new TUC commissioned research, drawn from the most comprehensive analysis of the effects of UK public spending ever undertaken, and published on the eve of the TUC Congress in Manchester.

The bottom ten per cent of the population will suffer reductions in services equivalent to 20 per cent of their household income, while the richest ten percent will lose the equivalent of just 1.5 per cent from the cuts that the government plans to implement by 2013.

Across the income distribution, the poorer the household, the more they will lose.

The research, carried out for the TUC by Howard Reed and Tim Horton, is based on the first comprehensive study that uses official figures to calculate how different groups in the population benefit from different public services. (The study does not take account of the impact of tax or benefit payments, which the IFS have already revealed to be regressive in their impact.)

It first shows that on average households benefit from £21,000 worth of services a year, with those on low or modest incomes gaining more than the better-off.

It next looks at the effects of implementing the £34 billion worth of cuts planned by the coalition by 2013, allowing for the Government's plans to ring-fence health and partially protect education and some other areas.

Even in cash terms the poor lose more than the rich. But when expressed as a proportion of household income the effect is starkly regressive across every income group. The poorest ten per cent lose services equivalent to more than 20 per cent of their income, the next poorest ten per cent lose 13 per cent and the third poorest 10 per cent, while the richest ten per cent lose 1.5 per cent. (These figures are included in a table below).

The study shows that lone parents (11 per cent) and single pensioners (9 per cent) are the social groups that lose the most, while childless couples lose least (3 per cent).

The cuts will reinforce the north/south divide in England. Households in the North-East will lose services equivalent to six per cent of their household income, while Londoners will lose less than four per cent.

TUC General Secretary **Brendan Barber** said, “Coalition ministers say their policies are progressive. They have promised that they will protect the vulnerable, not increase inequality and will not open up a new north/south divide.

“Yet today's figures show exactly the opposite. This is classic doublethink. They might say progressive, but these cuts will make the poll tax look as if it was dreamed up by Robin Hood.

“Each day it becomes more clear that there are alternative ways to drive down the deficit and that these deep cuts not only threaten services, but risk economic recovery.

“The only conclusion is that the government is making a political choice, not following economic necessity. But voters last May did not vote for a radical and permanent cutback in the scale and scope of public services.

“The poll tax was defeated when the decent majority said that it offended the deep sense of fairness that we share in this country across party divides. The cuts have only just started to bite. When their full extent becomes clear, I know the country will join with us in saying no to policies of such eye-wateringly unfairness.”

The study also examines the impact of all government policies, combining the analysis in the new TUC report, with the IFS study of the impact of tax and benefits. (Figures in table below). This shows that:

- service cuts will have a bigger impact than tax and benefit changes for all groups other than the richest ten per cent.
- Even though the richest ten per cent face increases in their tax bill, they still lose only one quarter of the losses faced by the poorest ten per cent.

The report examines the impact of the cuts on four typical families (more details below):

- A typical family with two young people on modest earnings will suffer cuts equivalent to 6.2 per cent of their income
- An affluent family with student children will suffer cuts equivalent to 4.2 per cent of their income
- A working lone parent with two children will suffer cuts equivalent to 10.4 per cent of her income
- A pensioner couple will suffer cuts equivalent to 16.2 per cent of their income

The full report is available at <http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>

### Case studies

These case studies illustrate the impact of the cuts to public services by 2012-13 as experienced by some sample families. We do not look at the impact of cuts to benefits and tax credits, but instead focus on the value of cuts to services received by each household. In each case, the value of cuts for each family reflects the amount that households with this income and these demographic characteristics will typically suffer. Characteristics that have been taken into account in deriving these figures include: income, housing tenure, age, household structure, region, and receipt of certain benefits.

#### The young family

Andy (35) and Anne (34) live in the North West of England with their two children Richard (13) and Chloe (10). Andy works full time on a salary of £25,000 a year, while Anne works part-time on a salary of £12,000 a year. They own their house with a mortgage. Richard and Chloe both go to state school and Andy and Anne are getting Child Benefit and Child Tax Credit (family element).

Under the Government's proposed spending cuts, Andy, Anne, Richard and Chloe will see cuts to their public services worth £1,859 per year by 2012 – and that's before you get to cuts in Child Benefit and tax credits. This cuts figure includes £600 of cuts to their education services, though the ringfencing of health spending means there are no cuts to health services. As the table shows, the cuts mean they lose spending on services equivalent to 6.2% of their household income.

Type of spending	Value of cuts (£)	Value of cuts (% of net income)
Health	£0	0.0%
social care	-£81	-0.3%
Housing	£0	0.0%
transport	-£83	-0.3%
education	-£600	-2.0%
other services allocated by income	-£107	-0.4%
other services allocated flat-rate	-£987	-3.3%
<b>TOTAL</b>	<b>-£1,859</b>	<b>-6.2%</b>

#### The affluent couple

Miles (55) and Gemma (50) live in the South East of England with their two children, Mary (23) and Jane (20). Miles works full-time with a salary of £60,000 per year; Gemma works part-time with a salary of £18,000 per year. They own their house outright. Mary is a recent graduate, living at home while she studies for an MA; Jane is currently at university, but still living with her parents in between terms. Under the Government's cuts, Miles, Gemma, Mary and Jane see cuts to spending on their services of £2,229 per year by 2012.

As the table below shows, this includes cuts to their transport services of £250 and education cuts of £369; if these translated directly into higher rail fares and course fees, then the extra money they will need pay amounts to 1.2% of their household income. In total, the family lose a value of spending on public services equivalent to 4.2% of their household income.

Type of spending	Value of cuts (£)	Value of cuts (% of net income)
Health	£0	0.0%
social care	-£103	-0.2%
Housing	£0	0.0%
Transport	-£250	-0.5%
Education	-£369	-0.7%
other services allocated by income	-£103	-0.2%
other services allocated flat-rate	-£1,403	-2.6%
<b>TOTAL</b>	<b>-£2,229</b>	<b>-4.2%</b>

### The single parent

Kath (32) is a single parent, looking after her two kids Rob (8) and Tim (6), while holding down a full-time job with a salary of £18,000 per year. They live in Wales, and their house is rented from the local authority. Rob and Tim are both at state primary school. The family gets Child Benefit, Child Tax Credit and Working Tax Credit to help with living costs.

Kath, Rob and Tim are hit particularly hard by the proposed spending cuts, with cuts to their public services equivalent to 10.4% of their household income by 2012, or £1,951 per year. Big cuts are felt in the areas of education services (£561) and housing services (£402) –this doesn't include the effect of Housing Benefit cuts or the freeze in Child Benefit.

Type of spending	Value of cuts (£)	Value of cuts (% of net income)
health	£0	0.0%
social care	-£87	-0.5%
housing	-£402	-2.2%
transport	-£21	-0.1%
education	-£561	-3.0%
other services allocated by income	-£125	-0.7%
other services allocated flat-rate	-£755	-4.0%
<b>TOTAL</b>	<b>-£1,951</b>	<b>-10.4%</b>

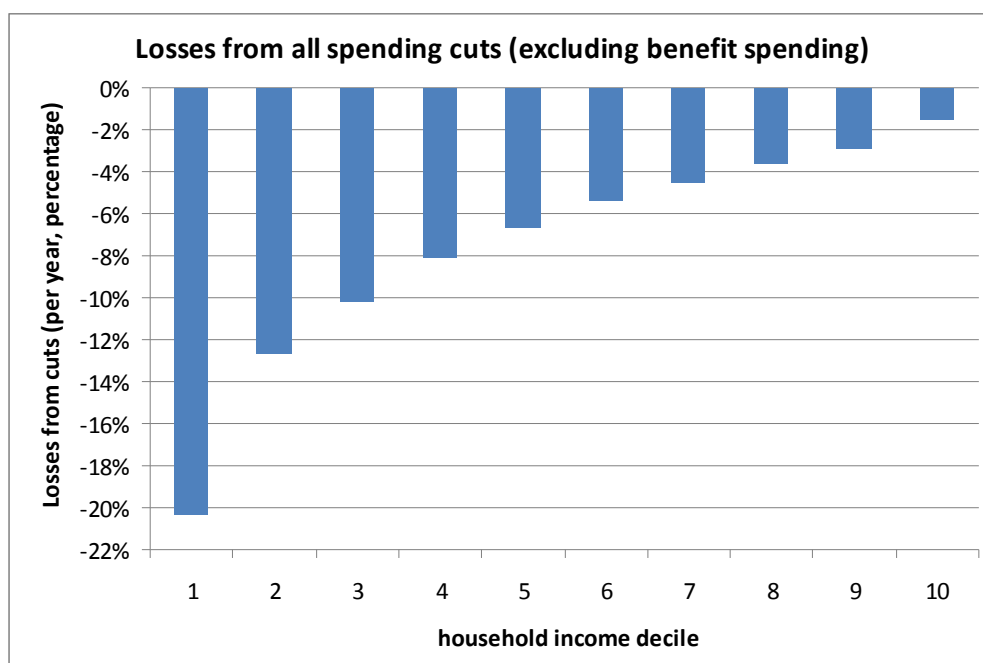
### The pensioner couple

Eric (76) and Judith (70) are a retired couple living in the West Midlands, where they rent their house from a housing association. They get Pension Credit to help them get by, and have no other sources of income.

Because of their low household income and their reliance on social care and housing provision, Eric and Judith are especially vulnerable to the cuts, even if they get more Pension Credit. In total, they lose spending on services equivalent to 16.2% of their household income, or £1,701 per year by 2012 – including £449 worth of annual cuts to their social care services. If they had to make up this spending on care services themselves, it would reduce their household income by over 4%.

Type of spending	Value of cuts (£)	Value of cuts (% of net income)
health	£0	0.0%
social care	-£449	-4.3%
housing	-£421	-4.0%
transport	-£14	-0.1%
education	£0	0.0%
other services allocated by income	-£111	-1.1%
other services allocated flat-rate	-£705	-6.7%
<b>TOTAL</b>	<b>-£1,701</b>	<b>-16.2%</b>

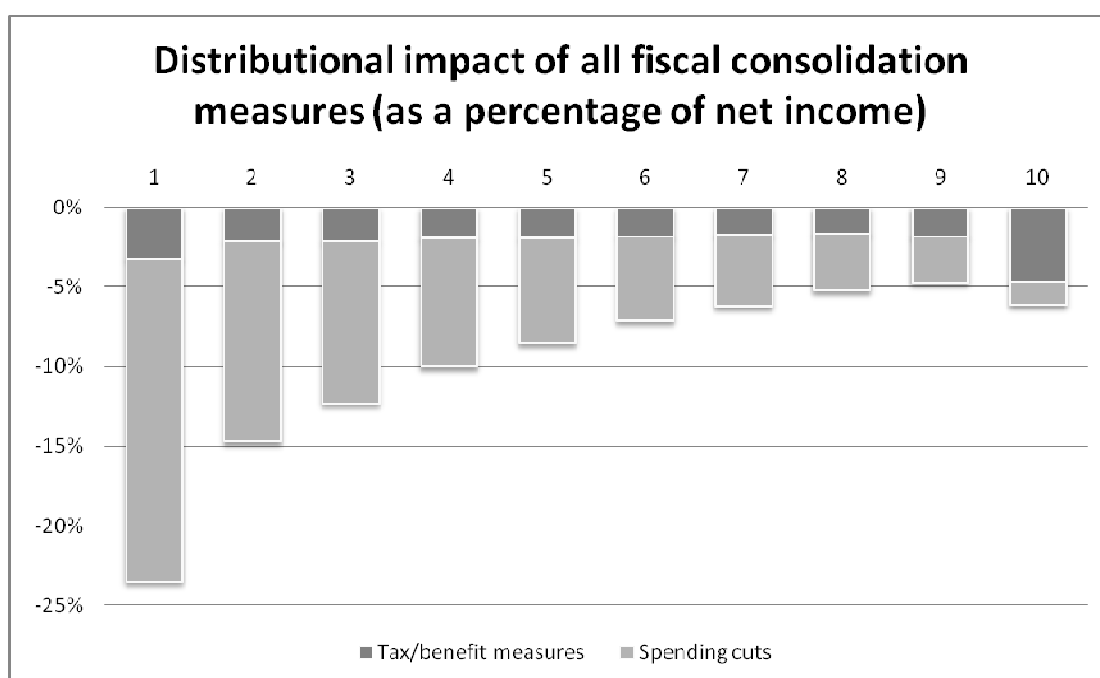
## Key figures from report



## Figures underlying this graph

**Losses from all spending cuts (excluding benefit spending) as a percentage of net income**

decile	Losses (%)
1	-20.3%
2	-12.6%
3	-10.2%
4	-8.1%
5	-6.6%
6	-5.3%
7	-4.5%
8	-3.6%
9	-2.9%
10	-1.5%



**Figures underlying this graph**

**Distributional impact of all fiscal consolidation measures (as a percentage of net income)**

Column 2 taken from TUC study, column three taken from IFS study

decile	Spending cuts	Tax/benefit measures	Total
1	-20.3%	-3.2%	-23.5%
2	-12.6%	-2.1%	-14.7%
3	-10.2%	-2.1%	-12.3%
4	-8.1%	-1.9%	-10.0%
5	-6.6%	-1.9%	-8.5%
6	-5.3%	-1.8%	-7.1%
7	-4.5%	-1.7%	-6.2%
8	-3.6%	-1.6%	-5.2%
9	-2.9%	-1.8%	-4.7%
10	-1.5%	-4.6%	-6.1%

**NOTES TO EDITORS:**

- All TUC press releases can be found at [www.tuc.org.uk](http://www.tuc.org.uk)
- Register for the TUC's press extranet: a service exclusive to journalists wanting to access pre-embargo releases and reports from the TUC. Visit [www.tuc.org.uk/pressextranet](http://www.tuc.org.uk/pressextranet)
- Congress 2010 will be held at the Manchester Central Convention Complex from Monday 13 September to Thursday 16 September. Free media passes are no longer being issued. Media credentials now cost £50 and can be collected in Manchester. If you would like a media pass, please visit [www.tuc.org.uk/congress/tuc-18063-f0.cfm](http://www.tuc.org.uk/congress/tuc-18063-f0.cfm) and return the form.

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