
The Institute for Fiscal Studies

PRESS RELEASE

Labour Manifesto

The IFS today publishes an analysis of the Labour Party proposals on welfare reform: IFS Election Briefing Note No. 9. It is available free from the IFS website www.ifs.org.uk/election/ebn9.pdf

Thursday 17 May 2001
FOR IMMEDIATE RELEASE

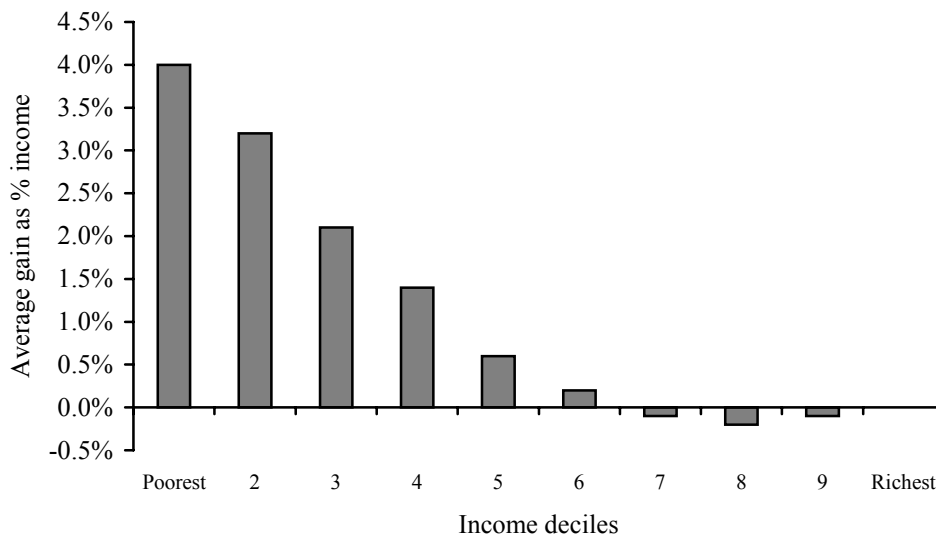
Contacts:

Mike Brewer, Tom Clark or
Matthew Wakefield on 020
7291 4800

Three new welfare ‘credits’ are proposed for different types of families – one for parents, one for pensioners on modest incomes and one for childless low-earners. Final details and costs remain unannounced but under particular assumptions about how these would operate, we estimate that they would together cost about £2.5 billion to introduce.

The figure shows how families in different parts of the income distribution would be affected on average.

Distributional effect of Labour tax and benefit reforms



The effects are progressive, with average gains for the bottom 60% of the income distribution, which are largest for families with the lowest incomes.

Labour also has plans to introduce ‘asset-based welfare’, which would involve the government directly providing families with financial assets. The government would invest a lump-sum on behalf of all babies, which the baby would benefit from when it reached adulthood; the state would also reward low-income families who saved. Beyond this, few details of these policies have been settled on. The merit of these policies depends on the exact aim, which remains undetermined. Once the aim is clear, consultation must help ensure the policies are effective in delivering it.

**** ENDS ****