Proportion of families receiving the majority of their income from the state declines under Labour

The proportion of families reliant on the state for the majority of their disposable income has fallen under Labour, having risen under the previous Conservative government, according to researchers at the Institute for Fiscal Studies.

The proportion of families receiving more in ‘net state support’ than from wages and unearned income rose from 25% in 1979 to 31% in 1996-97, before falling back to 28% in 2008-09.

For these purposes we define ‘net state support’ as the money families receive from benefits, tax credits, the State Earnings Related Pension Scheme (SERPS) and the State Second Pension (S2P), minus what they pay in income tax, employee National Insurance Contributions and Council Tax.

The proportion of families receiving more money from the state than they pay in these direct taxes – in other words the proportion for whom ‘net state support’ is greater than zero - rose from 35% in 1979 to 45% in 1996-97, staying at roughly this level in 2008-09.

Mike Brewer said: “Given the current Government’s decision to increase financial support for most poor families, it may seem strange that the proportion reliant on the state for most of their income has fallen. But this reflects the fact that more families are now in paid work, that newly retired pensioners are more likely to have private pensions, and that more families have enjoyed real increases in their wages and other private income under Labour than the Conservatives”.

ENDS

Notes to Editors:

1. We are grateful to Civitas for their financial support for this work.
2. The full report, "Proportion of families, and of individuals living in families, who have private incomes exceeding their net income from, the state", is available on the IFS website: http://www.ifs.org.uk/publications.php?publication_id=4402