Future challenges

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Low pay and welfare
Real median weekly employee earnings since 1997

Source: Annual survey of hours and earnings, deflated using CPIH measure of inflation
Those in working households now make up two thirds of working age poor

1994/95

56% 44%

2016/17

32% 68%

In a workless household

Someone in household in paid work

Note: Chart shows the composition of the population in relative after-housing-costs poverty.
Working age benefit spending has (only) been stabilised

Sources: Benefit expenditure and caseload tables 2018, GDP at Market Prices and Money GDP (BKTL series), Budget 2001
Notes: 1948-1954 GDP based on calendar years. Includes cost of Children’s Tax Credit in 2001/02-2002/03, based on forecasts in Budget 2001

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Despite four years of freezes leaving 10 million households on average £420 worse off

Notes: Average effect of the policy across all affected by the reform. Assumes full take-up of means-tested benefits and tax credits, with all claimants unaffected by the changes made in April 2017 for new benefit claimants.
Ageing and future of the state
Meanwhile number of pensioners starts to grow from 2020

Men and women aged over SPA

1.2 million rise between 2020 and 2026, compared to no rise between 2009 and 2020

Source: Author’s calculations using data from the Office for National Statistics.
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Ageing and health costs change shape of state

Per cent of national income


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69% of spending

66%

Health, pensioner benefits and long-term care

63%

The rest

38%

Per cent of national income

Total Managed Expenditure

Scope for big reductions in other spending?

**Prisons**
- spending cut by £3bn, or 16%, between 2009–10 and 2017–18
- since 2010 increases in: prisoner deaths (69%), self-harm (64%), assaults on prisoners (86%), assaults on staff (188%)

**Police**
- 19% reduction in total funding in England and Wales since 2010–11
- Number of police officers fell by 15% over same period

**Schools**
- 8% cut in per-pupil spending since 2009–10
FE and Sixth Form spending

- Further Education (16-18): 18% cut since 2010
- School Sixth Forms: 22% cut since 2010
- Adult Skills: 42% cut since 2010
Per capita cuts in local government spending

Cut to spending per adult, 2009-10 to 2017-18

-35% -30% -25% -20% -15% -10% -5% 0% All

-35% -30% -25% -20% -15% -10% -5% 0% Most deprived areas

-35% -30% -25% -20% -15% -10% -5% 0% Least deprived areas

Total local authority service spending

Adult social care

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Public pay now at historically low level relative to private sector

Note: A positive difference means that public sector pay is higher than private sector pay on average. Difference controlling for workers’ characteristics controls for differences in age, sex, education, experience and region.
Tax at historically high levels

Per cent of national income


Source: OBR Databank, March 2019

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Challenges even to maintain revenues

Growth of company owner managers

Failure to index fuel duty

Taxing multinationals and digital companies
Of course we can decide to tax more

Composition of tax receipts Source: OECD
And we need to sort out the tax system

Stamp Duty
CGT at death and entrepreneurs relief
Council tax
Taxation of pensions
NICs and self employment
VAT base

Big elements of income tax system not indexed
Dragging people in
Share of families with children not entitled to full child benefit

- Actual policy
- If thresholds uprated with inflation
Don’t forget...

Median pay is still below its 2008 level

“Absolute” poverty rates are barely shifting

Huge challenges for working age welfare

Unfinished business on social care, local government, FE and more

Costs of an ageing population are well and truly upon us

And our tax system is not set up to deal with this