



CPAG'S RESPONSE TO THE SPRING STATEMENT

A BRIEFING FOR PARLIAMENTARIANS

24 March 2022

Yesterday the chancellor missed the opportunity to give essential support to families hardest hit by rising living costs. By not increasing benefits in line with inflation, the chancellor has imposed a £663 real-terms cut on families with children receiving universal credit – the second cut in quick succession for families who recently lost £20 a week.

As inflation now pushes a thirty-year high and energy bills soar by 54 per cent, millions of low-income families hardest hit by price increases will find no reassurance in yesterday's announcements as they wonder how to pay their bills and provide for their children over the coming weeks and months.

With high inflation set to persist, and energy bills predicted to rise by another £1,000 in October, additional support will be needed to prevent unmanageable debt and harm throughout the year.

Without it, and in the face of the biggest hit to livings standards since the 1950s,¹ the number of children in absolute poverty will rise by 500,000.² Many families' budgets are already at breaking point, with nothing left to cut back – further pressure will mean more parents facing impossible choices as they try to shield their children from the consequences of rising prices.

Yesterday's announcements leave those most in need dangerously exposed to rising costs

The package announced yesterday prioritises middle and higher earners, and leaves those hardest hit by price rises with the least.

Low earners who need help the most will not benefit from the increase to the **national insurance** threshold from £9,600 to £12,500, which is worth more to higher earners than middle-income households. Only a third of this £6 billion announcement will go to the poorest half of households.³ Workers who receive universal credit *and* pay

¹ Office for Budgetary Responsibility, *Economic and fiscal outlook – March 2022*, 2022

² Resolution Foundation, *Inflation Nation: Putting Spring Statement 2022 in context*, 2022

³ Resolution Foundation, *Softening the blow: looking ahead to the Spring Statement 2022*, 2022

national insurance won't see the full benefit of the change – over half (55 per cent) will be clawed back by the universal credit taper rate.

Those earning less than £800 a month (the equivalent of working 18 hours a week or less at the minimum wage) won't benefit from the change to national insurance. Many of these workers will be parents with young children, unable to work full time.

The 5p cut in **fuel duty**, costing the government £2.4billion, will reduce costs for motorists but gives no direct benefit to many households hardest hit by price rises. One in three of the poorest households don't have a car.⁴

For the poorest households, the chancellor announced a £500 million six-month extension to the **household support fund** (just a twelfth of the spending allocated to changing the national insurance threshold). The fund was originally a way of providing councils with money to support families during the pandemic. Since the £20 cut to universal credit, it has become a way for the chancellor to push the consequences of his refusal to address inadequate levels of social security on to local councils.

[Our research](#) shows that councils in England are ill-equipped to distribute this money as the lack of long-term funding makes it difficult for them to identify those most in need and administer funds efficiently. Local welfare assistance needs a long-term funding settlement rather than a time-limited package to cover up for a real-terms cut to universal credit.

Most low-income families will be left to rely on the **council tax rebate** to support them with soaring costs over the summer. That simply isn't enough. The chancellor admits this will only help with half of the imminent energy bills increase.

Even after the council tax rebate scheme, lone-parent families in poverty face having to spend around £1 in every £4 of their disposable income on energy from April. Energy bills are due to increase in October by another £1,000 just as inflation is predicted to climb further to a forty-year high, increasing the cost of food, transport and childcare.

The government must recognise the scale of the challenge facing low-income families

The package of support announced yesterday prioritises middle-income households. It doesn't recognise the scale of the challenge facing families on low incomes, including many who are not expected to work such as disabled people and parents of young children.

Many front-line charities are already reporting record numbers of people seeking crisis support and help with debts. With no additional support for low-income households and the worst price increases yet to hit, we can only expect things to deteriorate.

⁴ 35 per cent of the poorest 10 per cent of households do not have a car. See Office for National Statistics, *Percentage of households with cars by income group, tenure and household composition: Table A47, 2020*

The chancellor has failed the children who needed him the most

Last autumn the chancellor said: "Everyone should be able to afford the essentials, and we are committed to ensuring that is the case". Millions of families hardest hit by rising living costs were looking to him to make good on his commitment through the spring statement.

But it is middle-income households and higher earners, better able to weather the worst of the crisis by cutting back spending on non-essentials, who have received the most from yesterday's announcement. Families with nothing left to cut back have been left dangerously exposed to rising costs, which will lead to more families falling into debt, parents skipping meals and children coming back from school to a cold home.

Voices from across the political spectrum, and 60 charities, called on the chancellor to increase benefits by 8 per cent to match inflation. This was the minimum needed to mitigate the worst impacts of this crisis on families with children in poverty. By not answering this call, the chancellor has failed the children who needed him most.

About CPAG

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high profile legal work to establish and protect families' rights.