

The government's proposed cap on benefits is based upon a questionable grasp of how the benefits system actually works, and would exacerbate difficulties for poor, out of work families.

Blog Admin

Tim Leunig takes a look at the figures behinds the government's proposed cap on benefits and finds that the changes are unjustified and would only serve to make the poor poorer.

This week the £26,000 [absolute cap on benefits](#) is [back in the news](#). To many people £26,000 sounds like a lot of money. It is, after all, the average wage. The idea that anyone out of work should get more than the average family appears offensive. That is why this policy plays so well with the public – and make no mistake, it does.



But the claim, repeated by the Department for Work and Pensions, that this policy is needed so that people on benefits do not get more than those on average earnings is a lie. People on average earnings are also eligible for benefits, particularly if they have a family.

If you earn £26,000 you pay about £5000 in tax and national insurance. But – if you have a family – you are eligible for in-work benefits. If you have a non-working partner, 4 children, and live in central London, then the online benefit checker says that you will get around £8,000 in tax credits, £16,000 in housing benefit and £3,000 in child benefit. Your benefits total £27,250, and your total income is £48,000 net.

If that person loses their job, then under the current system their income will fall by £15,000 a year, to £32,800 a year – surely a big enough fall to create an incentive to look for a job. The government wants this family's income to fall further, to £26,000.

You can argue, if you wish, that £32,800 is too generous, although [as Sandi Toksvig might remark](#), that is to put the “n” into “cuts”. But what you can't argue is that we need a £26,000 cap to prevent the unemployed family being as well off as the family on average earnings because it simply isn't true. The unemployed family is already 33% worse off than the employed family, and has less than half the disposable income once you subtract housing costs.

The only grounds to support the £26,000 cap is believing that unemployed people with large families should be poorer than they currently are. If you believe that, support it. If you don't, oppose it.

This article [first appeared](#) on Lib Dem Voice on 15 June.