

How fair are planned cuts to the social security budget?

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We examine the arguments for and against the government's planned social security cuts in the green paper, looking at fairness (the moral case), public attitudes (the political case), and its impacts on other priorities (the policy case). We find that the government's proposed cuts do not pass the fairness test in relation to our five principles (the 'fair necessities'), and that they cut across increasing public concern about an inadequate social safety net while undermining the prospects of achieving all five missions, including growth, and damaging faith in both democracy and social cohesion. There are alternatives.

THE FAIRNESS ARGUMENTS

Fairness principles	Arguments for cuts	Arguments against cuts
<i>Everyone should have their basic needs met so that no one lives in poverty and all can play a constructive role in society (<u>fair essentials</u>)</i>	Cuts will make the social security system more sustainable, ensuring that it can continue to support those in greatest need (such as disabled people who will never be able to work).	Social security cuts will affect <u>millions</u> of people in lower-income households, and will push many into (or deeper into) <u>poverty</u> , while increasing <u>inequality</u> . The Labour government was voted in with a mandate to tackle inequality and fix public services, but is prioritising meeting its fiscal rules over people's basic needs.
<i>Everyone should have a decent chance to succeed in life, so we should remove the key barriers that prevent people from having equal opportunities (<u>fair opportunities</u>)</i>	Dependency on social security limits opportunities. The state has a moral duty to help people maximise their potential, by preventing them from falling into long-term economic inactivity and incentivising and helping them to find work.	The main drivers of economic inactivity, and barriers to opportunity, are not perverse incentives but the very issues that will be exacerbated by social security cuts – poverty and inequality. These undermine people's <u>mental and physical health</u> and their <u>educational attainment</u> . <u>Wealth inequality</u> disincentivises work by making <u>what you own</u> (including housing) more important than what you earn.
<i>Everyone's hard work should be rewarded on the basis of their contribution to our society and economy (<u>fair rewards</u>)</i>	The social security system should incentivise work over benefits, by ensuring that people are always rewarded for working (and for looking for work) where they can.	The focus on paid work undervalues other forms of social contribution, including <u>unpaid care work</u> . Many people with <u>disabilities</u> face additional costs. Many people on benefits are in <u>low-paid jobs</u> that do not cover the rising costs of living.
<i>Everyone should contribute to society by paying the taxes that they owe, and in return they should be supported by society when they need it (<u>fair exchange</u>)</i>	Getting more people into work will increase tax revenues while reducing spending pressures, and avoid a situation where taxpayers are subsidising some people who could work but do not.	The key barrier to increasing economic activity is not that the social safety net is too generous, but that it is threadbare. Supporting those in need is a key part of the <u>social contract</u> , especially given that a key reason that they are in need is that our unequal society undermines their <u>opportunities</u> to contribute to it, but our <u>social security system</u> fails to meet people's basic needs or to help them to contribute.
<i>Everyone should be treated according to need, with equal respect and influence on decisions made in their name (<u>fair treatment</u>)</i>	Our social security system should help people to get into (or back into) work, to give them a sense of pride, dignity and respect.	<u>Fair treatment</u> and equal dignity and respect should not only apply to those people who are able to work; everyone should benefit from these fundamentals. These cuts will disproportionately affect disabled and vulnerable people, who are not being given enough <u>input</u> into policy changes that treat them as targets for cuts rather than as <u>equal citizens</u> .

WHAT THE PUBLIC THINK

Ipsos found that people believe the social security system should provide security in retirement, a reliable safety net, and supporting people to get back to work.

While 44% believe that cheating the system has played some role in the increase in people claiming disability benefits, similar numbers think that key reasons for the increase are that we recognise more health conditions as valid reasons for not working (43%), and that people are facing delays in receiving the medical treatment that they need (41%).

Opinium found that people are more concerned about benefits being too restrictive than about them being too generous.

The public are more likely to lean towards thinking that “it is worse if a person who does deserve benefits can’t get them” (46%) than thinking “it is worse if a person who doesn’t deserve benefits receives them” (32%).

BROADER POLICY CONSIDERATIONS

Impacts of social security cuts on the government’s missions

Social security cuts will increase poverty, income and wealth inequality, and rates of physical and mental illness. These in turn will undermine all five of the government’s missions. Poverty and ill health undermine productivity, while economic inequality denies people opportunities to contribute to our economy, wasting talent and undermining growth.

Impacts of social security cuts on democracy

The sense of unfairness exemplified by social security cuts is likely to further undermine low levels of public faith in the ability and willingness of ‘mainstream’ politicians to improve their lives and the life chances of their children, leaving the door open for authoritarian populists.

Impacts of social security cuts on social cohesion

Social security cuts, and the increasing poverty and inequality that they will cause, combine with a sense that the economic ‘winners’ in society play by a different set of rules to everyone else, and that those who have not achieved financial success are not worthy of dignity and respect. This growing issue is likely to undermine trust and increase social divides, leading to an increased risk of rioting and broader social unrest.

For more on the impacts of inequality on growth, opportunity, democracy and society, see our [Wealth Gap Risk Register](#).

ALTERNATIVE APPROACHES TO FUNDING THE GOVERNMENT’S PRIORITIES

Increasing taxes on wealth

Raising taxes on wealth would raise considerably more money than making damaging cuts to the social security system, while helping to correct a demonstrably unfair imbalance in the tax system between levels of taxation on employment income and wealth. Further reforms to capital gains tax could raise £12 billion per year; applying National Insurance to investment income could raise £10.2 billion per year.

Relaxing fiscal rules

Leading economists have urged the Chancellor to bend her fiscal rules or raise taxes instead of cutting social security in response to growing spending pressures, arguing that markets are unlikely to be spooked by changes to these self-imposed limits in a rapidly changing global context, especially when other countries are taking this approach.