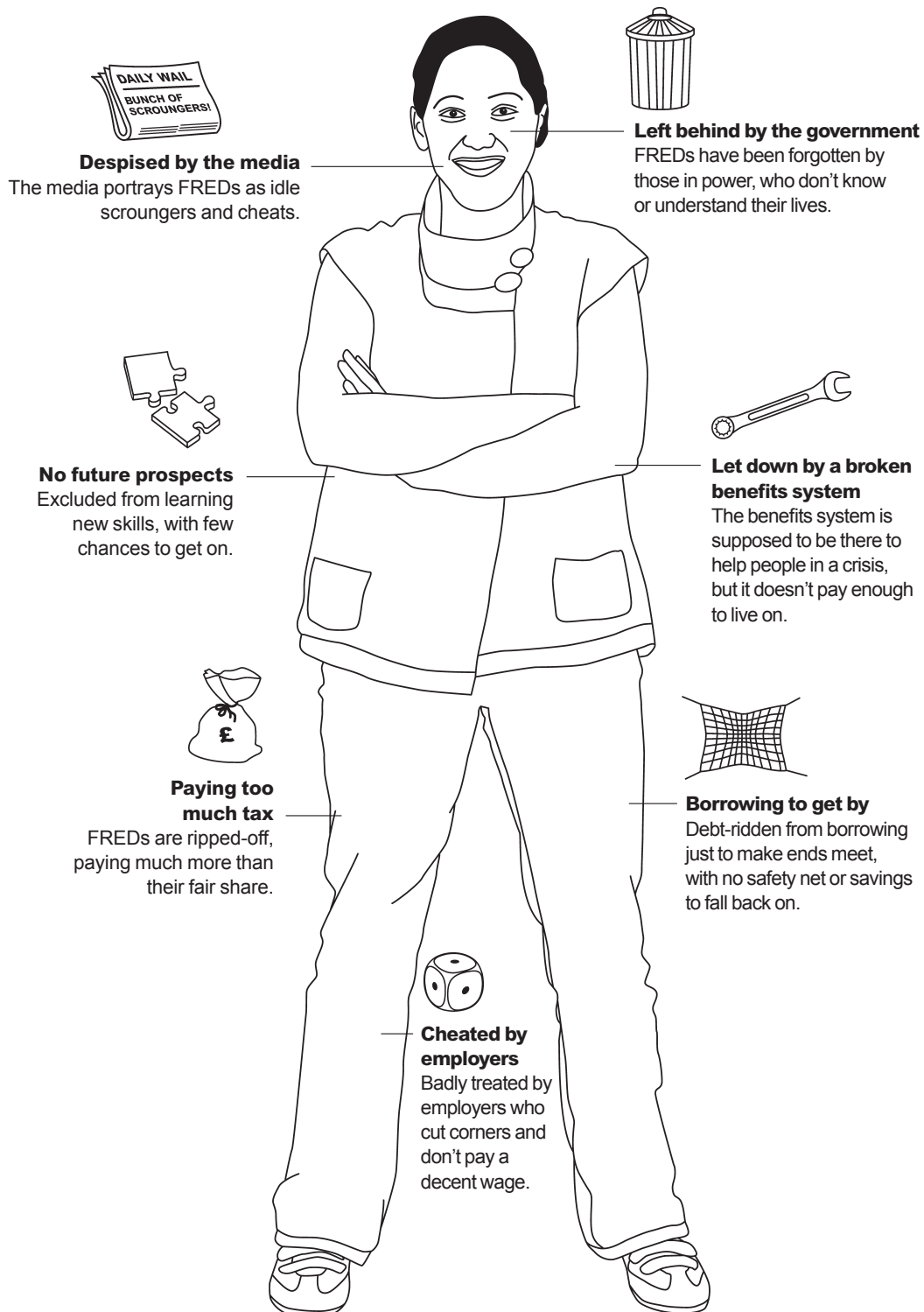


# We'd like you to meet FRED...

The UK is fast becoming a nation of FREDs. Forgotten by those in power. Ripped-off by taxes and the benefits system. Excluded from opportunities. Debt-ridden because they can't afford to get by.



# Who is FRED?

FRED symbolises the people in the UK who are least equipped to cope with the effects of the recession. Maybe they were living below the poverty line before the economy went downhill, or maybe they were getting by. Now though they are struggling, and don't have savings or other resources to fall back on. These people will have different stories and different experiences. They'll be women and men, older and younger people, people who are working and not working.

But what they have in common is that they are vulnerable. Unless we act now, this recession may take away their jobs, their incomes, their homes, and their life chances. And once those things have gone, they are incredibly hard to replace. People who suffer the worst effects of a recession often don't ever recover, and may find it much harder to get back into work and earn enough money to live on in the future.

Even before the recession started, 13 million people in the UK were already living below the poverty line.<sup>1</sup> That's outrageous in the sixth-richest country in the world. And more people are falling below that poverty line every day, as they lose their jobs and their homes.

## **Forgotten**

It's easy not to notice FREDs. They get forgotten by those in power, who don't know or understand their lives. After all, they often don't even vote.<sup>2</sup> They don't have a loud voice or their own campaign to demand that things change. And they are despised by the media, who call them scroungers and cheats, and tell them that if they're poor it's their own fault.

## **Ripped-off**

In Britain, people who lose their jobs or can't work don't get enough to live on. You'd think the welfare state would pay you a minimum income that you can get by on. But you'd be wrong:

Jobseeker's Allowance pays just £60 per week for all your expenses apart from housing.<sup>3</sup>

Most people can't live on that. And, for FREDs, the benefits system is broken – failing to keep up with changes in their lives, and making it harder, not easier, to get back into work. To top it all, FREDs are ripped off by a tax system that takes proportionately more from people on low incomes<sup>4</sup> than people on higher incomes – how is that fair?

## **Excluded**

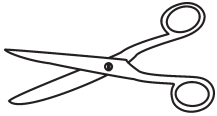
Most FREDs work in low-paid jobs with few opportunities to get on, and more than two million have jobs where they are exploited and underpaid by their employers.<sup>5</sup> This exploitation takes many forms: from being illegally paid less than the national minimum wage or working in dangerous environments without essential safety equipment, to having no holiday or sick pay or being sacked for getting pregnant. And, excluded from learning new skills and trapped in low-paid work, many people don't see how they can raise their income or get on.

## **Debt-ridden**

FREDs live in or on the edge of poverty. They might manage on a low income day-to-day, but they have nothing to fall back on in a crisis, as they have no savings or other financial resources. That's even more true in a recession. Something unexpected, even something mundane like a broken boiler, can pose a real problem and force people into debt to get by. Unscrupulous lending at high interest rates, such as through doorstep lenders or payday loan shops, often turns a short-term difficulty into a long-term crisis for people on a low income. And paying off debt in turn leads to more debt, as you borrow more just to pay for the costs of living day-to-day. Debt particularly penalises women, who often borrow money to make sure their families have enough.

# The need for action

Politicians have already accepted that in extraordinary times, it can't be business as usual. They put together a huge rescue package for the banks and financial sector. The British economy needs help – but so do FREDs. And here's how the government should do it:



**Reduce taxes on people on low incomes** – make the tax system fairer by increasing the level of earnings that are exempt.

The tax threshold currently starts at £6,035.<sup>6</sup> We think it should be raised so that FREDs, who work hard for low wages, can keep more of their income. The gap should be made up by increasing taxes on wealthier people. As well as helping FREDs, this helps us all, as countries with a smaller gap between the richest and the poorest are fairer and happier.<sup>7</sup>



**Create sustainable jobs** – get Britain ready for the future by major new investment in renewable technology, affordable housing and free child and social care.

Right now, people who have been made unemployed need new jobs, and the economy needs people to work so that they can spend their money, keep other people in work and counteract the recession. And we know that climate change, the housing crisis and the ageing population all pose challenges for the future. So what better way to solve all these problems at once than by massively expanding these three key sectors?



**Raise benefits and tax credits now** – make sure that everyone, in and out of work, has a basic income that is enough to live on.

Benefits have been steadily falling in value compared to wages. Jobseeker's Allowance is now just £60 per week for most adults – a precipitous drop in income if you become unemployed. For reasons of fairness, the UK should guarantee all people have a basic income to live on. And for pragmatic reasons, we should top up benefits to encourage spending. An increase of £15 per week in Jobseeker's Allowance would merely bring it back to its 1997 value.<sup>8</sup> And extra support through tax credits would go a long way to helping families get through the recession, as well as helping to end child poverty.



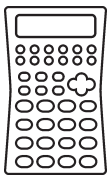
**Reform the welfare system** – make it easier to move from benefits into work and help people achieve a decent income.

At the moment, the benefits system is inflexible and doesn't respond adequately or quickly enough to changes in people's lives. Too often FREDs report that their benefits take weeks to come through, often pushing them into debt in the meantime. The welfare system is no longer fit for purpose. It neither provides a safety net of enough money to live on, nor does it reflect the changes in society since it was set up, such as the growth in temporary and part-time jobs. What we need is a system that doesn't stigmatise claimants but provides a stepping-stone to work and a decent income.



**Protect people at work** – stop employers cutting corners.

In a recession, when everyone's worried about their job security, bad employers feel that they can get away with more. That's why now, more than ever, the government must protect workers by enforcing the law and making sure the recession cannot be used as an excuse to treat people unfairly.



**Fund low-cost credit** – help people get through a crisis by setting a maximum interest rate on loans and making government help easier to get.

Payday loans and doorstep lending are often the only resort for FREDs when they're faced with

an unexpected or large expense. Often the interest rates charged for the type of credit available to people living on low incomes are punitively high, leading to an ongoing struggle to pay off the debt and pay for everything else they need. So the government should set a maximum level of interest for credit. They should also provide a real alternative, by making it easier and quicker for people to get help in emergencies through the Social Fund – the government loan scheme to help people living on low incomes deal with unexpected expenses.

**That's it: six points to make the UK a fairer and more sustainable society. A rescue plan for ordinary people. And a chance to avoid a prolonged recession blighting the life chances of millions for decades to come. It's time for the government put it into action.**

**For more on FRED visit [www.oxfam.org.uk/FRED](http://www.oxfam.org.uk/FRED)**

<sup>1</sup> When poverty is measured as living on an income of below 60 per cent of median income: p.37, Poverty and Inequality in the UK, Institute for Fiscal Studies, 2008.

<sup>2</sup> Election 2005 Turnout, Electoral Commission, October 2005 <http://www.electoralcommission.org.uk/document-summary?assetid=47256>

<sup>3</sup> Jobseeker's Allowance (JSA) for a newly unemployed person over the age of 25 is £60.50 per week (£47.95 for people aged 16-24). Department for Work and Pensions website, accessed on 25 March 2009.

<sup>4</sup> The Effects of Taxes and Benefits on Household Income, 2006/07, Office for National Statistics (July 2008)

<sup>5</sup> Commission on Vulnerable Employment, TUC, 2008

<sup>6</sup> HM Revenue and Customs website

<sup>7</sup> The Impact of Inequality: How to Make Sick Societies Healthier, Richard G Wilkinson, London 2005

<sup>8</sup> Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings, 2007 Edition, Department for Work and Pensions (2008).