



House of Commons
London SW1A 0AA

The Rt Hon Theresa May MP
Prime Minister
Prime Minister's Office
10 Downing Street
London
SW1A 2AA

Our Ref: ZA4943
21 November 2016

Dear Prime Minister,

We write to request that reconsideration be given to existing plans to cut funding to work allowances for those on Universal Credit (UC). On the steps of Downing Street, you pledged to form a Government committed to helping those 'just managing families'. This has been welcomed, not only by our Party, but more importantly by the country. Living up to this purpose and direction must be our driving mission, not least to heal the rifts in the country which arose from the referendum, but to show that politics, and politicians, can deliver for those who have lost faith in the system of Government.

The expected rise in inflation, meaning higher costs of living, and lower wage growth will impact especially upon those just managing. As a first step, we must show our actions will not worsen the situation for those families. We believe the Autumn Statement will present the opportunity to do this; to put words into actions.

The combination of these work allowance cuts and the four-year freeze to working-age benefits means that despite income tax cuts, the introduction of the National Living Wage and the 30 hours of free childcare policy, over 2.7 million working families with children – families at the heart of those who are 'just managing' – will be on average £1,500 worse off per year under Universal Credit.

It is clear that UC work allowance cuts will have serious income impacts on those 'just managing families' but they also make the new scheme less generous on average than the current tax credit system. With UC being gradually rolled out across the country, families claiming UC will find themselves worse off than a family in the same situation, sometimes living in the same town or city, except they are claiming protected legacy tax credits.

But moreover, they also undermine the dynamic benefits of Universal Credit in rewarding work, and encouraging a return to work and increased work.

- Home-owning single parents will be over £3,000 a year worse-off working full time than under the current tax credit system. Their gain from working will be equivalent to less than £4 an hour – less than half of the National Living Wage.
- Second earners are set to lose 65p of every £1 earned from the moment they enter work. A parent with a working partner and two young children, who returns to work in a full-time job at the National Living Wage could keep only £5,000 of their £17,000 gross earnings. If they also have to pay for additional childcare costs, these gains would fall further, to only £3,000 – less than a fifth of their total pay.

The Autumn Statement is the first key fiscal event for your new Government and we believe it provides the opportunity to think through this policy again. We are aware the Treasury faces a difficult economic backdrop. However, we believe that priority should be given to providing targeted support for the 'just managing', through halting the planned cuts to work allowances. The Treasury has options as to how this can be achieved, as illustrated in the paper attached.

The Government faces some difficult decisions ahead, but by acting now, and reaching out to those families in most need of support, it will demonstrate to the country just how serious its focus on supporting the 'just managing' is. Your vision for unity in our country, which we share, will be realised if we treat a UC family the same as their tax credit neighbour.

We urge you to reconsider these planned cuts and would be happy to meet with you to discuss further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Johnny Mercer', with a stylized flourish at the end.

Johnny Mercer
Member of Parliament for Plymouth Moor View