

POLICY  
THUMBNAIL

# Stepping Off The Benefits Treadmill

Reforming benefits to slash poverty by equipping people to live proudly independent lives.



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# THE PROBLEM

Living standards have improved hugely in the last 40 years and yet, over the same period, reported poverty has hardly changed & benefits payments still cost taxpayers billions each year.

This paradox is because we define anyone on less than 60% of national median earnings as poverty-stricken. But describing poverty as income inequality rather than someone's actual standard of living aims at the wrong target because:

- It ignores any potentially-significant help that isn't paid as income (eg someone living with their parents may have better housing & more disposable income than their higher-paid friend in an expensive, low-quality rented flat).
  - It ignores how income is spent (eg an addict who spends everything on their habit will have a lower standard of living than their lower-income neighbour who doesn't).
  - It ignores how the purchasing power of identical incomes vary across the country (eg a London family will have a lower standard of living than one on the same pay in Hull).
- It ignores the effects of savings & wealth (eg a retired person who owns their home & has paid off their mortgage may have a better standard of living than a higher-income person who doesn't)
  - It assumes low-paid people have a higher standard of living if their better-paid neighbours do badly (eg measured poverty would fall if Britain's 100 richest people threw all their money into the sea, even though their low-paid neighbours' situation hadn't changed at all).
  - It temporarily bandages the symptom of poverty (low income) rather than sustainably treating its underlying causes (eg low skills, addictions, poor health, low ambitions)

Framing poverty this way embeds a powerful income-equality ratchet into the heart of Britain's welfare state and means the true intention of our system is really to redistribute wealth rather than to solve poverty. This is misleading, immoral & wrong. It must change.

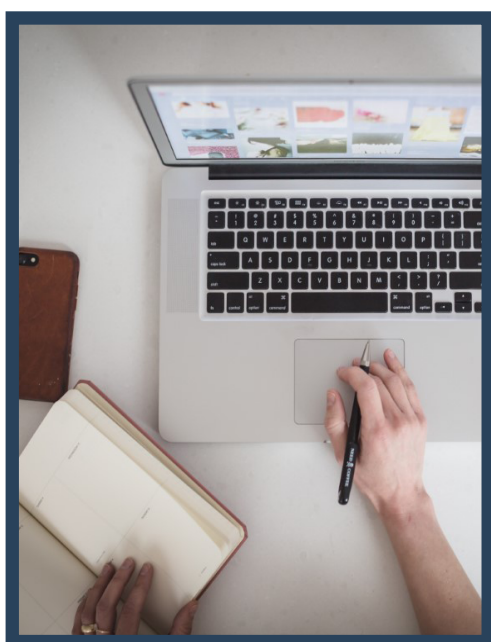
# THE SOLUTION

To solve this problem we will

1. Create a new official definition of poverty based on people's actual standard of living (eg whether they have enough food; housing; clothes etc) rather than income, and update laws, Government policies and statistics to use the new version instead.
2. Reset the benefits system's top priority, to become equipping claimants with whatever skills, attitudes or physical aids they are currently missing to live fully independent lives as soon as possible. This will mean:
  - a) Ensuring all Government-provided back-to-work programmes include a high-quality, independent, prompt & public post-completion evaluation of their success or failure rate, before they can be renewed or repeated (there are more details on this in [A New Public Productivity Act](#))
  - b) Expanding the Universal Support programme to cover every working-age claimant whose standard of living is below the new poverty line.
  - c) Updating all benefits withdrawal rules to eliminate 'cliff edges' and other barriers so it always pays for benefits claimants to work (there are more details on this in [Making Work Pay](#)).



3. Reset the benefits system's secondary priority to become temporary support for claimants to stay above the poverty line until they are capable of doing so independently themselves. This will mean:
  - a) Face to face interviews for all benefits claimants, initially to confirm their claims are accurate & valid to keep them out of immediate poverty, & thereafter to assess their progress towards independent living & upgrade their support programmes if it is too slow.
  - b) Flexing the initial '5 week wait' before the first payment of a new Universal Credit claim, which can currently push claimants without enough savings into poverty. For those claims, the initial payments will start at the same frequency as each claimant was previously paid (ie daily, weekly or fortnightly) with the frequency being lengthened progressively & in manageable steps over time until it becomes monthly like everybody else.
  - c) Maintaining Universal Credit & Housing Benefits payments at the level needed to provide the basket of basic goods for claimants to stay out of poverty, and reassessing all other benefits (including 'passport' benefits like motability) against the same criterion. The state pension would be excluded from this process because it has a different purpose (there are more details on how to upgrade & improve it in [A Nation of Capitalists](#)).



## THE BENEFITS

1. Joblessness, benefits bills, taxes & poverty rates will all fall as we shrink the need for parts of the welfare state, by equipping more people to live proudly independent lives.
  2. Introducing a new, official & legal definition of poverty will abolish the income-equality ratchet at the heart of the welfare state, refocusing it on sustainably fixing the underlying causes of each household's low living standards instead of expensively bandaging the symptoms.
  3. Introducing stronger & more independent evaluation of back-to-work programme successes & failures will install a powerful continuous-improvement engine in the Department for Work & Pensions (DWP), so the most effective programmes are expanded while poor-performers are improved or closed.
4. Expanding the Universal Support programme to cover every working-age claimant whose standard of living is below the new poverty line will develop their ability to live independently with few or no state benefits as fast as possible.
  5. Updating benefits withdrawal rules to eliminate 'cliff edges' and other barriers in line with the proposals in [Making Work Pay](#) will significantly strengthen work incentives, so it always pays for benefits claimants to work.
  6. Reintroducing face to face interviews for all benefits claims will reduce poverty levels while saving taxpayer cash by:
    - a) ensuring that anyone with unacceptably low living standards is kept out of poverty by correctly claiming all the benefits they are entitled to receive.
    - b) getting claimants out of poverty faster and more sustainably by regularly checking their progress towards independent living, and updating the support which they are receiving to achieve it if needed.
    - c) reducing the number of inaccurate claims which shouldn't be approved
  7. Changing Universal Credit's initial '5 week wait' will avoid pushing claimants who haven't got enough savings into poverty, without adding anything to taxpayer costs.
  8. Maintaining all benefits payments at the level needed to provide the basket of basic goods for claimants to stay out of poverty will save taxpayer cash while keeping all claimants above the poverty line.

# THE SOUNDBITES

*Our aim should not be to live with poverty, or to manage its symptoms so the pain becomes a bit more bearable, but to abolish it completely. Forever.*

*The benefits system costs taxpayers billions and only puts sticking plasters on the symptoms of poverty and unequal life chances. We need to treat the underlying causes as well.*

*Why is poverty still with us after 70 years of the welfare state?*

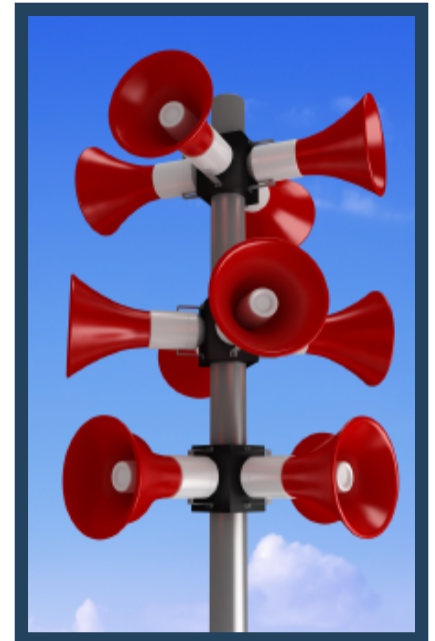
*Bigger citizens need smaller Governments.*

*Bigger citizens lead proudly independent lives.*

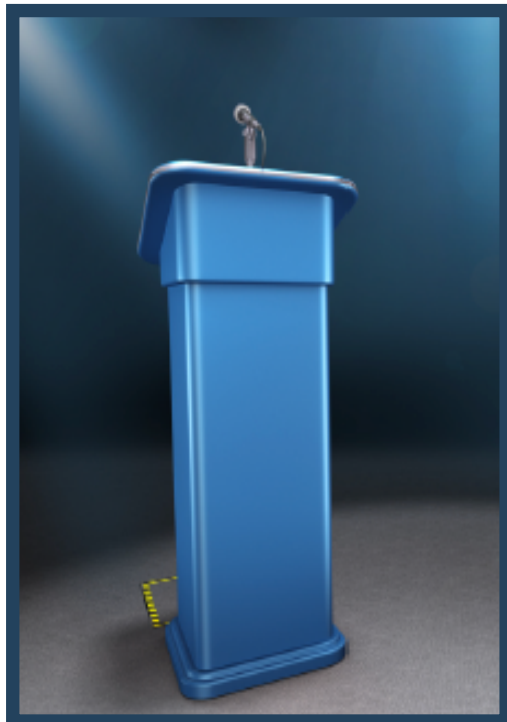
*How is my standard of living improved by making yours worse? Pretending we can solve poverty this way is a con.*

*Paying a drug addict more benefits won't move them out of poverty. It will just fund their next fix.*

*Britain's benefits system is designed to redistribute wealth rather than solve poverty. That's unfair, immoral & wrong. It must change.*



# THE REBUTTALS



## ***1. Same old Tories picking on the lowest-paid.***

Benefits will never be more than a short-term sticking-plaster for low living standards. If we want a sustainable, long-term solution then we've got to stop treating symptoms and fix the underlying causes instead.

## ***2. 60% median pay has been the international gold standard definition of poverty for decades. What makes you think you know better?***

It may have been widely used in the past, but now lots of people from across the political spectrum (like the Joseph Rowntree Foundation, the Social Metrics Commission & the Legatum Prosperity Institute) are discussing alternatives.

## ***3. Isn't this just the Tories trying to lower the bar on poverty because they don't know or care about the problem? Are you so intellectually bankrupt that you're giving up?***

Quite the opposite. The old approach trapped people on an endless, hopeless, ruinous treadmill of welfare dependency, without giving them the tools to get off. Even the Scandinavians haven't been able to solve poverty this way.

***4. Everyone knows that poverty is caused by low incomes. Why are you gaslighting us by pretending it isn't?***

We'd agree that low income is a symptom of poverty, but the causes are things which stop you climbing out of it like low skills, addictions, few friends & social capital, poor health or weak ambitions. Benefits payments won't fix any of those.

***5. Isn't this just a smokescreen to create an excuse for savage benefit cuts for the most vulnerable & least well-off?***

Hardly! Benefits should be a short-term, emergency fix to keep claimants above the poverty line until they can get back on their feet and fend for themselves.

***6. What about people who are too old or ill to work? How are they supposed to get back on their feet & fend for themselves?***

None of these reforms would affect the state pension, and we've already published proposals to upgrade & improve it in future (details in [A Nation of Capitalists](#)). And for people who are too ill to work, going back to face to face interviews will mean better-tailored support as their condition improves or declines over time.

