

Not only do the lowest paid pay most tax - they also su...

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I have already noted one inconvenient truth that the government has tried to hide on income distribution this morning. Polly Toynbee has addressed another in the Guardian and that relates to universal credit, [on which she says](#):

A hard blow to the boast 9that universal credit makes work pay] is delivered this week in [figures on universal credit from the Joseph Rowntree Foundation](#). Here's the real shocker: families who work full-time can easily find themselves with less money in hand than if they work part-time. Everyone is better off moving into work — as they generally were under Gordon Brown's tax credits — but if a family with young children works more than 10 hours they will generally earn virtually nothing extra, and some will end up with less. This is because universal credit is withdrawn at a steep rate as people earn more.

Take a typical single parent with two children: if she works a day and a half on the minimum wage, it's worth her while and she takes home, with the credit, £268. But if she decides to work three days a week she only earns £6 more. If she goes full-time, she is actually worse off, falling back with £2 less. This, [explains economist Donald Hirsch](#), author of the JRF report, is because as she earns more the withdrawal of universal credit, taxation and childcare costs are so steep.

With two-parent families the disincentive story is the same. In a family with two young children, if one partner works there is no incentive in universal credit for the second partner to take a job. Don't glaze over, look at these figures: if one parent is working full-time on the minimum wage taking home £346 a week, when the other gets a full-time job, their income generally only improves by £29 for her five days at work. (And she earns less full-time than if she worked three days).

As she concludes:

The Spectator's editor, Fraser Nelson, points out, as Duncan Smith often does, that the present benefit system can take 98% away from claimants as they earn more, in some rare cases. Universal credit is intended to solve that, he writes, [bemoaning the "glacial pace" of its roll-out](#). "It has never been more urgently needed."

What he doesn't say is that universal credit will withdraw 65p from every pound its recipients earn. High earners protested they wouldn't get out of bed when top tax was 50%, so the chancellor obligingly cut it to 45%. While hard-working, honest people on universal credit leave home at dawn, blinds would certainly stay down in Mayfair mansions if they had to pay a 65% tax rate.

This is the reality of the government's offering. Not only do the poorest in our society [pay more tax as a proportion of their income](#), they pay higher marginal rates.

Howard Reed and I wrote about how to tackle this for the Class think tank, [here](#). We have shown that this is not needed: we could have a genuinely fair and progressive tax and benefits system. What we need is political will and something else, which is a belief that most people really do want to work. It is innate in us. Right wingers and economists deny this but they are wrong. And it they who have created this poisonous environment in which we live as a result. That is what we have to change.