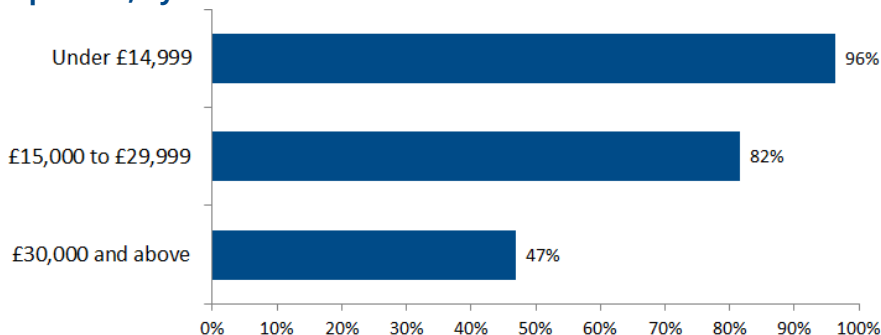


Changes to Working Tax Credit currently being considered by the Government could leave many affected households worse off by £100 per month.¹ Citizens Advice carried out a survey to find out how people would deal with this kind of reduction in their monthly budget. Between 29 October and 4 November, 505 people responded to an online questionnaire. Not all were current Tax Credit claimants; they came from across the income distribution and represented all types of households.

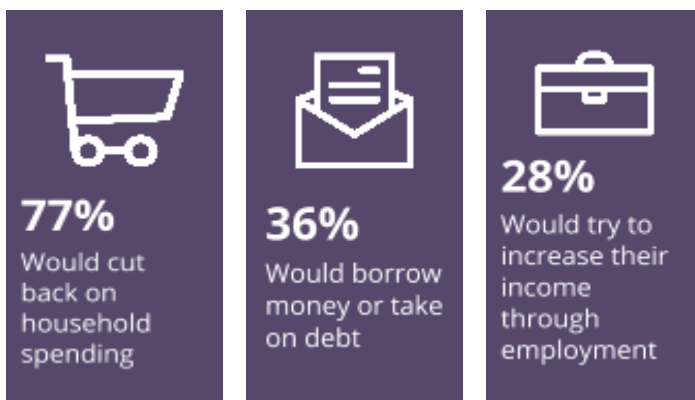
How people would cope with a £100 reduction in monthly budget

Over half (52%) of all respondents reported they would find this reduction in monthly income 'very difficult' to cope with. 22% would find it 'fairly' difficult, while 15% would find it 'fairly' or 'very' easy.

Percentage finding a £100 reduction 'very' or 'fairly' difficult to cope with, by annual household income



What measures people would take to deal with a £100 reduction



What would be the impact of £100 monthly reduction?

Reduction for me and my children. Because I'm self employed I couldn't rely on an increased living wage to compensate.

My son would end up with a lot less - school trips, school dinners, days out and family holidays.

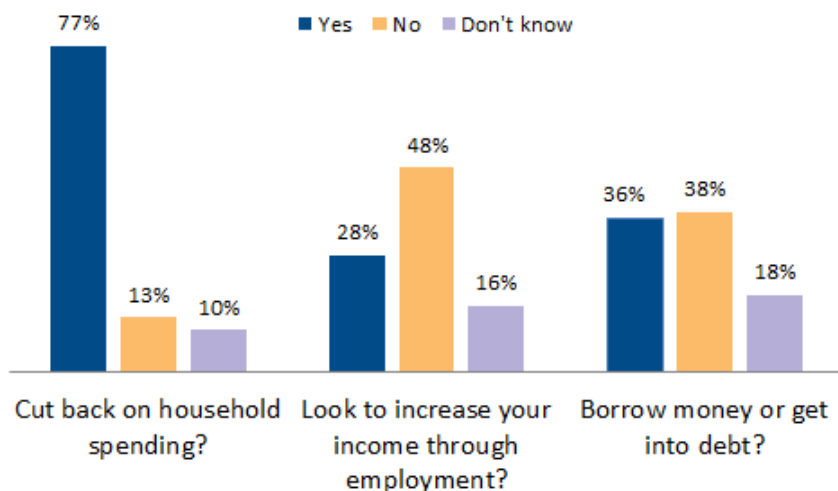
It would reduce my quality of life - I would not be able to treat myself and would have to be constantly watching my budget.

We are already tired and stressed. I am nearly working full time now and my husband has always worked full time. Working extra would mean even less time as a family with the children.

We would not be able to spend much on food and would have to cut back on heating.

¹ Based on division of the £4.4bn savings between 3.3m households

To deal with a £100 reduction in monthly budget would you...

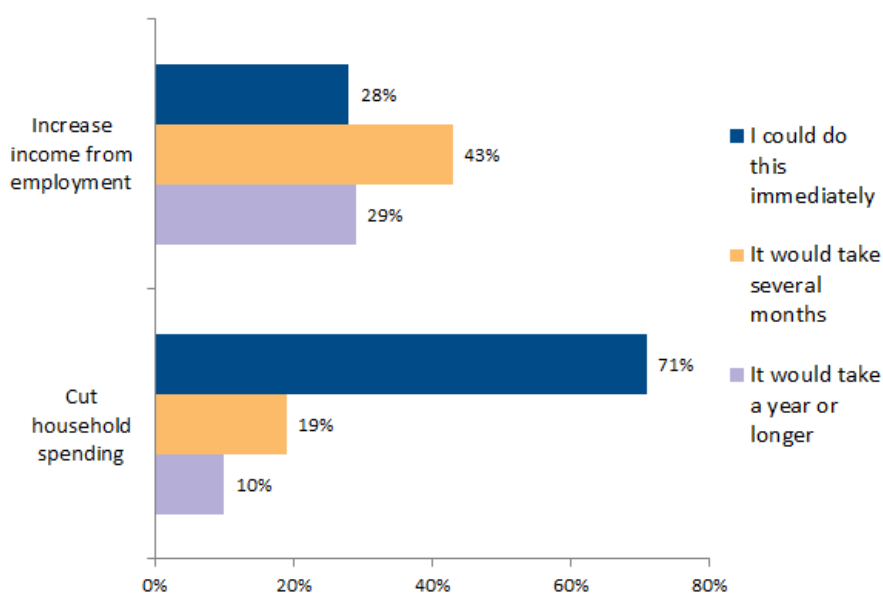


Only just over a quarter of our sample believed they could make up for a £100 monthly reduction by increasing their income from employment.

A noticeable feature of employment-related measures was the **time** needed to make them. While 71% believed they could cut household spending immediately, 43% felt it would take months to increase their income from work, with 28% feeling they would need more than a year.

This suggests that reductions in Tax Credits may not have a significant impact on employment patterns, at least in the short-term. If the Government is going to go ahead with these changes to Tax Credits, it needs to offer **advance notice** of changes, plus **advice and support**, to those who have the option of increasing their income from work, while ensuring help for those who don't.

How long would changes take?



Why would you not take measures around employment?



Financial measures

Over three-quarters of respondents would cut back on their household spending, most commonly on basics like food, clothes and toiletries. Over a third would borrow money or get into debt. When asked how they would borrow, the most common responses were:

- 1. Borrow from family and friends (48%)**
- 2. Skip or delay payments on essential bills (45%)**
- £ 3. Use an overdraft (41%)**
- T 4. Sell or pawn some belongings (40%)**
- 5. Use a credit or store card (31%)**