

Research highlights continued immiseration of British workers

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19 August 2016

The Institute for Fiscal Studies (IFS) in conjunction with the charitable organisation, the Joseph Rowntree Foundation (JRF), have released the findings from their annual survey into the UK's distribution of household income.

The study, headed "Living standards, poverty and inequality in the UK: 2016," reveals a rise in what it terms the "new poor," employed households where wages are so low, families are unable to rise out of poverty.

The IFS assessed changes to average incomes, income inequality and poverty occurring in 2014-15, and placed these figures within their historical context using comparable data from the last 50 years.

The analysis draws upon the data underlying the latest figures from the Department for Work and Pensions and the Households Below Average Income (HBAI) series, published June 2016. The HBAI series is derived from the Family Resources Survey (FRS), a survey of more than 20,000 households in the UK that asks detailed questions about income from a range of sources.

The research reveals that more people in the UK are in work than ever before, meaning that the proportion of children living in a household where no adult has employment has fallen from nearly one in four in 1994-95 to less than one in six in 2014-15.

However, the report warns that a further fall in unemployment has less scope to tackle child poverty, given that two thirds of children living in poverty today are from working households, with at least one parent in employment.

"The falls in worklessness that we've already seen, plus the fact that rates of poverty among working families have risen, mean that only one third of children in income poverty now live in workless

households," the IFS says.

Consequently, those the IFS calls the "new poor" tend to live in households where one or more adults are in paid work. Only one third of children living below the government's absolute poverty line now live in a workless household; two thirds of those classified as poor are poor despite the fact that at least one of their parents is in work.

Such figures give the lie to successive governments' claims that "work pays," i.e., the only way out of poverty is through paid employment. This mantra has been used to reduce the value of social security benefits, like unemployment benefit, year on year, and demonise the poor and unemployed. The result is that social security benefits have become increasingly punitive and virtually worthless, while the record numbers in work are the result of poverty paid jobs being subsidised through in-work benefits.

On the evidence provided by the IFS, employment is increasingly unable to sufficiently maintain millions of workers and their families above the poverty line.

The report divides the British population into five deciles according to income level.

Plunging levels of home ownership, falling real wage levels and the increasing role of in-work benefits to supplement low pay has seen poverty spread into what the IFS terms Britain's "middle income families" (the middle 20 percent decile group).

Frequently living in insecure, private-rented accommodation, both parents insecurely employed on short-term contracts, suffering falling or stagnating wages and reliant upon benefits to maintain their heads just above the financial wash, these often younger families are symptomatic of circumstances that have become the "new normal" for working class families.

The term "middle decile" group, falling in the middle

of the income strata, may conjure images of better-off workers or a lower middle class strata, neither rich, nor poor. But the IFS graph of wealth distribution for the bottom four decile groups is relatively flat, i.e., income levels within the working class, comprising at least three-quarters of the British population, are almost uniformly relatively low. The bottom tenth decile has an income of £12,700 per adult, whilst the median is only £24,600. The 80th percentile is still only approximately £30,000!

The IFS found that for the middle 20 percent of children, 50 percent were living in an owner occupier house, down from 69 percent two decades ago. “In key respects, poor and middle-income children look more similar to each other economically than they used to,” write the authors of the IFS study. “Half are now renters rather than owner occupiers and, while poorer families have become less reliant on benefits as employment has risen, middle income households with children now get 30% of their income from benefits and tax credits, up from 22% 20 years ago.”

At the bottom end of the income graph, those suffering absolute poverty have such low levels of income that they almost appear to fall off the end of the chart. British incomes do not exceed £50,000 until beyond the 90th percentile, reaching £122,500 for the 99th percentile.

The fact that working class families falling within the middle of a very unequal distribution of wealth suffer symptoms of relative poverty means that large swathes of workers are struggling to make ends meet.

What then of the “old poor,” whose income is even lower than that of the “new poor”?

Whilst social security benefits have been eroded, the promotion of “in-work” benefits, state supplements to poverty wages, has brought about a situation whereby the IFS reports income from employment makes up half the income of the poorest fifth decile group of working age households in the 2014-15 financial year, up from less than a third in 1994-95.

The growth of low-wage work has reduced inequality within the working class. This in turn has made workers more vulnerable to any post-Brexit downturn in the labour market, with a loss of employment throwing large numbers of families overnight into financial insecurity and absolute poverty on social security benefits.

The IFS avoids the conclusion presented by its own research. Having provided proof of growing levels of inequality, it suggests that future trends in this direction are difficult to predict!

The IFS writes, with classic understatement, that “Over the long run the top 1% have pulled away” from the rest of society. But “income inequality,” it reassures, “across most of the distribution is lower than 25 years ago.”

What the survey underscores is that the working class is not only growing in size numerically, now encompassing ever-broader layers of what were once deemed “middle class.” It is increasingly more “homogenous” in terms of income, with salaries ranging from scandalously low to middling.

The “aristocracy of labour”—skilled and well remunerated workers—that once characterised Britain, especially politically, barely exists today. Rather, the overwhelming majority of workers are poorly paid, insecurely employed and just one paycheque away from destitution.



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