

The UK's rich get richer, while the poor get evicted

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“The Living Standards Audit 2017,” a report issued in mid-July by the Resolution Foundation, highlights the ever-growing gap between the richest one percent of the population and the vast majority in the UK.

The study provides a detailed picture of UK household income over the year prior to June’s snap general election. It records a plummeting decline in living standards over the last two decades:

“Despite employment reaching record highs, real average earnings are now falling in the UK—in both the public and private sector—and in addition the real value of many working-age benefits is falling as the benefit freeze interacts with rapidly rising prices. 2016-17 may have been just the beginning of a slowdown in income growth for low to middle income families and a rise in inequality for us all.”

The report shows that while all sections of society were hit by the financial crisis of 2007-08, the top one percent of income earners, those earning £275,000 [US\$ 358,000] or more a year, has bounced back and is again racing away from the remainder of the population. This rise in income of the elite, the report finds, is the main driver of increasing inequality.

After a substantial fall in 2010-11, in the aftermath of the financial crisis, the income of the top one percent recovered. In 2015-16 their share of income was 8.5 percent—a near return to its peak value of 8.7 percent in the year 2009-10.

The think-tank states that its remit is to monitor and work “to improve the living standards of those on low to middle incomes.” For this group, incomes after housing costs “are still lower than they were in 2003-04” and poverty has risen. It details “that 39 percent of this group say they are unable to afford to save £10 per month, while 42 percent cannot afford a holiday away at least one week per year—up from 37

percent pre-crisis ... we estimate that income growth for this group in 2016-17 ahead of the election was lower than for higher income groups.”

Since the 2016 referendum on European Union membership, despite ever higher levels of numbers of people in employment, the fall in the value of sterling has led to a rise in inflation which is now well above the two percent target of the Bank of England. This, together with lower pay rises and the freeze on welfare benefits, has resulted in a fall in real pay for those in the bottom and middle income brackets.

Adam Corlett, an economist with the Resolution Foundation and one of the report’s authors, explained, “For millions of young and lower income families the current slowdown comes on top of a rough decade for living standards, providing a bleak economic backdrop to the shock election result [which saw the Conservatives lose their absolute majority and major gains for Labour]. Over the last 15 years and four prime ministers, Britain has failed to deliver living standards growth for young families and those on low incomes. Rising housing costs have added further financial pressures.”

The fall in real incomes for large sections of workers and sections of the middle class has produced a deterioration in the housing situation for many. A recent report by the Joseph Rowntree Foundation, “Poverty, Evictions and Forced Moves,” highlighted the fact that some 100 tenants a day were being evicted. It tied the high levels of eviction to increasing rents while housing benefits levels were frozen:

“The cumulative impact of freezing Local Housing Allowance (LHA) or permitting only below-inflation increases has been that it now lags significantly below the 30th percentile of market rents to which it is in principle linked. Outside London, average monthly

shortfalls range from £22 to £70 per month, whereas in central London average shortfalls range from £124 to £1,036 per month. The shortfall between the LHA rate and the 30th percentile rent means that tenants in receipt of Housing Benefit are either squeezed into the bottom end of the market, or are forced to make up the difference from other income.”

The dire lack of social housing and the inability of many on low and middle incomes to save enough to buy a property means an increased reliance on private rented property. Under the 1988 Housing Act, private landlords are able to make use of Section 21 “no fault” evictions—whereby landlords need only give two months’ notice of eviction.

Two-thirds of reposessions via the use of Section 21 legislation are in the London area, where privately rented properties are at a premium.

Among the key points raised by the report were:

“The number of tenants evicted by private landlords exceeded the number evicted by social landlords for the first time in 2014 ... Changes in welfare benefits have combined to make rents unaffordable to benefit claimants in many areas. As a result, tenants on low incomes are being evicted because their benefits do not pay market rents and they are unable to afford alternative homes in the private rented sector or access social housing.”

The report concluded:

“The experience of forced moves and evictions were extremely stressful for low-income households as they struggled to find alternative homes. In a housing shortage, landlords can choose who they want as tenants. Increasing eviction rates are linked to the overall growth of the private rented sector and to cuts to LHA. Whilst the greatest impact is being felt in London, similar issues were found in other high-pressure markets. The continuing programme of cuts and restraints on state assistance with housing costs will intensify this pressure.”

A report issued in June by the homelessness charity Shelter, “Shut Out: Households put at risk of homelessness by the housing benefit freeze,” concluded:

“Our analysis suggests that a million households in Britain (1,069,517) could be put at risk of homelessness by 2020, unless the freeze on LHA rates is lifted. This is because over a million households live in an area

where there will be a shortfall between the amount of LHA they can claim, and the cost of renting one of the cheapest homes by 2020. Once their tenancy ends, they may struggle to find a new one, and be put at risk of homelessness. This number includes 586,368 families with dependent children, of which 374,543 are in work, 211,070 households where someone claims a disability benefit (and) 114,917 households above pension age.”

The report adds:

“Any shortfall puts a household at risk. This is because households eligible for housing benefit are already on very low incomes, and have limited resources to cover additional costs. But some households face very large shortfalls. Households living in London face the greatest shortfalls in the country, but this problem is not limited to the capital. In Cambridge, for example, a family with two young children would face a shortfall of £681.46 a month by 2020 between support and the rent for one of the cheapest two bedroom homes in the area. In Bristol, this family would face a shortfall of nearly £306.54 a month.”



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