# UK *Living Standards Audit 2022*: Stagnant wages have left millions "brutally exposed"

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Fifteen years of stagnating wages in Britain have left millions of the poorest paid workers defenceless in the face of rising inflation, resulting in an unprecedented "income shock". Around 10 million people are being pushed into "severe levels of poverty", according to a new report by the Resolution Foundation.

*Living Standards Audit 2022*, published on July 4, found that 15 years of falling wages have left millions of people "brutally exposed" to what it described as a "catastrophic" cost-of-living crisis.

Its report follows warnings by prominent "consumer champion" Martin Lewis that Britain is on the verge of "civil unrest" due to rising fuel bills, with millions of low- and middle-income earners unable to meet basic living costs.

**Wages**

Average wages are no higher today than they were before the 2008 financial crisis, representing a wage loss of £9,200 per year, the foundation's audit found. This equates to nearly £150,000 in lost income per person over the last decade and a half.

While those on low and middle incomes have seen their pay stagnate, or even decline in real terms, those at the top have watched their wealth skyrocket. This year's *Sunday Times Rich List* found the richest 250 individuals in the UK own more wealth than the top one thousand held just five years ago.

This has produced a situation in which the top ten most unequal years on record in the UK have all been recorded during the 21st century, with five taking place since 2013-14, as the Resolution Foundation report notes.

The Resolution Foundation research, says the *Financial Times*, "chimes with [our] own analysis" which showed that over the last decade, UK living standards grew at the lowest rate since the Second World War.

**The gap widens**

The report shows that during the immediate post-war decades, wages growth was evenly spread across the income divide, never differing by more than a few percentage points.

This began to change abruptly with the coming to power of Thatcher in 1979. Between 1984 and 1990, the top 5 percent saw their average household disposable income (after housing costs) rise by 10 percent, while those at the bottom enjoyed less than 2 percent growth. This is a trend that has continued ever since. While all income groups saw a fall in the years following the 2008 financial crisis, those at the top rapidly recovered. The years of austerity, however, have produced stagnating and falling wages growth for the lower paid. Between 2016 and 2019, the very top earners continued to improve their incomes, while those at the bottom saw the real value of their take-home pay fall.

**Housing**

Housing costs are by far the single largest item of expenditure for those on lower incomes. While the top fifth of households spend less than 5 percent of their income on housing, for the bottom fifth, it consumes between 22 and 38 percent.

The sell-off of public housing by successive Tory and Labour governments has forced many low-income families into more expensive privately rented accommodation. These are among the most vulnerable groups identified by the report. Those with the lowest typical incomes pre-COVID-19 included social and private renters (37 and 24 percent below the overall median), children (20 percent below in the case of under 5s) and single parents (35 percent below).

Since December 2021, the Bank of England has raised its base interest rate from 0.1 to 1.25 percent, with some forecasts putting it at 3 percent by the end of the year. The prospect of higher rates will push up the cost of mortgages, threatening to make them unaffordable for many working-class and lower-middle-class homeowners.

**Benefits**

Benefits, including unemployment benefits and state pension, are falling rapidly against inflation. For the top twenty percent of income earners, benefits make a negligible contribution to their disposable income, while for the bottom twenty percent they represent over a third.

Successive governments have decoupled non-pension benefit levels from rises in earnings, increasing social inequality and both relative and absolute poverty. While never generous, basic unemployment benefit was equivalent to 28 percent of average earnings in 1972-73, “but this had halved to 14 per cent by 2019-20, and in 2022-23 is likely to average 13 percent,” the report notes.

Pensioners have fared only marginally better. Starting at the same point as unemployment benefit in 1972-73, when pensions also were equivalent to about a third of average wages, this has now fallen to a quarter.

**Savings**

On top of low wages growth, most working-class families have little or no savings to call upon if things become difficult.

At the bottom of the income table, around a fifth said they could not even manage for a week if they lost their main income source. About the same number said they would struggle to last a month. In contrast, well over half (57 percent) of the very top earners said they could last a year or more.

Most Lloyds Bank customers have less than £500 of savings in their accounts, its chief executive Charlie Nunn told the BBC on July 6. The number of Lloyds customers seeking debt advice has jumped by a third in the first six months of this year.

According to a separate “wealth and wellbeing” survey by financial services and insurance company LV= that released on July 7, more than half (53 percent) of those questioned said their financial situation had worsened over the last three months. And 43 percent said they expected their finances to deteriorate over the next three months, equating to some 23 million people. Over a third (36 percent) said they were now “struggling” financially, with young people aged 18-34 being the most concerned, followed by those with young children.

**Minimum wage growth**

According to the Resolution Foundation’s audit, “Recent increases in employment have shored up incomes towards the bottom of the distribution,” particularly among female employees.

Moreover, it says the “incidence of low pay has reduced significantly thanks to bold targets for minimum wages.” At the same time, it is forced to note that “this alone is not a panacea for earnings and income inequalities: only 38 percent of people with low weekly pay now have low hourly pay.”

In other words, the rise in employment, and the setting of a totally inadequate minimum hourly wage, has consolidated a low-pay sector, in which weekly pay is still insufficient to meet workers’ needs. The rise in part-time working and zero-hours contracts has benefited employers, who can effectively subsidise their low pay operations by forcing staff to claim various in-work benefits to top up their wages.

The Resolution Foundation audit provides valuable empirical evidence showing the declining position of the working class on the UK’s income ladder.

However, its proposed remedy, boosting economic growth and improving productivity, denies the reality that under capitalism all gains in productivity are subordinated to the drive for profit through the exploitation of wage labour.

Typical incomes of the poorest fifth of the UK population were no higher on the eve of the pandemic than they were back in 2004-05, despite GDP per capita growing by 12 percent over this near twenty-year period.

Measured by international standards, the UK is the second most unequal G7 country. The audit found, “The UK’s Gini coefficient for disposable income was 0.37, lower than in the US (0.39) but higher than all other G7 countries, and higher than every other country in Europe other than Bulgaria.”