UK autumn budget means biggest fall in living standards for 70 years

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Research on last week's Conservative government's Autumn Statement budget shows that it will lead to a devastating fall in workers' living standards.

The *Financial Times* wrote that Chancellor Jeremy Hunt's "£55bn plan for fiscal tightening" represented "the biggest drop in living standards for 70 years."

The Treasury's own analysis acknowledged that the budget resulted in the majority of households (around 55 percent) being left worse off. The working class, already largely pauperised after over a decade of austerity, are hardest hit.

According to the Resolution Foundation (RF), wages will continue to stagnate through to 2027, meaning almost 20 years of falling pay. The RF assessed, "The OBR's [Office for Budget Responsibility] weaker forecast for pay means that real wages are now not expected to return to their 2008 level until 2027. Had wages instead continued to grow at their pre-crisis rate during this unprecedented 19-year pay downturn, they would be £292 a week – or £15,000 a year – higher."

It notes that "the focus on 'stealthy' tax threshold freezes to raise revenue, rather than increases in tax rates, means that the overall effect of the government's personal tax rises this parliament is to squeeze not just higher-income households, but those on middle-incomes too. A typical household faces a permanent 3.7 percent income hit from these measures – the same as the top fifth of households – and bigger than the 3 percent income hit that the very top twentieth of households will face."

Surging energy costs will rise again next April by an average of £500 a year, hitting the poorest families hardest. The RF finds that government cost of living energy support will "cover less than a third of rising bills next year. The end of universal support and the scaling back of the Energy Price Guarantee (EPG) means that households will be far more exposed to rising energy bills next year. For the typical household, the new support will offset just 30 percent of the rise in energy bills between 2021-22 and 2023-24, rising to 48 percent of the rise for the poorest fifth of households… Even after the new EPG and Cost of Living Payments, around one-in-eight families (3.3 million in total) will be paying over £2,000 more next year than they were in 2021-22."

Institute for Fiscal Studies director Paul Johnson said,"Surging global energy prices have made the UK a poorer country. The result is an OBR forecast that the next two years will see the biggest fall in household incomes in generations."

Speaking about the OBR's report, he said, "The next few years look grim in terms of living standards, the biggest reduction in household incomes, possibly on record and certainly within recent generations, a 7 percent cut over the next two years."

The IFS commented that the "Office for Budget Responsibility forecast suggests that this is going from bad to worse. This year we are set to see the largest fall in real household disposable income per head (4.3%) since the late 1940s; next year, we are set to see the second-largest fall (2.8%).

"Modest growth is expected to return after that, but even by 2027-28 we are not expected to have had a single year of growth higher than the pre-2008 average since 2015-16. Average household income per head is due to be the same in 2027-28 as it was in 2018-19, and 31% below where it would have been if the pre-2008 trend had continued."

Analysing real household disposable income per person, as "the broadest measure of living standards accounting for wage growth, price changes and the impact of the tax and benefits system", the *New*

Statesman said "the first consecutive annual falls" since "the aftermath of the 2008 financial crisis" would "essentially wipe out all of the income gains of the previous eight years in just 24 months. This is a catastrophic forecast."

It added, "In effect, the OBR expects the recession to be very different to the one that accompanied the Covid-19 pandemic in 2020. In that instance the fall in GDP was rapid and extremely deep but the bounce back was also, at least initially, swift.

"More significantly, despite the biggest fall in economic output in at least a century, household incomes were relatively well protected by the furlough scheme, grants for the self-employed and higher Universal Credit payments. This time around the recession is expected to be shallower but to last much longer with a far slower recovery."

Even as Hunt trumpeted the Tories' "compassion" in increasing state pensions, benefits and tax credits by 10.1 percent (September's CPI inflation level), this will not come into effect until next April. Even the lower measure of inflation (CPI) had already hit 11.1 the day before the budget. The more accurate RPI measure shot up at an even faster rate to 14.2 percent.

The IFS commented, "[O]ne must remember the backdrop for this rather ad hoc form of additional support for benefit recipients: the actual rates of 'ordinary' benefits (i.e. excluding the one-off grants) will, despite the 10.1% increase confirmed for April 2023, remain lower in real terms than prior to the current spike in inflation until at least April 2024."

Research analysed by the University of Bristol and published in July by the abrdn Financial Fairness Trust, found, "One-in-six UK households (4.4 million) are now in 'serious financial difficulties', compared to one-in-ten (2.8 million) in October 2021 – an additional 1.6 million households. This is worse than any point during the pandemic. Of those 4.4 million in serious financial difficulties, to make ends meet 71% have reduced the quality of food they eat, 36% have sold or pawned possessions and 27% have cancelled or not renewed insurance."

The research, based on monitoring the personal finances of households since the start of the pandemica sample of around 6,000 people—found that "31% had reduced the number of showers/baths taken; 60% had avoided turning on the heating; 33% had reduced use of the cooker/oven; 24% had heated only part of their home."

The trade unions bear the main responsibility for the devastating situation facing the working class. For decades, they have partnered with successive Tory and Labour governments and the corporations to hold down wages and attack working conditions.

Annual RPI inflation in the July-September period, the months prior to Hunt's budget, stood at 12.4 percent. Annual regular "pay growth" for the same period was 5.7 percent, meaning a 6.7 percent real terms fall. In the public sector, pay growth was 2.2 percent, meaning a 10.2 percent fall. With RPI rising another almost 2 percent (14.2 percent) to October these calamitous falls in workers' wages, overseen by the unions, are even more catastrophic.

Even as they oversee deals cutting workers' pay in real-terms, the union leaders, backed by their local functionaries and pseudo-left apologists, spin these as "victories" that match inflation or are even inflation "busting". The facts that workers are now two thirds through a period of wage restraint in which they will have lost £15,000 in pay comprehensively refutes all these lies. The working class cannot afford the union bureaucracy and its "victories".