

UK living conditions in unprecedented decline according to Resolution Foundation data

Harvey Thompson
31 March 2023

A mass of new data has revealed the long-term decline in the living conditions of millions across the UK and provided forecasts of even worse circumstances for years to come.

On March 20, the BBC broadcast an episode of its investigative current affairs documentary series *Panorama*, titled *Surviving the Pay Squeeze*.

The programme questioned the Conservative government's narrative that the cost-of-living crisis is due solely to the pandemic and the war in Ukraine. *Panorama* asked the Resolution Foundation (RF) think tank to look at data on average wages during the 15 years since the 2008 financial crash. It found that if wages had continued to grow at pre-2008 levels, workers would on average be receiving a staggering £11,000 a year more than they currently do.

Torsten Bell, chief executive of the RF, said, "The wage stagnation of the last 15 years is almost completely unprecedented. No one who is alive and working in the British economy today has ever seen anything like this."

The freeze has been particularly sharp in the UK. Whereas the average UK household earned £500 less than the average German in 2008, today that figure is around £4,000.

In January, the RF published its *The Living Standards Outlook 2023*, which paints a devastating picture of living standards in the UK and makes bleak projections for much of the remaining decade.

As the bulk of the data was compiled more than four months ago, some of the assessments made in the report are out of date, most notably the assumption that inflation would begin to fall early in 2023: annual Consumer Prices Index (CPI) inflation rose between January and February this year to 10.4 percent, and Retail Prices Index (RPI) to 13.8 percent. The real

situation reported is therefore worse than presented in the report.

The RF highlights how 40-year high inflation has disproportionately affected the poorest in society, driven as it is by huge increases in energy and food prices which make up larger proportions of poorer households' budgets.

Its report details how many families are having to take desperate measures, "actions to cope with costs today which will worsen their future financial resilience".

An example cited is that up to 27 percent of adults (14 million people) "are using money from savings for their daily living expenses," increasing to 34 percent of those in the bottom income quintile.

Others are cutting back on pensions savings or cancelling insurance—seven percent of households in the bottom income quintile for both. Workers in the lowest-income families were four times as likely as the highest income families to report that they were selling or pawning possessions.

One fifth of people "do not have any savings at all, and 36 per cent of people have savings of less than £1,000 this winter."

The cost-of-living crisis is having a terrible effect on mental and physical health. The percentage of people facing "emotional distress" increased from an already high 40 percent in October 2021 to 47 percent in November 2022. Up to 63 percent of workers in the bottom quintile said that they were "very or quite worried about paying their bills this winter."

The report forecasts that average incomes are set to fall by 3 percent in 2022-23, and another 4 percent in 2023-24, "driven by the slimming-down of government support for households, personal tax rises, and rising costs for mortgages. The fall in 2023-24 is set to be

largest single-year fall since 1975, and the two-year fall of 7 per cent (or £2,100 for a typical household) is bigger than in the Financial Crisis, where there was a two-year decline of 5 per cent.”

The study continues: “this precipitous decline will take typical incomes in 2023-24 to where they were in 2018-19—and lower than they were in 2016-17—and would mean that this becomes the worst Parliament on record for living standards for almost all parts of the income distribution.

“Although incomes should start growing in 2024-25, typical incomes are set to still be below their pre-pandemic (2019-20) level in 2027-28. Almost all parts of the income distribution see incomes fall in 2022-23 and 2023- 24 (except the top 5 per cent, where higher interest rates boost investment and unearned income).”

Absolute poverty is set to rise from 17.2 percent in 2021-22 to 18.3 percent in 2023-24, an increase of 800,000 people. A 2.9 percentage point rise is expected in absolute child poverty between 2021-22 and 2023-24, an extra 400,000 children.

By 2027-28, relative child poverty is forecast to reach its highest rate since 1998-99, with 170,000 more children in this position than in 2021-22. For families with three or more children, relative child poverty is predicted to hit 50 percent in 2025-26 and 55 percent in 2027-28; three quarters of children in families with four or more children will be in relative child poverty by 2027-28.

The report’s authors had few words of comfort: “Although policy makers might hope that 2023 will bring better economic news, household living standards are set to get worse before they get better. Inflation may have peaked in late 2022, but that does not mean that the pain caused by the cost of living crisis will be over soon.

“Food price inflation will continue to pose a problem for living standards, and the combination of a higher cap on energy prices and the fact that the £400 rebate paid this winter was a one-off means that the energy bill for a typical household in 2023-24 will be 43 per cent higher than in 2022-23.

“More fundamentally, falling inflation in 2023 does not mean that the level of prices will fall.”

They add, “[A]verage real earnings will grow a lot more slowly than they shrank: real wages won’t reach their Q1 2022 rate until the end of 2027—nearly six

years later,” concluding that the “austerity era” begun in the wake of the financial crash of 2008 will last at least two decades.

Scores of organisations report similar dire social statistics. The Trussell Trust food poverty charity which operates Britain’s largest foodbank network said its foodbanks distributed almost 1.3 million food parcels between April and September 2022, an increase of 52 percent compared with the same period to September 2019 and half a million of which went to children.

According to the money-saving app ZIPZERO, two-fifths of people across Britain are worried about how they will feed themselves and their families.

ZIPZERO’s chief executive Mohsin Rashid said the impact of spiralling prices was “far more devastating and far-reaching than any could have predicted. In fact, it is fundamentally changing the nature of British society. Living standards in Britain today are bordering on a public health crisis and significant doubt is raised over what it means for the UK to be a developed economy in 2023.”

What it means is that a crisis-ridden capitalism is depriving workers of even the most basic conditions of life, as more and more of the wealth of society is captured by a tiny elite. The same process is under way internationally and is producing a revolutionary movement of the working class against governments of the rich all over the world.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact