

# Millions of working class UK households suffer 18 percent cut to incomes in space of five years

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Research by the National Institute of Economic and Social Research (NIESR) finds Britain's poorest tenth of households have suffered an 18 percent, almost one fifth, reduction to their incomes since 2019.

The removal of thousands of pounds from the spending power of the poorest working class families, after the previous decade of austerity is devastating and is bringing about an explosion of absolute poverty. Millions of families cannot make ends meet.

In their winter 2024 UK Economic Outlook, NIESR noted how living standards for the poorest tenth of UK families have fallen most sharply since the beginning of the cost-of-living crisis. When adjusting for inflation, their incomes remain 18 percent below 2019-20 levels. According to the think-tank, this is a loss of "about £4,500" even after additional government one off cash support payments are taken into account.

Protracted stagnating and falling wages, drastic financial cuts to what remains of the welfare state, together with more recent soaring prices for energy, foodstuffs and other basic essentials have hit the working class hardest. The poorest spend a much higher proportion of their income on necessities. With no fat to trim from budgets, working class families increasingly do not even have enough money to buy necessities.

Lower inflation and sustained wage growth according to the think tank will mean British households "start to feel better off" this year as they forecast inflation will drop to 1.2 percent by the spring. Falling inflation does not mean prices are coming down of course, only that prices are rising less quickly than before. The official government measure of inflation is still above 4 percent and the more accurate measure RPI at almost 5

percent.

Inflation was in double digits for much of 2022/23 and the trade union bureaucracy collaborated with the government and corporations to end the recent strike wave with a series of below inflation pay deals.

As the NIESR report was published a senior Bank of England policymaker Sarah Breen, one of the central bank's four deputy governors, reiterated their fiscal policy. A victory in the war on inflation still had "some way to go" explained Breen and required workers accepting even lower pay deals.

Inflation is of course not to be tamed by the corporations accepting lower profits. On the contrary, the corporations are garnering greater profits because with the aid of the trade union bureaucracy they have their heel on the throat of the working class.

The NIESR predicts living standards will grow by 1.9 percent over the 2024/25 financial year, beginning in April. Such a negligible rise would still leave households in the bottom half of the income range, with households in income deciles 1-4, between 7 and 20 percent worse off as things stood immediately before the beginning of the ongoing pandemic in 2019.

The NIESR warns that any rise in living standards will only camouflage stark differences between different households and different parts of the country. The incomes of the lowest 10 percent of households for instance will fall further—to 20 percent below 2019 figures—over the course of the year. The overwhelming benefits of economic growth will continue to be shared chiefly among those at the very apex of class society. The working class will continue to experience incomes and wages that stagnate and decline still further.

Falling living standards over the past five years

follow the already calamitous falls experienced in the 10 years after 2008. This was begun by the Gordon Brown's Labour government with ruthless austerity measures imposed to offset Labour's £1 trillion bailout of the banks and big business after the global financial crash. In 2010, the David Cameron-led Conservative/Liberal Democrats coalition took over where Brown left off, inaugurating the "age of austerity".

Successive Conservative governments have deepened this frontal assault on living standards, especially to pay for Boris Johnson's billions in subsidies handed to big business during the height of the pandemic.

Adrian Pabst, NIESR's deputy director for public policy noted, "With low economic growth and high costs of energy, food and housing, living standards are recovering slowly and not returning to pre-pandemic levels for another three years". He added that after more than a decade or more of wage stagnation, "you're basically talking about 15-20 years of no real improvement in living standards" since the 2008 financial crisis.

The NIESR was founded in 1938 by a group of liberal reformists, including figures closely associated with the establishment of the welfare state, John Maynard Keynes and William Beveridge. The NIESR thinktank carries out academic research of relevance to business and policy makers and is trusted in these circles for its analysis and verdicts. "While lower taxes can be part of the answer" they argue in the introduction to their Winter Outlook, the thinktank instead calls for the government to "inject more speed into the economy", i.e. invest in infrastructure projects like fibre optics and public transport.

Their introduction continues, "We live in an age of upheaval characterised by growing geopolitical instability, national polarisation and deeply entrenched regional and local disparities of power, wealth, health, and well-being. Instead of boosterism or declinism, we need greater realism about where the country is and where it could and should go. The United Kingdom has shown some resilience to cope with external shocks, but it lacks productive capacity and high-quality economic policymaking to achieve important goals such as enhancing energy security or reverse widening inequality."

Britain's oldest independent research institute

represents the thinking of a section of the elite that are becoming extremely nervous over the current path of development and especially the surge in social inequality and the revolutionary consequences threatened.

A day after the NIESR released their report the former prime minister Gordon Brown said that Britain was in the throes of a poverty "epidemic", with the poorest households living in squalor, going without food, heating and everyday basics such as clean clothes and toothpaste. He described the poverty he recently witnessed in his Scottish hometown of Kirkcaldy, where in some neighbourhoods a staggering 70 percent of households live in poverty, the worst Brown says he has ever seen.

Brown served as Tony Blair's chancellor preaching New Labour's Thatcherite free market agenda before bailing out the banks in 2008 as the crisis hit. He made his comments, in the words of the *Guardian*, "as he published a review of UK hardship on behalf of his Multibank project, a network of local charities developed out of the Office of Sarah and Gordon Brown which sources and distributes millions of surplus goods to families in need, from soap and shampoo to beds, nappies and toilet rolls."

Brown's review noted that "the 'cost of living crisis' is the phrase, but 'the cost of staying alive crisis' might be a better description".

The collapse in incomes will only worsen whichever party takes over after this year's general election, with Labour under Sir Keir Starmer positioning itself as the party of business and "iron discipline" on public spending.



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