Labour’s lies exposed: Think tank declares the “UK is neither a high wage nor high welfare country”

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Central to the propaganda of the Starmer Labour government to justify its savage cuts, echoed by a putrid media, is that welfare spending in Britain has surged out of control.

Research by the National Institute for Economic and Social Research (NIESR), based on an assessment of nations within the Organisation for Economic Cooperation and Development (OECD), shatters these myths. The OECD is made up of 38 member countries, including the main capitalist states, with a collective population of 1.38 billion.

The NIESR, established in 1938, is Britain's oldest economic research institute. Its “UK Living Standards Review 2025” published last month found that “The UK has some of the least generous welfare across the OECD: the UK ranks in the middle of OECD countries for welfare spending (as a percent of GDP) and third lowest for welfare value (percent of average wages).”

The report notes, “Welfare has only covered the cost of essentials in two out of the last 14 years: only during the pandemic did welfare cover the costs of essentials due to the £20 per week uplift to Universal Credit.”

The NIESR determines that the “UK is neither a high wage nor high welfare country: the consequence of weak wage growth and cuts in welfare spending have meant that by comparison to other countries the two main sources of living standards in the UK is limited.”

One startling conclusion of the NIESR is that “The poorest households in Slovenia and Malta are now better off than the poorest in the UK: whereas real incomes grew consistently before the 2008 financial crisis, the stagnation afterwards has meant that other countries have overtaken the UK standard of living.”

Examining massive cuts in welfare spending imposed by Conservative Party-led governments from 2010, the study notes, “these focused on reducing the welfare bill and getting claimants into work.” It finds, “The impact of this comparatively large fall in welfare spending as a proportion of GDP on people’s standard of living resulted from a decrease in the generosity of a range of welfare programs. This is most apparent when looking at replacement rates, which measure how much in welfare payments a worker, previously on an average wage, would get if they lost their job as a percentage of their previous wage. Here, the UK ranks one of the lowest amongst OECD countries.”

The UK stood third bottom of the OECD list on this criteria with only Australia (second bottom) and the United States (bottom) below it.

During the initial phase of the pandemic, millions more people were unable to work due to lockdown, resulting in a large increases in the percentage of the working-age population receiving Universal Credit (UC). Between February 2020 and February 2021 the number receiving UC almost doubled, increasing by 3 million to 5.9 million people.

For a single person under 25, the UC allowance in 2019/20 was £251.77 per month. With the £20 a week uplift provided at the time it rose to £342.72 a month. A single person over 25 saw their UC payment rise to £409.89 a month. For a couple with either person aged over 25, UC rose to £594.04 after the uplift.

The NIESR explains that the £20 uplift (£1,040 a year) “resulted in one of the largest increases in the value of welfare, nearly doubling its value in real terms.

This was still a pittance, and a big shock to those thrust into worklessness, but was made necessary to avoid a social explosion.

The withdrawal of the uplift in 2021, notes the NIESR “came at the same time CPIH [Consumer Prices Index including owner occupiers' housing costs] had already risen above the Bank of England's 2 per cent target and ended up reaching a peak of nearly 10 per cent in 2022. The resulting effect of the withdrawal of the Covid uplift and rising inflation was that the real value of welfare fell below its pre-Universal Credit level."

The report details the terrible impact of one of many cuts in welfare payments on millions of working-class people. It notes, "Less than 5 per cent of private rental accommodation across the UK is affordable on housing benefit (down from 20 percent in 2020): freezing the cash value of housing benefit while private rental costs grew at record rates has led to a substantial fall in the areas of the county affordable on housing benefit."

The situation worsens rapidly. Just days after the NIESR research, a study by homelessness charity Crisis and the campaign group Health Equals found fewer than three in every 100 private rental properties listed in England (2.7 percent) were affordable for people on housing benefit between April and October 2024.

The NIESR presents a picture of generalised wage stagnation among the working-class population. It notes regarding this decline that the "United Kingdom had been experiencing strong and sustained wage growth for decades, averaging 2.4 percent per year (ONS, 2025) between 2000 and 2008. From 2008 onwards, wages have grown by 0.2 percent per year on average. The effect is that a household would be around £10,000 better off had UK wage growth continued in line with its pre-2008 trend."

The report makes a comparison between Britain and other OECD countries to emphasise the drop in wage levels. "In particular, Norway and Canada started the millennium with broadly similar levels of wages to the UK and grew at a similar rate up until the 2008 financial crisis, after which growth broadly stops in the United Kingdom but continues in these two countries. By 2023, a gap had opened up in the value of wages between the United Kingdom and Norway and Canada.

"New Zealand and Slovenia both started well below the level of UK real wages in 2000, but due to the stagnation in the United Kingdom and strong and persistent wage growth in these two countries, New Zealand overtook UK wages in 2020, with Slovenia set to overtake the United Kingdom within the next few years."

The report also points to the staggering inequality that exists in Britain, especially apparent in the capital city.

"Inner-London West represents the richest ITL2 region in Europe (which in the UK refer to counties and groups of counties), nearly double the income level of Europe's second richest region in Germany which includes Munich. While part of the scale of this difference reflects the small geographic area that is Inner London West (therefore encompassing a large proportion of wealthy households) compared with the wider region of Munich and surrounding areas, it also underscores high UK regional inequality.

"Whereas this high-income area covers the majority of German regions, we do not see the same uniformity in the standard of living across the United Kingdom, as it does not extend far beyond London."

A devastating finding attesting to the level of poverty at the bottom of British society reads: "If we were to rank all 269 European ITL2 regions in terms of income, the poorest German region would rank 82nd (well above the EU average) but the poorest UK region would rank 193rd (well below the EU average). While the wealthiest areas of the United Kingdom are comparable to those in other affluent countries like France and Germany, the poorest UK regions fall below the European average, whereas the poorest regions in those countries are above it. Notably, places like Birmingham [the second largest city in Britain, population 1.1 million] and parts of the North East are poorer than the least affluent areas of Slovenia."

The NIESR concludes: "This report has shown the stark reality of life in the United Kingdom in 2025. While some enjoy a standard of living comparable to the most prosperous regions of Europe, the poorest are struggling to afford the most basic necessities, like food and heating. The United Kingdom is not a high-wage nor a high-welfare country, leaving millions trapped between low wages and inadequate support."

The £5 billion in cuts to disability benefits rolled out in Chancellor Rachel Reeves' Spring Statement and the government's earlier cuts to pensioners incomes are only a downpayment to fund a vast increase in military spending. The social crisis will get much worse and engulf further millions of people as the Labour government deepens its assault on the welfare state and backs the corporations and local councils in their attack on workers' jobs, wages and conditions.

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