

# SUMMARY

## Living Standards

Tuesday 11 February 2025, House of Commons

The APPG on Social Science and Policy convened on 11 February 2025 to discuss living standards in the UK. The event was supported by the Economic and Social Research Council.

Chaired by **Yuan Yang**, Labour MP for Earley and Woodley, the group heard from **Emily Clarke**, Deputy Director of Strategy at the Economic and Social Research Council, **Alfie Stirling**, Director of Insight and Policy at the Joseph Rowntree Foundation, **Emily Fry**, Senior Economist at the Resolution Foundation, and **Afzal Rahman**, Policy Officer at the Trades Union Congress.

### Introduction from the Chair and ESRC

Yuan Yang MP opened the meeting and introduced Danielle Moore-Chick, Strategic Engagement at the ESRC. Danielle spoke about the ESRC's projects looking at the most pressing challenges facing society, noting that the ESRC would be turning 60 this year.

### Historic trends in the cost of living

Emily Fry gave an overview of income trends over the decades:

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- **1980s:** The economy grew rapidly, but so did inequality. The top earners' incomes rose by 7% a year, while lower-income households saw little to no growth.
- **1990s-2008:** Income growth evened out, with all groups seeing around 2% growth, with slightly more for richer households.
- **Post-2008 financial crisis:** Incomes have largely stagnated. The richest 10% saw no growth, and lower-income households only managed a 1% increase, helped mainly by the minimum wage and rising employment.

She pointed out that slow productivity growth is a major barrier to wage increases. She underscored the high cost of living in the UK compared to other OECD countries—especially for housing and transport—which is putting extra pressure on low-income families, making inequality worse.

### The current state of living standards in the UK

Afzal Rahman noted that the UK was experiencing the slowest living standards growth in the post-war period, with real household disposable income growing at just 0.5% a year. He argued that the lack of worker bargaining power has allowed employers to pass regulatory and tax costs onto employees through suppressed wages. He pointed to an increase in insecure work—such as zero-hour contracts, agency work, and gig economy jobs—contributing to in-work poverty. Key statistics included:

- 4 million workers in insecure employment.
- 55% of people in poverty living in working households.
- 44% rise in children living in working-poor households since 2010.

He advocated for stronger employment rights, including the repeal of restrictive trade union laws and greater collective bargaining power to ensure fairer wage distribution.

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### Future trends in the cost of living

Alfie Stirling explored what the future holds for household incomes, based on economic forecasts.

- Average incomes are expected to shrink by £800 per year by 2029.
- Housing costs and weak wage growth are the biggest pressures.
- Lower-income households will suffer the most as welfare benefits fail to keep up with inflation.

He warned that without policy interventions, the poorest third of the population will experience twice the income squeeze of middle and higher income households. He urged policymakers to focus on redistributive policies, recommending:

- Reforming welfare support to ensure families can meet basic needs.
- Stronger regulation on housing, energy and essential services.
- Increasing worker protections to combat insecure jobs and underpayment.

### Key insights from the Q&A

- **The impact of fiscal drag on lower-income households:** An audience member asked whether fiscal drag had a higher effect on the poorest households, and whether tax thresholds should therefore be raised sooner than 2028 to help struggling families. Alfie Stirling responded by saying that fiscal drag affects higher earners more than lower earners. Instead of raising thresholds, a fairer approach would be to tax wealth, for example by aligning capital gains tax with income tax.

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- **The role of welfare in stabilising living standards:** The panel was asked whether benefits should be expanded alongside wage growth given the welfare cuts since 2010. The panel generally agreed that improving welfare support and linking it to inflation is crucial because half of the income for the lowest-income households comes from benefits.
- **Long-term solutions for wage stagnation and job security:** The panel was asked how we can get wages rising again, beyond short-term support. Emily Fry responded to say that the key is productivity. More investment in skills, infrastructure, and job protections will help boost wages in the long term.
- **Rising in-work poverty despite high employment:** An audience member asked why so many people in work are still struggling to make ends meet. Afzal Rahman said that the quality of jobs matters. There are more people stuck in low-paid, insecure work. Raising the minimum wage and improving job security are essential.
- **Addressing high costs of essential goods and services:** The panel was asked what could be done to mitigate the high cost of living beyond income growth. They agreed that targeted regulation of high-cost essentials could alleviate pressure, noting that countries with stronger social safety nets and regulated markets have lower inequality and higher living standards.

## Conclusion

Yuan Yang MP wrapped up the discussion with key takeaways and noted that the APPG will continue to track these issues and push for action from policymakers.

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