

Tory failure on living standards see earnings fall by £1,100 a year, or £21 a week

Labour analysis, using House of Common's Library endorsed modelling, shows that average real earnings are set to fall by just under £1,100 a year, or £21 a week, as a result of rising inflation and lower wage growth.

Inflation has been rising since last summer, with the OBR forecasting in the 2016 Autumn Statement that inflation is set to jump this year and next year. At the same time average earnings was revised down last year, this year and for the next two years.

The combination of higher prices and lower wages is that living standards are being squeezed.

This time last year, at the Budget 2016, the OBR was forecasting real average earnings growth of 9 per cent between 2015 and 2020 (average earnings adjusted for CPI inflation). However, at the 2016 Autumn Statement this was revised down to growth of 5 per cent between 2015 and 2020.

Converting this to income values, Budget 2016 was forecasting that real average earnings would be almost £2,500 higher in 2020 than in 2015. However, at the 2016 Autumn Statement this was revised down to £1,400. This is a difference of just under £1,100 a year, or £21 a week.

Today's analysis comes on the back of IFS analysis last year which showed that the "outlook for living standards has deteriorated rather sharply", between Budget 2016 and Autumn Statement 2016, describing the prospects for real earnings growth as "dreadful".

The Resolution Foundation has also said that the "outlook for living standards in 21st century Britain does not look promising" and that "weak and regressive nature of income growth in the years ahead should concern us all".

This analysis looks at the effect on living standards resulting from changes to OBR forecasts at the last Autumn Statement. Tax and benefit changes, as well as previous OBR forecasts will impact on living standards; however, this analysis focuses on the Government's last fiscal event and therefore highlights the importance that the upcoming Budget could have on living standards.

Commenting, John McDonnell MP, Labour's Shadow Chancellor, said:

"Today's analysis shows the impact of seven years of Tory economic failure.

"Living standards are being squeezed and working people are being hit hard. This is despite the Tories promising at the last General Election that they

would raise living standards.

“The truth is that Theresa May has failed working people; with a lower National Living Wage than promised just 12 months ago and massive cuts to Universal Credit still in the pipeline.

“Only Labour will take the action needed to end the Tories’ economic failure by introducing a Real Living Wage of £10 an hour by 2020.”

ENDS