

# Tory failure on living standards sees real earnings fall by £1,200

Labour

analysis, using House of Common's Library endorsed modelling, shows that:

**Average real earnings are set to fall by £1,200 as a result of rising inflation and lower wage growth**

At the

Budget last month we saw inflation forecast up this year and average earnings forecasts lowered next year and for the next two years.

The

combination of higher prices and lower wages is that living standards are set to be 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 this year's Budget, 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 Budget 2017 this was revised down to £1,300. This is a difference of £1,200.

Today's

analysis comes on the back of IFS analysis last year which showed that the "outlook for living standards has deteriorated rather sharply", describing the prospects for real earnings growth as "dreadful".

The

Resolution Foundation has also said that the "outlook for living standards in 21<sup>st</sup> 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 this year's Budget.

Tax and benefit changes, as well as previous OBR forecasts will impact on living standards; however, this analysis focuses just on inflation and earnings outlook.

**John**

**McDonnell MP, Labour's Shadow Chancellor, commenting, 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 and the Tories are taking the country backwards. Labour would make different choices and stand up for ordinary working families.

"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 and by investing in our regions and our local communities."