

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

Labour analysis, using House of Commons 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 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 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**

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## **The idea that this will reverse years of Tory neglect is laughable – Angela Rayner**

**Angela Rayner MP, Shadow Secretary of State for Education**, responding to the Sunday Times article suggesting that the Budget will contain new money for skills, said:

“Any new funding for vocational education is welcome but it is on this Chancellor’s watch that colleges are facing closure due to soaring deficits.

“Much of the Chancellor’s plans have already been announced elsewhere, and the T-Levels simply formalise the 15 technical education routes that already exist.

“The idea that this will reverse years of Tory neglect is laughable. It is very much the minimum needed to address the new skills challenges of Brexit.”

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## **If the Tories continue to ignore the big issues then British consumers will continue to be short-changed – Gill Furniss**

**Gill Furniss MP, Labour’s Shadow Minister for Steel, Postal Services and Consumer Protection**, responding to news that the Chancellor will unveil details of the

Government's

upcoming Consumer Green Paper in the Budget, including action on subscription traps and simplifying small print said:

"The data from Citizens

Advice makes clear that misleading consumer practices are extremely widespread,

with over 40 per cent of British people paying for a subscription they don't use.

"Consumers need much

better protection from stealthy subscriptions which often start automatically after a free trial. Clear notifications that billing or price changes are about

to begin should be the minimum that consumers can expect. At present, companies

have no incentive to improve, so allowing enforcement bodies to impose fines is

a positive step.

"While these changes are

welcome, the Tories with their light-touch approach have an abysmal track record on protecting consumers. Only last summer they sat back and watched Ofgem and the Competitions and Markets Authority effectively blame consumers for allowing energy companies to rip them off to the tune of £1.4billion a year.

And to the surprise of no one, energy bills have just been hiked yet again. Labour would implement a price cap to properly protect consumers.

"These are sensible

proposals, but if the Tories continue to ignore the big issues then British consumers will continue to be short-changed. It's about time this government started taking its responsibility to UK consumers seriously."

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## **This business rates revaluation has exposed the fundamental flaws in this outdated system of taxation – Teresa Pearce**

**Teresa Pearce MP, Labour's Shadow**

**Secretary of State for Communities and Local Government**, responding to the IFS analysis of the business rates revaluation on local authorities, said:

"This business rates revaluation has exposed the fundamental flaws in this outdated system of taxation. Those flaws will be further magnified once 100% business rate retention comes into effect.

"Our high streets are already struggling – and this revaluation will signal the end for many small businesses, such as independent pubs at the heart of community life.

"The current system means that councils won't see a sharp increase in their revenue – but once 100% retention kicks in, some councils may be rolling in cash whilst others are left out in the cold.

"Businesses and councils need far more support and stability than the Government is currently offering. The Government must re-evaluate the business rates system and produce something which works for communities across our regions and the businesses they rely on."

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## Labour welcomes House of Commons Select Committee calls for mission-based industrial strategy

The non-partisan House of Commons select committee for Business, Energy and Industrial Strategy has today released a report calling for a new mission-based approach to industrial strategy. The select committee's report criticises the Government's sector based strategy for 'picking winners' and for lacking 'meaningful metrics' to determine success.

In its report the select committee backed the 'mission-based' approach to industrial strategy, which is also advocated by the Labour Party. Labour's industrial strategy will be challenge-led, mission-oriented and values-driven – providing a long-term vision for the economy that mobilises both public and private investment.

**Chi Onwurah MP, Labour's Shadow Minister for industrial strategy, commented:**

"This report reaffirms what we've been saying all along: cherry-picking favoured sectors for backroom deals is no

substitute for a real long-term vision. Theresa May says she wants to see a high-wage, high-growth economy, but public investment has fallen to half the amount it was under Labour and her sectoral approach is leaving the vast majority of British workers out in the cold.

“Labour’s industrial strategy will be led by the big challenges of our time, from decarbonizing the economy to caring for an ageing population. Rather than taking a scatter-gun approach to sectors and technologies, we’re setting out key missions, such as drawing 60 per cent of our energy from low carbon sources by 2030.”

**Ends**

**Notes to editors:**

An article by Iain Wright MP, who chairs the select committee, summarising the report’s findings can be found here: <http://www.thetimes.co.uk/article/very-little-industry-and-still-less-strategy-wdt7f99wd>