

BETTER OFF

A plan to improve living standards in one parliament

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June 2025

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We are very grateful for the time and efforts of many people in supporting our work.

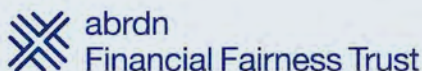
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ABOUT THE FOCUS GROUPS

The Fabian Society conducted six focus groups in August and September 2024. Three of the groups were with current DWP beneficiaries, while three were with people who are not current beneficiaries but are on a low to middle income. We facilitated discussions with three all-female groups, and three all male-groups.

One group included people living in each broad region of England (North, Midlands, London, Rest of the South), one in Scotland and one in Wales. These groups were demographically diverse with regards to ethnicity, age, disability, and dependent children.

The groups considered how the UK government could make people on low or middle incomes feel better off in five years' time, which groups of people and policies should be prioritised, and which messages about improving living standards were preferred.

*Andrew Harrop no longer works at the Fabian Society but led the project as general secretary before leaving in October 2024



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Summary



The government has rightly made improving living standards one of its top priorities. People's incomes and living costs are fundamental, real and immediate. They affect people's everyday experience of life in a way few policy areas can claim to. Because of this, living standards can be politically decisive: 'are you better off than you were?' is a question asked at every election – and it will be asked at the next one. This government will want to ensure that, at that election, the public answers 'yes'.

People's incomes and living costs are fundamental, real and immediate

The living standards problem

The last government failed to improve living standards, causing great hardship for many, and contributing significantly to its election defeat.

- Real household disposable incomes (RHDI) increased by just £2,900 per person in the 17 years since the global financial crisis – less than half of the increase seen in the 17 years preceding it, when they rose by £6,700. The last parliament saw living standards decline for the first time on record, with a 0.1 per cent fall between 2019 and 2024.
- If the 1997-2007 trend of 2.4 per cent annual growth had continued, then people would be 32 per cent better off now than

they are: disposable household income per person would be £7,700 higher per year (£149 higher per week).

- For the poorest 20 per cent, real incomes after housing costs were essentially the same as they were 20 years ago in 2003/04, and the indications are that the poorest 10 per cent saw a real incomes fall during this period.
- Despite claims that the last government was 'levelling up', inequalities in disposable income between regions have widened significantly since 2011. The UK has the largest regional inequality of any major economy, and many places have levels of disposable income per capita similar to Slovenia.

But delivering increases in living standards by the end of this parliament could be a significant challenge. This year's spring statement projected RHDI to be just 2.5 per cent higher by the end of this parliament, worse than any parliament on record except the last. Other, more detailed analysis suggests the median household will actually be worse off by the end of this parliament, and poorer households especially so – in part due to the recent cut in disability benefits.¹ Generating the economic growth that underpins living standards improvements is also a major challenge, largely due to factors outside the government's control.

Despite mounting challenges, delivering improvements in living standards is possible. The numbers facing hardship fell the last time Labour was in power, with over half a million children and one million pensioners lifted out of poverty. In December, ministers committed to raising RHDI by the end of the parliament, on top of a manifesto commitment to reduce child poverty. They have already taken action, including an increase to the minimum wage and measures to control energy costs.

Despite mounting challenges, delivering improvements in living standards is possible



Delivering living standards improvements

Several departments must work together to tackle the five causes of poor living standards. These are:

1. High living and housing costs.
2. Low earnings.
3. Inadequate social security.
4. Low take-up of entitlements.
5. Insufficient financial security.

This report shows how the government can make people better off in these highly challenging circumstances. We set out how policies can be prioritised, coordinated and communicated in practice, with three key 'pillars':

Pillar 1: prioritise, by focusing on living standards policies which are both effective and popular. The government should:

1. Revise key departments' priorities to include living standards and poverty reduction, including primarily: the Treasury, the Department for Energy Security and Net Zero (DESNZ), the Department for Environment, Food and Rural Affairs (DEFRA), the Ministry of Housing, Communities and Local Government (MHCLG), the Department for Business and Trade (DBT) and the Department for Work and Pensions (DWP).
2. Prioritise specific measures to raise living standards within those departments, from improving employment rights to capping annual rent increases and increasing take-up of benefits and social tariffs. These are summarised in the policy priorities summary table below.

Pillar 2: coordinate, by establishing clear accountability and cross-government working. The government should:

3. Make the Treasury accountable for five 'living standards goals' in addition to RHDI:
 - i. Raise incomes at each of the 1st to 5th deciles.
 - ii. Maintain or reduce the aggregate cost of essentials in regulated markets, relative to median weekly pay.
 - iii. Reduce destitution and poverty.
 - iv. Improve income security – reducing pay lost to sickness and caring, and raising savings and pensions rates.
 - v. Reduce inequalities between both people and places.
4. Ensure the growth mission board can prioritise living standards, overseeing a dedicated strategy and taskforce.
5. Ensure all budgets and spending reviews deliver rising living standards.

Pillar 3: communicate, by making a broader case based on ideas of contribution and security. The government should:

6. Combine communications on economic growth with a story on economic security and living standards.
7. Focus economic messages on reducing costs and affordability.
8. Use social security messaging that combines security, need and universalism to sustain broad appeal.

PRIORITY LIVING STANDARDS POLICIES

This list includes some policies which the government has committed to, as well as a number of others that should be considered. Given the challenging fiscal and economic environment, we do not expect the government to be able to implement all of the policies set out below in the short term.

Themes		Department(s)	Type of change	Fiscal impact	Business impact
Theme 1: Living and housing costs	Tackle the poverty premium, align and enhance social tariffs and discount schemes across energy, broadband and water	DESNZ, DSIT, DEFRA, DFE	Regulation	High	Negligible
	Cap annual rent rises within tenancies	MHCLG	Regulation	Low	Negligible
	Provide bus revenue funding for strategic authorities and councils, so they can set and subsidise bus fares as they see fit	DFT/HMT	Spending	Medium	Negligible
Theme 2: Earnings and work	Provide sufficient resources for the new Fair Work Agency (FWA) to enforce minimum wage, NLW and status violations	DBT/HMT	Regulation	Low	Negligible
	Implement the employment rights bill, to protect people's incomes earned from work	DBT	Regulation	Low	High
	Improve generosity across statutory sick pay, carer's leave, statutory maternity, adoption and parental leave pay and implement a generous new unemployment insurance benefit	DBT/DWP	Spending Regulation	Medium	Negligible
Theme 3: Social security	Index all benefits at least to earnings and LHA to local rents (at least the 30th percentile)	DWP	Spending	High	Negligible
	Stop deductions and sanctions taking incomes below the basic adult level of UC	DWP	Spending	Low	Negligible
	Abolish the two-child limit and the benefit cap, introduce a new health in pregnancy grant, and introduce 'baby' and 'toddler' elements in UC for under-fives	DWP	Spending	High	Negligible
Theme 4: Take-up of benefits & social tariffs	Set take-up and income maximisation targets for Jobcentres for social security through better data, auto-enrolment and benefits calculator integration	DWP	Spending Regulation	Low	Negligible
	Set take-up targets for councils through better data, auto-enrolment and benefits calculator integration	MHCLG	Spending Regulation	Low	Negligible
	Set take-up targets for social tariffs on energy, broadband, water and healthy start vouchers through better data, auto-enrolment and benefits calculator integration	DESNZ, DSIT, DEFRA	Spending Regulation	Low	Negligible
Theme 5: Financial resilience	Broaden eligibility for auto-enrolment into workplace pensions, require a non-contingent employer contribution and increase contribution rates	DWP	Regulation	Low	Medium
	Set a 'target' for the new state pension, relative to earnings, that is more generous than current payment levels	DWP	Spending	High	Low
	Enable employers to roll out opt-out payroll saving requirements – initially for large workplaces	DBT	Regulation	Low	Medium

Sources: these proposals draw on Fabian Society and other organisations' recommendations and are cited fully on page 29.

Introduction

At the next general election, ministers will be judged by Ronald Reagan's famous question: "are you better off than you were?" When voters considered this question last year, they answered 'no' – and they were right. The 2019-2024 parliament was the first on record where real disposable household incomes were lower at the end than at the start. Little surprise, then, that a Conservative electoral wipeout followed.

What the last government discovered is that living standards are of fundamental importance. The amount of money someone has to spend, and the changing costs of essentials, will often be at the front of their mind, especially if they don't have enough to meet their basic needs. Living standards shouldn't be the government's only priority. But they are a very real measure of whether people's lives are going well and, understandably, it is often how the public judges whether a government is doing its job. For this government to secure a second term, it will need to deliver tangible improvements in living standards.

It is therefore right that living standards are now explicitly a top government priority. Ministers are committed to the 'milestone' of raising Real Household Disposable Income (RHDI) and GDP per capita by the end of the parliament. It was also a Labour manifesto commitment to eliminate the need for food banks and tackle child poverty. Another government milestone, to secure home-grown clean power, also focuses on ensuring workers and billpayers benefit.²

But how can a government make people 'better off' in one parliament, especially given the dire economic and fiscal circumstances we find ourselves in? The UK economy has some longstanding



Even if the economy recovers, the impact of GDP growth on living standards is longer term, often unequal and contingent on government intervention

weaknesses, and others which are more recent, notably austerity and Brexit. To make matters worse, the approach of the new US administration to trade in early 2025 has shaken the world economy. This protectionist shift is set to negatively affect living standards, both directly – because of lower growth, for instance – and through the public finances, since reduced tax revenue will curtail the government's ability to support incomes through social security. Even if the economy recovers, the impact of GDP growth on living standards is longer term, often unequal and contingent on government intervention, as we will discuss.

This project sets out how to meet Reagan's challenge – to show how government can, in practice, improve living standards during this parliament. We focus primarily on the tools most suited

to improving living standards in this short timeframe: social security, employment rights, and the cost of essentials.

Throughout this paper, we use the term 'living standards' to refer to the incomes and living costs of low- and middle-income households. That means we are implicitly also addressing poverty because, in practice, many of the policies which raise living standards of this group will alleviate poverty too.¹

In Part 1, we focus on the problem. We explain why living standards are important, describe the nature of the challenge, show its immediate causes and outlook, and analyse public opinion. Part 2 focuses on solutions, setting out how government can prioritise, coordinate and communicate living standards improvements to maximum effect.

i. We note that relative poverty measures may not show this statistically, because raising low and middle incomes together could leave the poverty rate unaffected

Part 1: The Living Standards Problem

This section sets out why living standards are important before showing how average incomes have stagnated in recent years, and how poverty and destitution have persisted and risen by some measures. We then look at the causes, acknowledging the importance of macroeconomic conditions, before focusing on where a government can practically improve living standards in one parliament. Finally, we summarise the outlook for living standards this parliament and public perceptions of policies that improve living standards.

1. THE GOVERNMENT IS RIGHTLY FOCUSED ON LIVING STANDARDS

There are good reasons to think that living standards should be a top priority for this government. Disposable income is essentially a measure of how much people can enjoy their everyday lives, providing them with security, choices, and control, to spend on the things they want to enjoy life. It is highly correlated with measures of wellbeing.³ Higher living standards can also mean public services aren't left trying to mitigate poverty, which they can only ever do imperfectly. Schools and hospitals are constantly treating the consequences of poverty, and struggling to reduce the gap in outcomes between lower income groups and the rest of the population.⁴

In the long run, productivity growth is necessary to raise the average living standards of a population. Productivity is the efficiency with which an economy adds value to its inputs. In the short term, a productivity rise can be associated with a decline in living standards for some individuals, because it often means reducing the number of people employed. But in the long term, it drives higher wages, a more vibrant economy and higher tax revenue – which in turn supports essential



In the long run, productivity growth is necessary to raise the average living standards of a population

services and infrastructure.⁵ Productivity is closely related to GDP per capita, which the government has pledged to increase by the end of the parliament.⁶

But productivity growth alone is not enough: living standards must be prioritised in their own right. Productivity

increases have not consistently translated into wage increases across the OECD in recent years. And there is a longstanding international consensus on the shortcomings of considering GDP in isolation, and the need for 'good growth' or 'inclusive growth' – ie, growth which improves

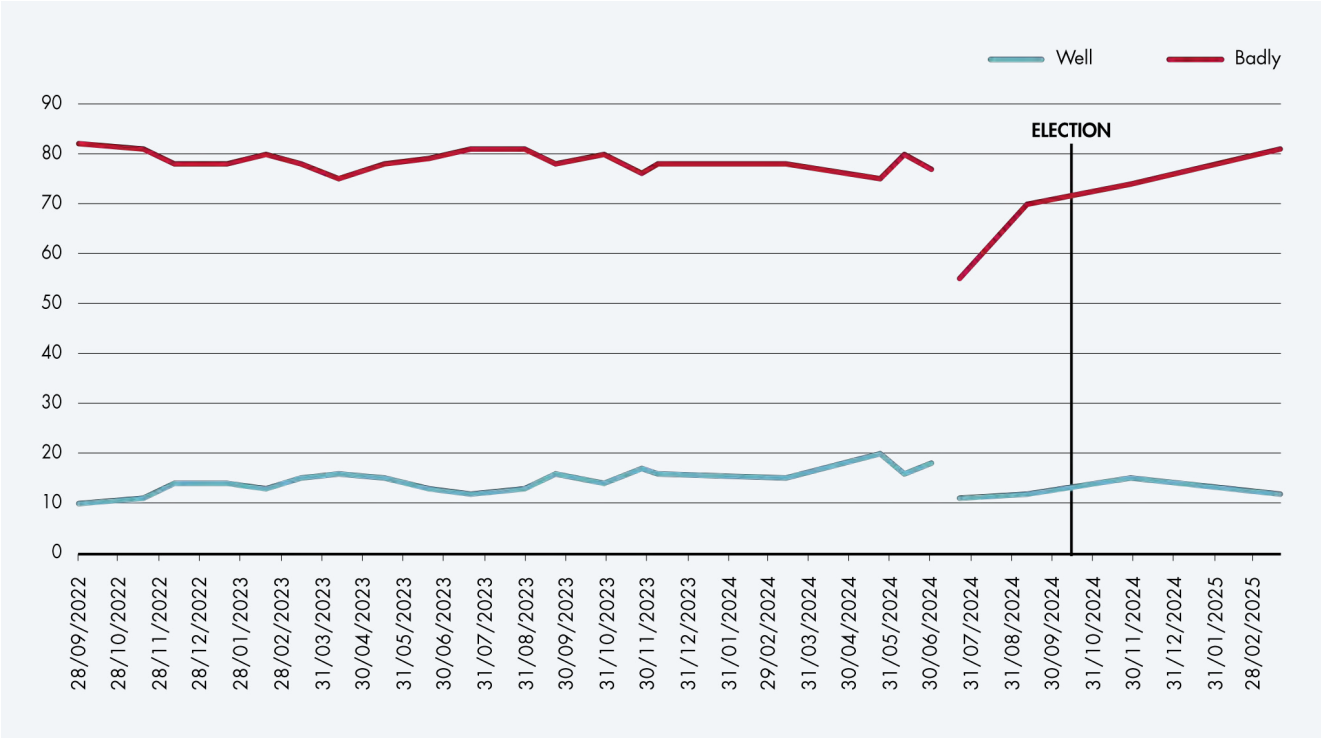
living standards and addresses poverty.⁷ Redistribution, fairer taxation, better working conditions and better wages are all crucial in order to see living standards improvements.⁸ For example, modelling by the Joseph Rowntree Foundation found that real household incomes would be higher after four years under a high growth scenario than under low or 'central' growth assumptions; but that poverty would also rise by more, because the gap between the middle and bottom would widen.⁹ It would take a change in tax and benefit policies for poverty to actually fall at a time of rapid growth. If, on the other hand, the government focused on achieving very high employment, then the modelling suggested that low-income groups would

gain by more than average and the poverty rate would remain stable rather than rising. More generally, economies can be more or less inclusive – depending, for example, on which industries are growing, how labour-intensive they are and where they are concentrated. Different government interventions in the economy can also have more or less inclusive outcomes, by supporting industries or places that benefit more or fewer people. And even if an economy does not grow strongly, there are still things that can be done to improve the lives of those with least.¹⁰ Finally, the political dividend of improving living standards is also clear. There is a great deal of international evidence showing the link between electoral fortunes and

living standards and life satisfaction.¹¹ And, internationally, 2024 elections were notably punishing for incumbent governments who presided over high inflation and pressure on living standards – including in the US and the UK. In the UK, looking back over the past five years, issues related to living standards have often been high on voters' list of priorities – especially as the cost-of-living crisis hit. The public had a consistently negative view of how the government was handling the issue, as figure 1 below shows, and it was the issue Britons were most likely to say would be important in deciding how they voted.¹² Relatedly, financial security is also a significant force behind current voter volatility.¹³

FIGURE 1: BRITONS CONSISTENTLY THOUGHT THE GOVERNMENT WAS MANAGING THE COST OF LIVING 'BADLY' AHEAD OF THE 2024 ELECTION

How well or badly would you say the government is doing at managing the cost of living? %



Source: Difford, D, How Are Britons Coping with the Cost of Living in March 2025?, YouGov, 2025

2. THE UK HAS A MAJOR LIVING STANDARDS PROBLEM, ESPECIALLY FOR THE POOREST

Average incomes

Real household disposable income (RHDI) is the government's preferred measure for living standards.

RHDI has stagnated in recent years, increasing by just £2,900 per person in the 17 years since global financial crisis – half of the increase seen in the 17 years preceding it, when it rose by £6,700.¹⁴ The 2019-2024 parliament was the first since records began in 1945 to see living standards decline.¹⁵

Figure 2 uses a different 'after housing costs' median income measure to show how this has affected households at different income levels. In 2023/24, disposable incomes (after housing costs and inflation) were barely higher than in the mid-2000s for a wide range of groups.¹⁶

- For households in the bottom 20 per cent of the income distribution, the last 20 years have been especially challenging, with incomes essentially the same as they were 20 years ago in 2003/04. The data for the poorest tenth of households is vulnerable to measurement problems, but the official data suggests that, for this group, real incomes after housing costs were 13 per cent lower in 2023/24 than they were 20 years earlier, in 2003/04. That means the poorest households are worse off by £20 per week, or £1,000 per year. Before 2003/04, income had been rising for this group, increasing by 33 per cent between 1994/95 and 2003/04. But this growth rate peaked in 2004/05, and then stagnated until a short-lived spike in 2021/22, after which it plummeted for two years in a row – including by 18 per cent between 2022/23 and 2023/24.



In 2023/24, income for this group was at its lowest point since 1997/98 – more than 25 years ago.

- Households in the middle of the income distribution have fared better, but still very poorly by historic standards. Compared to 20 years ago, their incomes are 11 per cent higher, leaving them an average of £53 per week or £2,800 per year better off. However, incomes for this group had previously been rising much faster – they rose by 38 per cent between 1994/95 and 2003/04. Progress slowed significantly from 2009/10, since which median incomes have risen by only 6 per cent – that is, £30 per week, or £1,600 per year. This group also experienced a fall in income between 2021/22 and 2023/24 – losing 3 per cent of their

income in just two years, equivalent to £18 per week, or £950 per year.

Disposable incomes after housing costs have also increased very slowly for high income households.ⁱⁱ

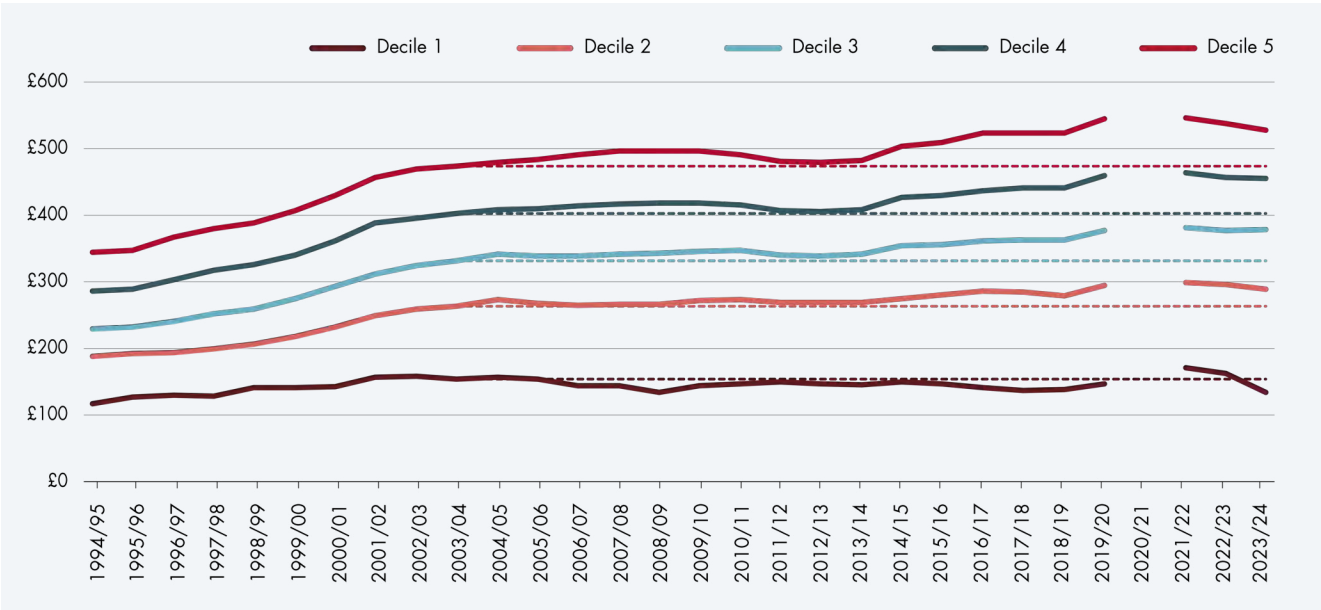
Our analysis indicates almost two decades of lost living standards growth. If the 1997-2007 trend of 2.4 per cent per year growth in RHDI had continued, then people would be 32 per cent better off now than they are: annual disposable household income per person would be £7,700 higher per year (£149 per week), as figure 3 below shows.

Our analysis indicates almost two decades of lost living standards growth

ii. As a result, inequality between the 10th and 90th percentile is lower than it was in the late-2000s, though higher than in the early-2000s. The same is true of the share of disposable income that goes to the top one per cent of the income distribution.

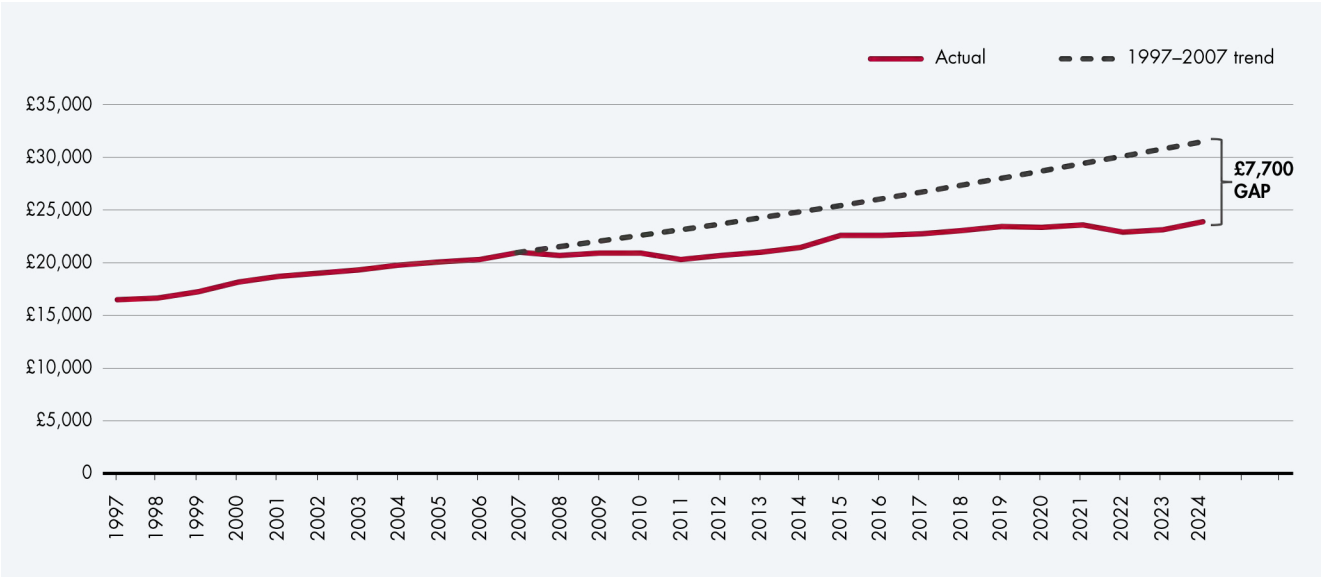
FIGURE 2: AFTER ACCOUNTING FOR INFLATION, DIRECT TAXES AND HOUSING COSTS, FAMILY INCOMES HAVE BARELY CHANGED SINCE THE MID-2000S

Real household income, equivalized, 2023/24 prices with 2003/04 comparison. Percentiles of the income distribution after housing costs



Source: Department for Work and Pensions, Households Below Average Income (HBAI) Statistics, 2025

FIGURE 3: WEEKLY DISPOSABLE INCOME WOULD BE £149 HIGHER PER PERSON, IF THE 1997-2007 TREND HAD CONTINUED Actual RHDl compared to RHDl if the annual 1997-2007 rate of increase had continued



Source: Office for National Statistics, UK Economic Accounts, 2025

The UK also has the highest regional income inequality of any comparable high-income country, and it has risen significantly since 2011, as Figure 4 below shows. The government’s Plan for Change states:

The Government will deliver a milestone of higher living standards in **every part** of the United Kingdom by the end of the Parliament. We will measure headline progress against this milestone through higher Real Household Disposable Income (RHDI) per person and Gross Domestic Product (GDP) per capita by the end of the Parliament. We also believe that growth must be felt by everyone, everywhere,

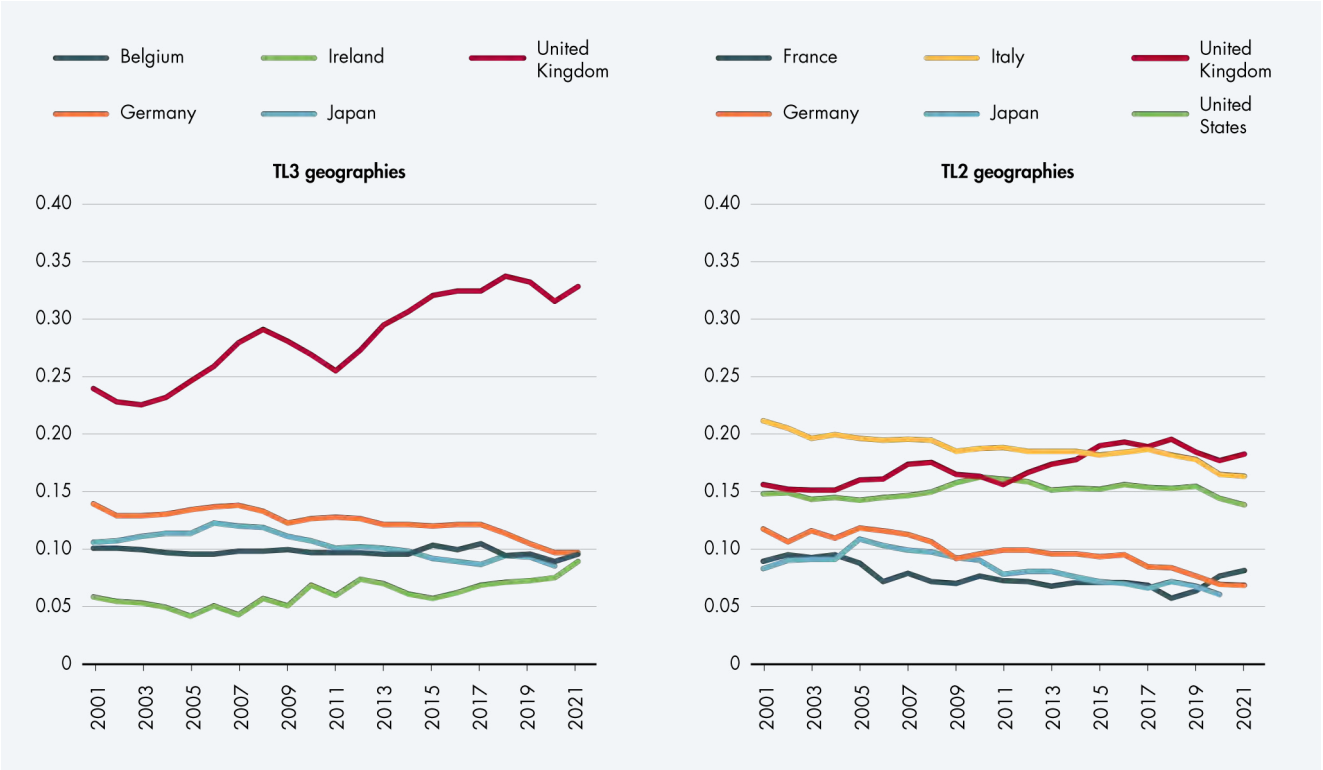
so **we will track GDP per head at both a regional and national level** to drive prosperity across the United Kingdom [emphasis added].¹⁷

Regional RHDI per person is not explicitly something the government will track alongside regional GDP per head. But given their rhetoric and the broader milestone, the government will surely be monitoring it closely. And delivering on regional inequality will be a challenge: since 2011, disposable income has risen more than twice as fast in many parts of London compared to places like east Lancashire, some northern parts of Greater Manchester, and Swindon. The UK started the last decade with much higher regional inequality than

other countries, and became significantly more unequal over the period. This means that many parts of the country now have disposable income per capita similar to Slovenia – which ranks 25th in the OECD for incomes and is significantly below the OECD average (the UK as a whole ranks 17th).



FIGURE 4: REGIONAL INEQUALITY IN DISPOSABLE INCOME PER CAPITA HAS RISEN SIGNIFICANTLY SINCE 2011
Coefficient of variation in regional disposable household income per capita, between TL3 (eg Darlington) and TL2 geographies (eg north east)



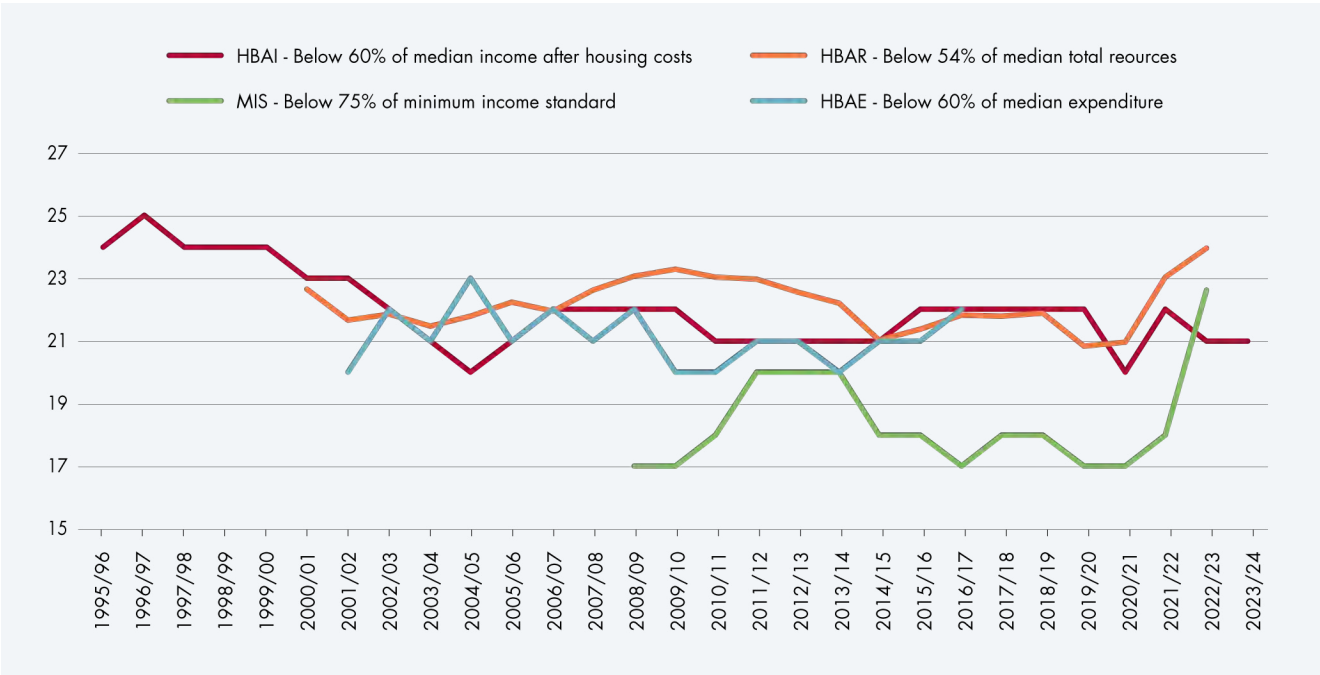
Source: Analysis of OECD, Regional income per capita, 2025. Excludes extra territorial regions

Poverty and destitution

Poverty means not having sufficient financial resources to meet your needs. It can be measured in different ways, but the pattern over time remains broadly consistent since the early 2000s, with around 1 in 5 people living in poverty. Figure 5 below shows that under four different measures, overall poverty has barely changed over the last 10 to 20 years – and some measures have indicated a recent rise.



FIGURE 5: POVERTY RATES HAVE REMAINED HIGH AND SOME HAVE RISEN MORE RECENTLY
Percentage of people in poverty, under four different measures



Sources: Department for Work and Pensions, Households below average income (HBAI) statistics, 2025; Social Metrics Commission, Measuring Poverty 2024, 2024; Joseph Rowntree Foundation, Households living below a Minimum Income Standard: 2008–2023, 2025; Office for National Statistics, An expenditure-based approach to poverty in the UK: financial year ending 2017, 2018

Destitution, or extreme hardship, is high and rising. The Joseph Rowntree Foundation has defined destitution as having a very low income or lacking at least two of six basic physical needs (ie food, shelter, heating, lighting, clothes and shoes, basic toiletries). In 2023, it estimated that 3.8

million people are destitute, including 1 million children, a steep rise since previous studies in 2019 and 2017. Increasing destitution is mirrored by a steep rise in food insecurity: in 2023/24, 2.8 million people lived in households that used a food bank in the previous 12 months, and 7.5 million

were classed as ‘food insecure’, a rise of 50 per cent since 2019/20.¹⁸ Food banks supported by the Trussell Trust distributed 3.1m emergency food parcels in 2023/24, compared to 1.6m in 2018/19.¹⁹ It should be noted that deep poverty as measured using official household surveys has not

increased to the same degree. For example, using the experimental HBAR measure of poverty, the share of people with less than half the resources required to exceed the poverty line has been stable at around 6 per cent since 2010/11.^{iii 20}

The composition of poverty is also changing. Looking over the last 25 years and using the main HBAI measure of poverty, figure 6 below shows that:

- Between 1997/98 and 2010/11, there was a decline in overall poverty and a change in the composition of poverty, driven by the last Labour government's policy choices. Pensioner poverty and child poverty both fell substantially but working-age poverty increased.

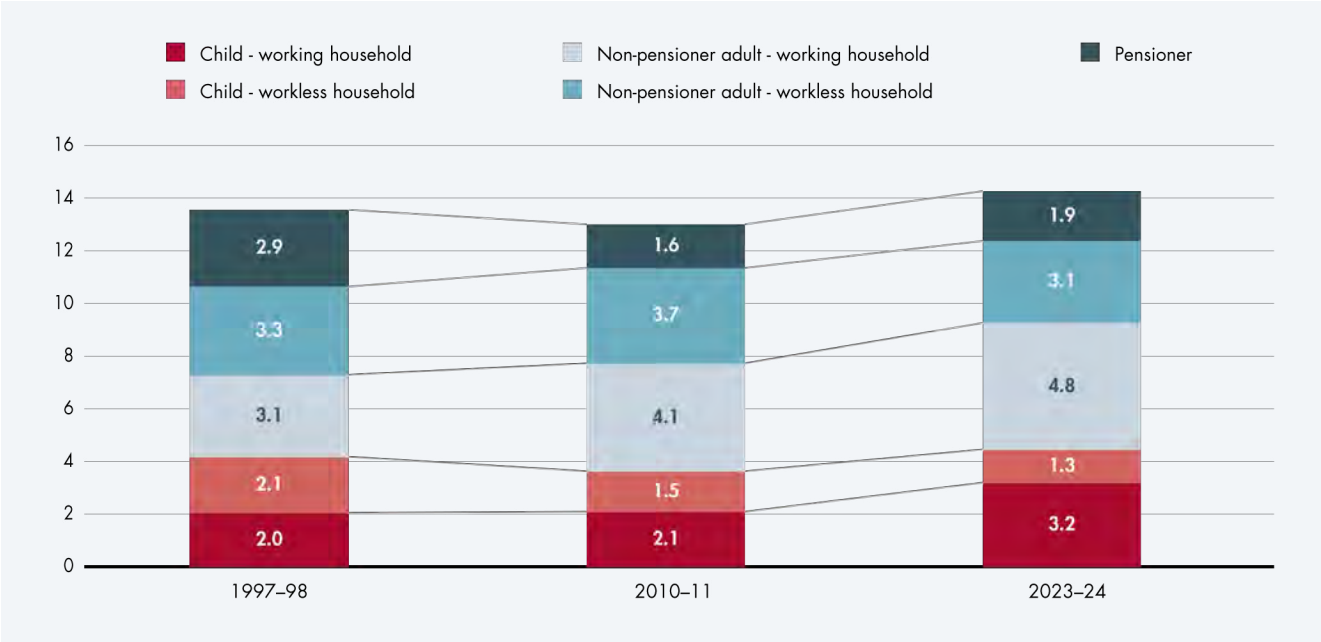
- Between 2010/11 and 2023/24, the overall number in poverty increased among children, working-age adults and pensioners. The biggest shift was the increase in in-work poverty: around 7 in 10 poor children and 6 in 10 poor working-age adults are now in working households.
- Poverty rates are highest among young adults and adults just before the state pension age. Nearly one in four (24 per cent) 16 to 24-year-olds and over one in five (22 per cent) 60 to 65-year-olds are in poverty.²¹

Some of this change has been driven by the growth and ageing of the popula-

tion. The shift towards in-work poverty has also been accelerated by increasing employment participation prior to the pandemic (which was associated with a fall in workless families with children and a rise in the disability employment rate). This shows that while reversing the post-Covid decline in employment is important and necessary, alone, it will not be enough to reduce poverty and raise living standards.

Poverty rates are highest among young adults and adults just before the state pension age

FIGURE 6: SINCE 2010 THE NUMBER IN POVERTY HAS INCREASED AMONG ALL AGE GROUPS BUT THE MOST STRIKING CHANGE IS THE RISE OF POVERTY IN WORKING HOUSEHOLDS
Millions of people in poverty by type of household



Source: Department for Work and Pensions, Households below average income (HBAI) statistics, 2025

iii. This discrepancy may reflect measurement issues involving extremely low incomes. Or it may be that the rise in extreme hardship is being driven by insecure or interrupted incomes rather than averages over time

Table 1 shows changes in the risk of poverty for different groups under the previous Labour and Conservative governments. Between 1997 and 2010, the risk of child poverty fell, and pensioners moved from having an above average to a below average risk of poverty. Poverty decreased for people from Black, Asian and minority ethnic backgrounds and increased for disabled people.

Since 2010, the poverty rate has in-

creased for groups including children, pensioners and people approaching state pension age.^{iv} In the case of children, the risk of poverty has increased for working households but fallen for workless households, having spiked in 2022/23 before falling back significantly. Poverty remains high for disabled people and people from Black, Asian and ethnic minority backgrounds, but there has been some welcome progress for both groups.



TABLE 1: THE RISK OF LIVING IN POVERTY HAS INCREASED FOR CHILDREN AND PENSIONERS SINCE 2010

	1997/98	2010/11	2023/24*
Children	33%	27%	31%
In working households	20%	19%	25%
In workless households	83%	65%	62%
Working-age adults	20%	21%	19%
In working households	11%	14%	14%
In workless households	57%	53%	43%
Disabled (working age)	29%	31%	25%
Pensioners	28%	14%	16%
60-64 year olds	22%	16%	22%
Black, Asian and minority ethnic**	48%	41%	38%
Total	24%	21%	21%

Source: Department for Work and Pensions, Households below average income (HBAI) statistics, 2025. Notes: *2023/24 data has caveats related to data collection and Covid-19, for which see source. **Three-year average taken due to small sample size.

This poor performance is not inevitable, and progress on poverty is possible. The numbers facing hardship fell the last time Labour was in power, with over half a

million children and one million pensioners lifted out of poverty.²² More recently, during the pandemic, the Conservatives lifted 600,000 people out of poverty in

a single year thanks to their emergency Covid policies, only to reverse course after the crisis.^v

iv. Previous Fabian Society work has looked in particular at the experience of people aged between 60 and state pension age where the incidence of poverty has risen steeply as the pension age has increased (When I’m 64, Fabian Society, 2024)

v. Ibid. The 600,000 figure is for absolute poverty, which is appropriate in years when household incomes are falling in general. HBAI poverty as normally measured fell by 1 million people, but this is because median incomes declined.

3. THE CAUSES OF POOR LIVING STANDARDS ARE CLEAR, BUT DIFFICULT TO ADDRESS

Long-term, structural changes

Over the long-term, increases in productivity are essential to driving improvements in living standards. Productivity growth in the UK has been very poor in recent years. As figure 7 below shows, annual labour productivity growth was the second highest in the G7 in the decade up to 2007, before slipping to third between 2007 and 2010, and then to the second slowest in the G7 between 2010 and 2023. Moreover, growth in total factor productivity (the measure of productivity that accounts for labour and capital inputs) has been almost flat since the global financial crisis.²³ Various causes have been suggested for this: a global productivity slowdown,

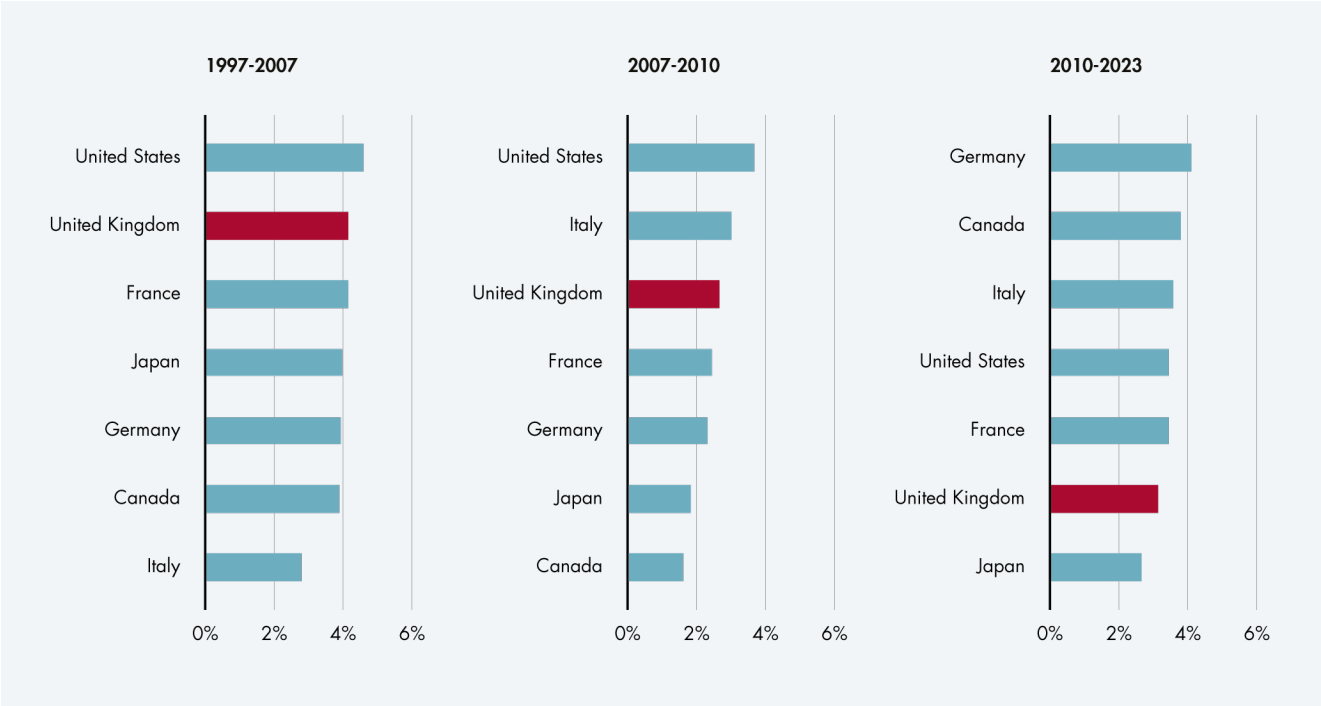
measurement problems, new technologies, financial market frictions, the growth of firm market power, and austerity.²⁴

Stagnating productivity has translated into stagnating labour compensation, with low- and middle- earners faring particularly badly. In-depth analysis shows that, historically, changes in productivity and labour compensation have gone through periods of decoupling – with productivity overtaking labour compensation before 1996, before catching up from 1997-2007. But both productivity and labour compensation stagnated together between the 2007 global financial crisis and 2019 (the end of the analysis period).²⁵ However, this research also found that median pay has decoupled from productivity since the 1980s. And while labour productivity merely stagnated between 2007 and 2013, median pay actually fell. The evidence indi-



cates that low- and middle- earners often do not materially benefit from productivity growth, and that when there is low or flat productivity growth, they can even see a decline in real pay. Recent increases in the minimum wage and national living wage may mitigate this effect for the lowest earners.²⁶

FIGURE 7: UK PRODUCTIVITY GROWTH HAS BEEN STRIKINGLY LOW COMPARED TO OTHER G7 COUNTRIES
Average annual growth in output per hour in G7 countries



Source: Author's analysis of OECD, Productivity Levels, 2025

High living and housing costs

The cost of essentials, utilities, housing and council tax make up a very high share of the budgets of low- and middle-income households. So, when these costs rise faster than incomes, living standards fall. Inflation has obviously increased rapidly since the emergence from the pandemic and the start of the Ukraine war, but average earnings have barely been keeping up with inflation for much longer (see table 2).

The discrepancy with changes in energy costs over time is particularly striking. Public perceptions of the reasonable minimum basket of goods and services required to participate in society have also expanded, which means that the ‘minimum income standard’, a widely-used measure developed by Loughborough University’s Centre for Research in Social Policy, has increased by more than inflation.



The cost of essentials, utilities, housing and council tax make up a very high share of the budgets of low- and middle-income households. So, when these costs rise faster than incomes, living standards fall

TABLE 2: THE COST OF LIVING HAS INCREASED SIGNIFICANTLY SINCE 2010 AND ESPECIALLY SINCE 2019

	Since 2019	Since 2010
Consumer price index (CPIH)	24%	51%
Rent (England)*	27%	55%
Council tax (England)**	26%	42%
Electricity	50%	137%
Gas	47%	81%
Basket of essential goods and services (minimum income standard)***	48%	87%
Average earnings	31%	60%
Basic adult benefit payment****	24%	41%
Pension credit****	30%	68%

Sources: Office for National Statistics, CPIH Index 00: All Items 2015=100, 2025; Office for National Statistics, Price Index of Private Rents: Historical Series Chain-Linked to Index of Private Housing Rental Prices – Rent Price (£) by Countries and Regions, 2025; Ministry of Housing, Communities and Local Government Average Council Tax per Dwelling from 1993 to 1994 to 2025 to 2026, UK Government, 2025; Office for National Statistics, CPI Index, 2025; Hirsch, D, A Minimum Income Standard for the United Kingdom in 2019, Joseph Rowntree Foundation, 2019; Davis, A, Hirsch, D, and Smith, N, A Minimum Income Standard for the UK in 2010, Joseph Rowntree Foundation, 2010; Davis, A, Blackwell, C, Ellis, W, Padley, M, Stone, J, and Balchin, E, A Minimum Income Standard for the United Kingdom in 2024, Joseph Rowntree Foundation, 2024; Office for National Statistics, EARN01: Average Weekly Earnings, 2025; Cracknell, R, 2010 Benefit Up-rating, House of Commons Library, 2010; Department for Work and Pensions, Benefit and Pension Rates 2019 to 2020, 2019; Department for Work and Pensions, Benefit and Pension Rates 2025 to 2026, 2025. Notes: All figures are averages for year to March 2025, compared with years to December 2019 and May 2010, except where stated otherwise. *Year to February 2025; **Compared to financial years 2009/10, and 2019/20; *** MIS in 2010, 2019 and 2024, for single working age adult, total excluding rent, childcare, council tax, and water; **** financial years 2009/10, 2019/20, 2024/25

Housing costs have been rising in line with other prices, but they particularly affect lower income households, who are much more likely to rent rather than own outright or with a mortgage. In 2021, on average the poorest quarter of households spent 21 per cent of their income on housing, while the richest quarter spent 6 per cent (a gap that has widened over time).²⁷ Young adults and people from Black, Asian and ethnic minority backgrounds are more likely to experience housing affordability problems.²⁸

Basic working-age benefits have fallen well behind rising costs. For a single adult 25 and older, the basic rate of universal credit is around £90 per week, while the cost of a basket of very basic essentials is £120.²⁹ Citizens Advice has developed a new measure using data they have collected from service users to estimate how many people across the country have negative budget (where their essential costs are higher than their income). The charity estimates that nearly 5 million people in the UK are in this position.³⁰ This has major implications for problem debt.

There are other specific cost of living standards issues facing people with low and middle incomes.

- **Insufficient discounts:** discount schemes such as social tariffs are patchy and insufficient.
- **‘Poverty premiums’:** there are instances where people on low incomes pay more, on average, for the same goods and services – for example, because they lack the financial security to use direct debits, or because they pay higher insurance rates as a result of living in a disadvantaged neighbourhood. In 2022, poverty premiums were estimated to cost each household in poverty an average of £444 per year, and they are more likely to affect ethnic minorities, lone parents and disabled people.³¹

- **Limited government services and support:** support in kind to improve household living standards and well-being is often limited and underfunded (eg school meals, subsidised childcare, healthy food vouchers).

- **Markets for essentials aren’t functioning properly:** greater choice has not always delivered good outcomes. In regulated markets, such as energy, fragmentation has shifted risk onto consumers, who lack representation and power, while government and regulators have been passing the buck and failing to get consumers a good deal.³²

Insufficient earnings

Achieving higher and more secure earnings is an important part of the solution to low living standards and high poverty. Over time, increases in average earnings derived from productivity improvements will raise living standards – directly, and also indirectly, by increasing tax revenues, which can then be spent on public services and social security. But the UK’s earnings performance has been woeful over the last 15 years. Average earnings were just £26 per week or 3.7 per cent higher in real terms in the year to March 2025 than in March 2008.³³

Stagnant average pay drives stagnant average household incomes. There are also four more specific employment related causes of poverty and low living standards:

- **Being without work:** household living standards almost always rise when a first adult moves into work. Employment participation was at its highest rate ever on the eve of the pandemic (only partly as a result of the rising state pension age). The headline employment rate then fell from around 76 per cent to just over 75 per cent in 2024, mainly as a result of rising economic inactivity linked to sickness and disability. A higher employment rate remains highly desirable, but with very high in-work poverty, on its own it will not provide the answers to low living standards.
- **Low hourly pay:** the minimum wage and the national living wage have increased rapidly in recent years. This is an important achievement that has caused the incidence of low hourly pay to plummet, and according to the IFS, increases between 2016 and 2019 had essentially zero negative effect on employment or hours worked, and positive spillovers to younger workers



not directly affected.³⁴ But higher hourly pay has had surprisingly little impact on living standards and poverty. This is partly because many on the very lowest incomes are not in work and would not benefit from it, and because NLW increases have been offset in higher taxes and lower benefits. But it is also because individuals with low hourly pay are actually found in households across the income distribution, not just those in or near poverty – frequently, they are second earners in a household with another medium or higher earner. The IFS find middle-income households gain most (£1.50 per week), with the richest and poorest tenths of the distribution gaining similar absolute amounts (less than 35p per week). However, an important feature of a higher minimum wage is that it increases tax revenue and reduces in-work benefit spending, which makes it cheaper to fight in-work poverty.

- **Insufficient hours and insecure work:** working more hours is usually the most straightforward way for households to increase their incomes. Seven per cent of workers are ‘underemployed’ (ie they want to work more hours).³⁵ Others would choose to work more hours if

their circumstances changed – for example, if practical barriers to work were removed, or there was more of financial incentive. Insecure work is also a factor, with the share of workers reporting that their main job is on a zero-hours contract at 3.4 per cent in 2025.³⁶

- **Interrupted earnings:** compared to other rich countries, the UK offers very limited statutory protection to workers who need to temporarily stop work, whether that be due to sickness, caring responsibilities, maternity or paternity. Apart from the first six weeks of maternity leave, all our statutory leave schemes offer very low flat-rate payments.³⁷

Progress on all these issues matters. But it is important to note that on some measures there have been improvements since the early-2010s (see table 3) and this has not translated into similar improvement in poverty or living standards. A thriving and inclusive labour market is a foundation for prosperity, but is not enough on its own.

A thriving and inclusive labour market is a foundation for prosperity, but is not enough on its own.



TABLE 3: AVERAGE PAY HAS STAGNATED, BUT OTHER LABOUR MARKET INDICATORS HAVE IMPROVED OVER THE LAST 15 YEARS WITHOUT MATCHING PROGRESS ON LIVING STANDARDS

	2007	2010	2019	2024
Employment rate (16-64s)	73%	70%	76%	75%
Children in workless households	16%	16%	9%	11%
Employee jobs with low hourly pay	21%	21%	16%	3%
Underemployment rate	7%	10%	8%	7%

Sources: Office for National Statistics, Employment rate (aged 16 to 64, seasonally adjusted): %, 13 May 2025; Office for National Statistics, Working and workless households in the UK: January to March 2025, 13 May 2025; Office for National Statistics, EMP16: Underemployment and Overemployment, 13 May 2025; Office for National Statistics, EMP17: People in Employment on Zero Hours Contracts, 13 May 2025. Note: low pay is defined as below two thirds of median hourly pay. Underemployment is defined as the share of workers who want to increase their hours, are able to do so and do not currently work excessive hours.

Inadequate social security

The design and generosity of social security is the most important determinant of living standards for lower income households. There are three significant flaws in our social security which drive poverty and low living standards:

- **Low levels of payment:** Social security payments are frequently insufficient, either to prevent hardship for households without work, or to enable households

where everyone is working full time to secure a reasonable standard of living. Table 4 shows that social security payments levels leave working-age households where no one works well below the MIS poverty line (75 per cent of the minimum income standard). Pensioners come much closer than those on working-age benefits. Even households where both adults work full time on the national living wage are unable to reach the minimum income standard,

except for couples without children. Working-age social security has failed to keep up with rising prices, but it has never been explicitly designed to meet needs or track prices or earnings. As a recent House of Commons Work and Pensions Committee inquiry showed, there has never been a foundation or rationale for benefit levels, or an official government process for determining the adequacy of benefits.³⁸

TABLE 4: SOCIAL SECURITY PAYMENTS IN 2023 LEFT MOST NON-WORKING HOUSEHOLDS WELL BELOW THE MINIMUM INCOME STANDARD

	Not working Income from benefits	Working full-time on NLW Income from pay and benefits
Single working age adult	£85 (28% of MIS)	£233 (77% of MIS)
Couple without children	£136 (27% of MIS)	£573 (115% of MIS)
Lone parent, 2 children	£276 (44% of MIS)	£430 (69% of MIS)
Couple, 2 children	£306 (39% of MIS)	£640 (82% of MIS)
Single pensioner	£222 (94% of MIS)	-
Pensioner couple	£338 (87% of MIS)	-

Sources: Davis A, Blackwell C, Ellis W, Padley M, Stone J, and Balchin E, A Minimum Income Standard for the United Kingdom in 2024, Joseph Rowntree Foundation, 2024



- **‘Holes’ in the safety net:** In many cases, these payment levels actually overstate the protection that households receive from benefits because there are significant ‘holes’ in the safety net.
 - » **Reductions and delays in payment:** 5.5 per cent of UC claimants in the conditionality regimes were undergoing a sanction (a cut in payment, often for minor or accidental breaches of work search conditions).³⁹ Moreover, people making a new claim for universal credit have to wait five weeks before receiving their

money. Universal credit payments also take time to react when people’s earnings or other income falls.

- » **Debt repayments:** Around 2.8 million households receiving universal credit (45 per cent) were subject to a deduction to repay debt, including to government or utilities providers. The average repayment was £69 per week. Debts come from advances made at the start of claims, previous overpayments and hardship payments, budgeting loans, court payments or third-party debts.⁴⁰

» **Extra costs are not covered in full:** households need to dip into income intended for general living costs when extra costs are not covered in full. Housing support payments often do not cover the full cost of rent when private rent exceeds Local Housing Allowance or the social housing bedroom tax applies. The childcare support portion of universal credit does not cover the full cost of childcare. Local council tax support schemes mainly require people of working-age to pay something, even if they only have benefit income.⁴¹ The extra costs of disability are not fully reflected in higher benefit payments – and recent cuts to PIP entitlement will have affected the living standards of disabled people significantly.⁴²

» **Payments are capped:** social security payments are intended to vary, to reflect differences in household circumstances and need. But this principle is undermined by a series of upper limits on payments. Key examples include: local housing allowance, which is capped in high-cost areas; the two-child limit, which means extra means-tested payments are not available for children in large families; and the benefit cap, which restricts the total amount that some households can receive.

» **Eligibility:** there are groups of people who are not eligible for support, despite needing it. This could include people who aren't entitled to claim benefits because of their immigration status or nationality, and those who are not entitled to claim higher rates because of their age and contribution records.⁴³

• **Work does not always pay:** The Conservatives' rationale for introducing universal credit was to make work pay. But the social security system still contains features that leave many people not much better off if they move into work or increase their earnings. This is despite the financial gap between basic out-of-work benefits and full-time employment on the minimum wage having never been higher. It is the design, not the generosity, of benefits that creates disincentives. Problems to consider addressing include:

» **A high taper.** The taper is the rate at which benefits are reduced for each pound of extra earnings. Universal credit rules allow people to retain 45 pence in each pound of extra earnings. But gains are frequently much lower because a pay rise may also lead to an increase in income tax, national insurance, pension contribution and student loan repayment; and a reduction in council tax support.

» **Inadequate work allowances.** These disregard the first portion of earnings when calculating benefit entitlement. That is to say, for an initial amount of income, the taper does not apply, and benefits are not reduced, even though income from work goes up. This is to ensure that a move from being unemployed into work leads to a clear step change in income, which is larger than an increase under the taper, when it is withdrawn as income goes up. But only people with a disability or with children qualify for a work allowance (of £673 per month), and claimants receiving housing cost support in UC or living in temporary accommodation have a lower work allowance (£404 per month).

» **Cliff-edges.** These occur when people cross earnings thresholds and lose passported entitlements such as free school meals, free prescriptions and social tariffs.

» **Childcare costs.** Despite the availability of free hours of childcare and UC childcare support, some low- and middle-income families have to cover part of their childcare costs, which often leads parents to conclude that it is not worth taking on more hours.

The social security system still contains features that leave many people not much better off if they move into work or increase their earnings



Low take-up of entitlements

One of the most frustrating causes of poverty and inadequate living standards is households not receiving their entitlements – including social security, support in kind and social tariffs from utilities. Low take-up has long been discussed in the context of older people, but it is a major issue right across the age spectrum. For example, recent Fabian Society research identified non-take-up as a particular problem for people without work in the years prior to state pension age. Factors behind low take-

up include a lack of awareness, administrative complexity, stigma and fragmentation (ie numerous low-value entitlements).

The government currently only publishes estimates of take-up for two benefits for older people. It estimates that in 2022/23, 65 per cent of eligible pensioners claimed pension credit and 79 per cent claimed housing benefit – though take up will likely have increased significantly due to the introduction of means testing for winter fuel payments.⁴⁴ To fill the gap in official data, the consultancy Policy in

Practice has developed valuable estimates of take-up across a much wider range of entitlements.⁴⁵ They estimate that at least 8 million households are not claiming at least one entitlement, with the average loss being £2,700 per year. The figures for universal credit and council tax support are particularly striking – with an estimated 1.4 million and 2.3 million households missing out respectively. But it is social tariffs that have the lowest level of take-up – with some discounts claimed by only 5 per cent of eligible households.

TABLE 5: POLICY IN PRACTICE ESTIMATES THAT HOUSEHOLDS ARE MISSING OUT ON ALMOST £23BN IN UNCLAIMED BENEFITS AND SOCIAL TARIFFS

	£ million	Missed claims	Average missed amount
DWP / HMRC benefits			
Universal credit	£8,306	1,439,019	£5,772
Pension credit	£2,162	807,704	£2,677
Carer's allowance	£2,254	529,306	£4,259
Child benefit	£1,652	838,291	£1,970
Locally administered benefits			
Council tax support	£3,411	2,254,099	£1,513
Housing benefit for pensioners	£1,274	293,646	£4,338
Free school meals	£231	471,069	£490
Healthy Start	£132	181,255	£726
Social tariffs			
Water	£974	6,088,693	£160
Broadband	£1,680	8,401,802	£200
Warm homes discount	£384	181,255	£726
TV Licences	£249	1,470,966	£170
Total	£22,709	8,401,802	£2,703

Source: Policy in Practice, Missing out 2024: £23 billion of support is unclaimed each year, 2024

Insufficient financial resilience

Financial resilience broadly describes people’s ability to withstand negative shocks to their incomes. There are number of factors at play:

- **Workplace pensions:** four in five workers are not saving enough to meet their needs in retirement, and less than five per cent of low-paid workers are saving enough.⁴⁶
- **Savings:** in 2022, 9 million people (17 per cent) had no savings and 5 million (9 per cent) had less than £100 saved.⁴⁷
- **Debt:** 17 per cent of the poorest tenth of households have ‘problem debt’ (compared to 4 per cent of the 5th income decile and 1 per cent of the 10th income decile).⁴⁸ Thirteen per cent of the poorest fifth of households are behind on bills.⁴⁹ The 5 million people who live in households with a negative budget are

at very high risk of going further into debt each month.⁵⁰

- **Separated couples:** 41 per cent of separated families with children have no child maintenance arrangement in place – and 49 per cent of children in such families live in poverty.⁵¹ Divorced women have median pension assets worth only half as much as for women in general.⁵² At separation and death, cohabiting couples have far fewer rights than couples who are married or in a civil partnership.

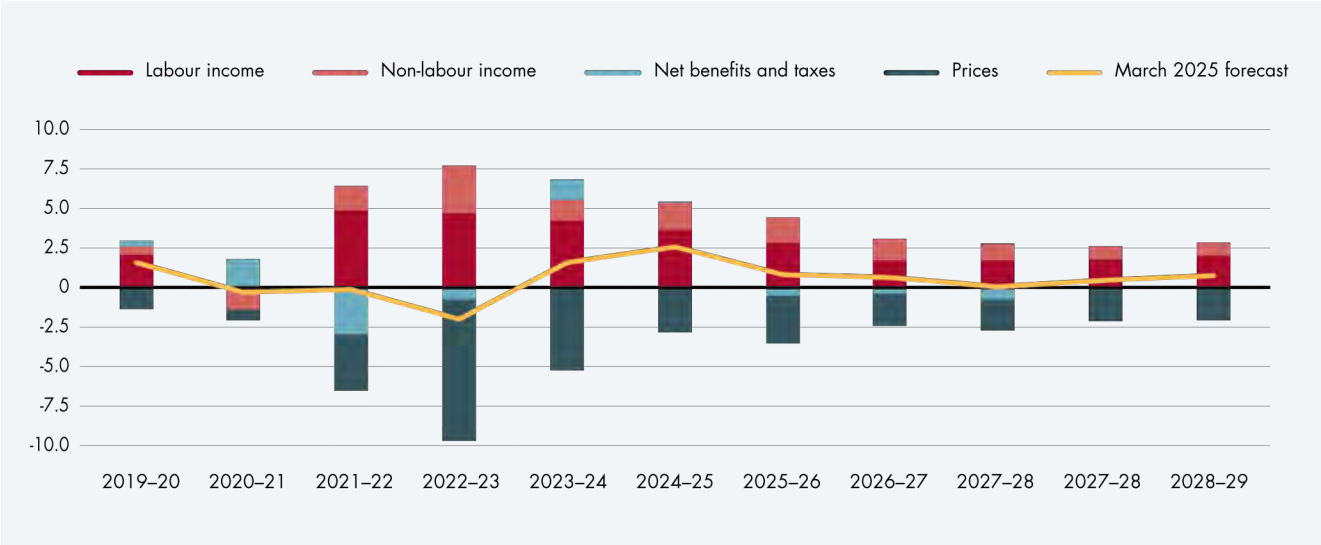
4. THE OUTLOOK FOR LIVING STANDARDS IS CURRENTLY VERY CHALLENGING

Looking forward, there are both upward and downward pressures on living standards. The government is in the process of implementing a number of policies that will improve living standards: the employment rights bill will improve income

security, Labour’s industrial strategy aims to enable a long-term rise in productivity, and the planning and infrastructure bill should ultimately reduce housing and energy costs. However, productivity and economic growth are now projected to be lower in 2025 than initially expected, and the government has cut social security significantly.

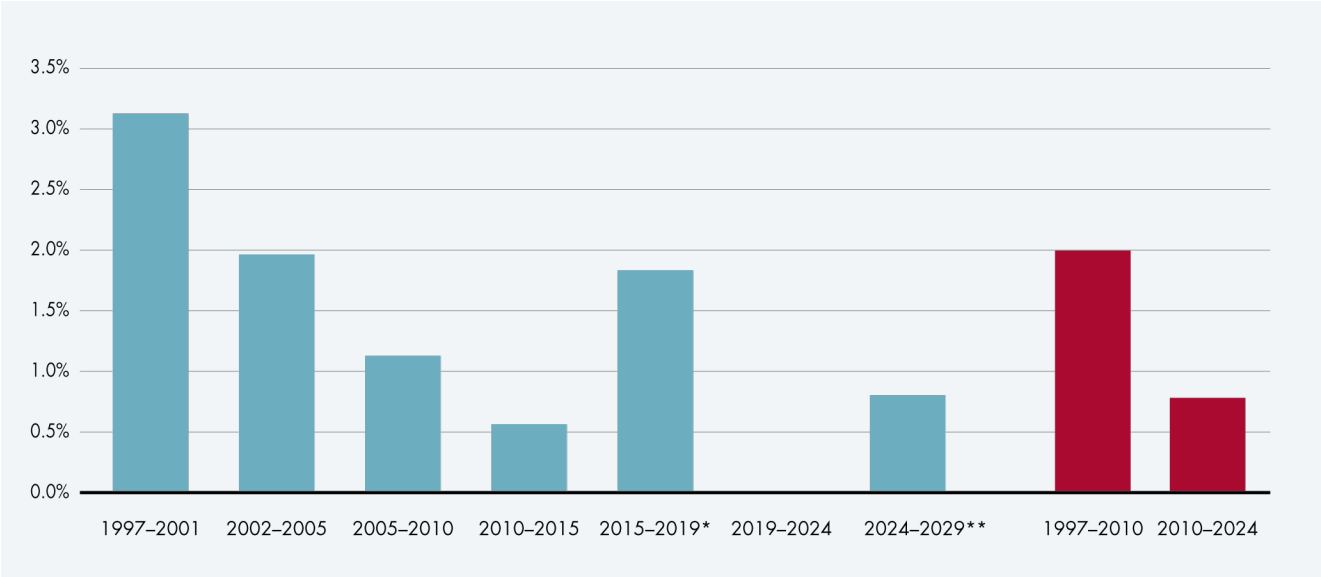
The outlook for meeting the government’s RHDI milestone is therefore uncertain. At the spring statement, the OBR forecast a rise in RHDI this parliament, but only a small one, as figure 8 below shows. The latest forecast is for disposable incomes to be just £1,000 (4.2 per cent) higher per person in mid 2029 than they were in mid 2024, at £25,300 per person. This is an improvement on the 0.1 per cent fall in the last parliament.⁵³ These forecasts predate the US government’s imposition of tariffs on many countries in early 2025, which are likely to slow growth and negatively impact living standards.

FIGURE 8: LIVING STANDARDS ARE FORECAST TO INCREASE ONLY SLIGHTLY THIS PARLIAMENT, DUE LARGELY TO HIGHER PRICES AND LOWER LABOUR INCOME
Real household disposable income per person



Source: Office for Budget Responsibility, Economic and Fiscal Outlook – March 2025, 2025

FIGURE 9: THE LIVING STANDARDS RISE EXPECTED THIS PARLIAMENT WILL BE LOW BY HISTORIC STANDARDS
 Real household disposable income per person, annual growth, by parliament*



Sources: Office for National Statistics, UK Economic Accounts, 2025; Office for Budget Responsibility, Economic and Fiscal Outlook – March 2025, 2025.
 Notes: *two parliaments combined, to improve comparability. **Forecast

The outlook is worse for those who are poorer. RHDI per capita has the advantage of being a timely measure, but has some significant drawbacks as a measure of both average and lower incomes. There are several differences between RHDI and measures of income based on the family resources survey (FRS). First, RHDI does not show the income of different groups, because it is derived from the household sector in the national accounts rather than the more detailed surveys of the population the FRS uses. Second, because it is essentially a mean average, rather than a median, it is more susceptible to being skewed upward by households with higher incomes. Third, it does not account for housing costs – which are a major factor in causing poverty. Finally, it does not account for living costs as accurately as other measures; real terms changes reflect the household consumption deflator, which is distinct from the CPI deflator more commonly used to account for living costs.⁵⁴ These methodological differences have real

consequences: FRS-based modelling by JRF estimates that the average household will be £750 worse off by 2029, due to falling employment, rising housing costs and freezing tax thresholds. They find that the poorest households will see an even larger

squeeze, because they are more vulnerable to housing costs, housing benefit changes and job losses.⁵⁵ Similarly, the Resolution Foundation estimates that low-income households will be £500 poorer by the end of this parliament.⁵⁶



5. MANY LIVING STANDARDS POLICIES ARE POPULAR, BUT THE PUBLIC IS SELECTIVE ABOUT WHO IS 'DESERVING'

As part of this project, we conducted a series of six focus groups, including people who benefit from social security and people who do not (see annex 2). Our findings align with previous public opinion research.

We found that the public tends to prioritise for support:

- **People who have just lost a job and seen a sudden drop in their income.** Both our focus groups and previous surveys have found a majority are in favour of support for people who have to leave their job. Messages emphasising a change in financial circumstances tend to be popular.⁵⁷

'If I suddenly lost my job that would be catastrophic for me and my family and I would need immediate help.'

– Harriet, South of England

- **Families with children.** YouGov find that many more people think the benefits system offers too little support for this group (32 per cent) than too much (16 per cent), and our focus groups prioritised low-income families with children, recognising that children come with extra costs, and poverty can have an impact on child development and health.⁵⁸ However, there were concerns about encouraging people to have children they 'can't afford' and policies such as the two-child limit remain popular.⁵⁹

'If you don't give the children a good start in life, the foundations for that family will start crumbling.'

– Nadia, Scotland

- **People in low-paid work.** 30 per cent think the benefits system offers too little support for this group compared to 12 per cent who think it offers too much.⁶⁰ And when asked whether the government should prioritise 'people who can't work due to disability or ill health' or 'those in low-paid work', our focus group participants generally selected the latter. They also tended to support increasing the minimum wage, in line with surveys.⁶¹

'I just think it's disgraceful that people work all year and they can't afford small luxuries.'

– Sarah, Scotland

- **People who are disabled or sick – in general.** Contrary to political and media discourse, polls show that public support for disabled people as a whole remains high. People are much more likely to believe the benefit system offers too little support for disabled people than too much (46 per cent compared to 7 per cent).⁶² And even when specifically asked about people of working age who are long-term sick, the public are just as likely to think they are given too little support as they are to think they are given too much.⁶³ However, our qualitative research demonstrated there are several caveats to this, which are explored further down.

- **The very poorest in society.** When asked if the government should prioritise 'the very poorest who often can't afford bare essentials eg heating and food' or 'people who have an income that is below average and are struggling with the rising cost of living', most focus group participants chose the former. They were compassionate, mentioning people using food banks and being unable to heat their homes. This reflects existing research that most people are

convinced of society's duty to meet people's basic needs, such as food and housing.⁶⁴ However, a small number of participants expressed scepticism over who were 'the very poorest', and why they were poor.

- **Policies targeting the cost of essentials.** Lower bills and costs came up repeatedly when people were asked to suggest the main ways that the government could make people like them financially 'better off' in three or four years' time. This was most commonly with reference to energy and food costs; but transport, rent, and mortgage costs were also mentioned. They also brought up childcare, tax and, perhaps surprisingly, their fears of needing to pay private healthcare costs in the future (which the participants explained by reference to long NHS waiting lists). Surveys continue to show the cost of living is a high concern.⁶⁵ Popular policy options discussed in our focus groups included: free school meals for all children, reducing rents by capping what landlords can charge and building more council housing. Many public opinion surveys show a similar picture: 77 per cent support extending free school meals to all primary school children irrespective of household income; and 7 in 10 support introducing rent controls in England.⁶⁶

The public tends not to prioritise for support:

- **People perceived as not 'genuinely' disabled or sick.** Some in our focus groups strongly suggested that people with disabilities 'already get a lot' from the government while other groups don't (the focus groups predated recent cuts to support for disabled people). They also suggested that many disabled people were able to work. This reflects research that while disabled people were previously seen as more



‘deserving’ than other claimants, there is increasingly a ‘hierarchy’ of symptoms, with conditions such as depression and asthma seen as least deserving.⁶⁷ The number of people who believe the qualifications for benefits are not strict enough has grown substantially in the last few years.⁶⁸ These perceptions of deservingness are often highly influenced by media reporting.⁶⁹

‘Well I’m working for what? I may as well just go and say I’ve got some sort of ill health.’

– Nari, Scotland

- **Policies which give more to those on low incomes.** There are some important nuances in people’s views, but our focus groups and wider surveys show generally negative perceptions of higher benefit payments. Participants generally did not support removing the two-child limit, increasing benefits for those who are long-term sick or disabled and unable to work, or increasing benefits in line with the state pension. This is generally in line with existing evidence. However public opinion can be contradictory – as Britons actually tend to think most core types of benefit recipients receive too little support.⁷⁰ Welfare is also no longer

a priority issue for most people – only 12 per cent now believe welfare benefits are the most important issue facing the country, compared to up to 30 per cent in 2013.⁷¹ The decreasing salience of the issue means there is more space for politicians to provide greater support for those on lower incomes.

Part 2: Delivering Higher Living Standards



This government has made living standards their top priority. We have shown why they are right to do so. We have established how important living standards and poverty are; that the picture has deteriorated in recent years; that forecasts of living standards are currently poor for the remainder of the parliament; and that public opinion is nuanced in a way that can be challenging.

We now explore how the government can deliver on this priority in practice and improve living standards within this parliament. We have:

- Synthesised existing government policies, and policies which the Fabian Society and others have already proposed.
- Reviewed coordination and communication strategies in the UK and overseas.
- Undertaken public attitudes work.
- Engaged with a wide range of stakeholders.

This section presents our recommendations. We set out, across three pillars, how living standards measures can be prioritised, coordinated and communicated by the government to maximum effect. We are focused on relatively short-term, financial issues, not longer-term determinants of low incomes – so our recommendations exclude policies such as increasing housing supply and industrial strategy, for example.

We have established how important living standards and poverty are; that the picture has deteriorated in recent years; that forecasts of living standards are currently poor for the remainder of the parliament; and that public opinion is nuanced in a way that can be challenging

PILLAR 1: PRIORITISATION – FOCUS ON LIVING STANDARDS POLICIES WHICH ARE BOTH EFFECTIVE AND POPULAR

This first group of recommendations focuses on how departments can prioritise living standards, and which policies they should implement to support this agenda.

Recommendation 1: Revise key departments' priorities and plans to include improving living standards and tackling poverty

Rather than being the responsibility of a single government department, the levers that can impact on living standards in the short term are spread across a number of departments. Improving living standards therefore must be a priority that is coordinated across these departments.

Government departments publish high-level priorities which help frame their strategies. A number of departments, such as DESNZ, already list living standards as a priority, and this is to be welcomed. However, there is a group of departments that have an important impact on living standards, but do not list living standards as a priority.

The government should revise key departments' priorities and plans to include improving living standards and tackling poverty. These statements would help make cross-government 'mission-based' working a reality, with each department taking up their respective role. These responsibilities should also guide their interactions with the regulators that work to these departments. Specific departmental actions are included in recommendation

2 below, and more specific 'goals' are included in recommendation 3. But first, the statements of departmental responsibilities should be amended as follows:

- **The Treasury** should have an additional and broad priority: "raising living standards, leading cross-government policy on raising incomes, tackling poverty and reducing living costs". This is expanded upon in recommendation 3 below.
- **The Department for Work and Pensions (DWP)** should have a new priority: "preventing hardship, reducing poverty and maximising living standards", and this should be explicit, alongside moving people into work and administering pensions and benefits.
- **The Department for Business and Trade (DBT)** should have an additional priority to "improve the pay, security and quality of work".⁷²
- **The Department for Science, Innovation and Technology (DSIT)** should have an additional priority to "reduce digital divides and ensure digital connectivity is affordable and available to all".
- **The Department for Environment Food and Rural Affairs (DEFRA)** should have an additional priority to: "address food poverty and ensure water and food essentials are affordable and available locally".

- **The Ministry of Housing, Communities and Local Government (MHCLG)** should have an additional priority to "ensure housing costs are affordable and tenures secure".
- **The Department for Transport (DFT)** should have an additional priority to "tackle transport poverty and transport-related social exclusion".
- **The Department for Education** should have an additional priority to "reduce the cost of childcare and ensure childcare is available to all those who need it to work".

Recommendation 2: Prioritise specific measures to raise living standards

Having prioritised living standards and poverty at a high level, departments then need to implement policies that deliver on their objectives.

The Treasury should require departments to prioritise specific measures to raise living standards, and support them in forthcoming spending reviews and budgets. Below, we have arranged these measures under five 'themes', each with three priority actions, assigned to departments and with a high-level qualitative judgement of their fiscal and business impact. To select them, we drew on recommendations previously made by the Fabian Society and other organisations, followed by in-depth engagement and focus groups with the public. We made judgements based on depth of impact, breadth of impact, and public appeal (see section 5 above).

This list includes some policies which the government has committed to, as well as a number of others that should be considered. Some of these policies are spending measures, which would clearly come with a direct cost, but would deliver a positive impact on living standards. But many are primarily regulatory changes, which would not require significant

Rather than being the responsibility of a single government department, the levers that can impact on living standards in the short term are spread across a number of departments

spending, though some would impact on employers, including through additional costs. Given the challenging fiscal and economic environment, we do not expect

the government to be able to implement all of the policies set out below in the short term. However, they represent a menu of policy options which should be prioritised,

and would all deliver a positive impact on living standards during this parliament.

TABLE 6: PRIORITY LIVING STANDARDS MEASURES

Themes		Department(s)	Type of change	Fiscal impact	Business impact
Theme 1: Living and housing costs	Tackle the poverty premium, align and enhance social tariffs and discount schemes across energy, broadband and water ⁷³	DESNZ, DSIT, DEFRA, DFE	Regulation	High	Negligible
	Cap annual rent rises within tenancies ⁷⁴	MHCLG	Regulation	Low	Negligible
	Provide bus revenue funding for strategic authorities and councils, so they can set and subsidise bus fares as they see fit ⁷⁵	DFT/HMT	Spending	Medium	Negligible
Theme 2: Earnings and work	Provide sufficient resources for the new Fair Work Agency (FWA) to enforce minimum wage, NLW and status violations ⁷⁶	DBT/HMT	Regulation	Low	Negligible
	Implement the employment rights bill, to protect people's incomes earned from work ⁷⁷	DBT	Regulation	Low	High
	Improve generosity across statutory sick pay, carer's leave, statutory maternity, adoption and parental leave pay and implement a generous new unemployment insurance benefit ⁷⁸	DBT/DWP	Spending Regulation	Medium	Negligible
Theme 3: Social security	Index all benefits at least to earnings and LHA to local rents (at least the 30th percentile) ⁷⁹	DWP	Spending	High	Negligible
	Stop deductions and sanctions taking incomes below the basic adult level of UC ⁸⁰	DWP	Spending	Low	Negligible
	Abolish the two-child limit and the benefit cap, introduce a new health in pregnancy grant, and introduce 'baby' and 'toddler' elements in UC for under-fives ⁸¹	DWP	Spending	High	Negligible
Theme 4: Take-up of benefits & social tariffs	Set take-up and income maximisation targets for Jobcentres for social security through better data, auto-enrolment and benefits calculator integration ⁸²	DWP	Spending Regulation	Low	Negligible
	Set take-up targets for councils through better data, auto-enrolment and benefits calculator integration ⁸³	MHCLG	Spending Regulation	Low	Negligible
	Set take-up targets for social tariffs on energy, broadband, water and healthy start vouchers through better data, auto-enrolment and benefits calculator integration ⁸⁴	DESNZ, DSIT, DEFRA	Spending Regulation	Low	Negligible
Theme 5: Financial resilience	Broaden eligibility for auto-enrolment into workplace pensions, require a non-contingent employer contribution and increase contribution rates ⁸⁵	DWP	Regulation	Low	Medium
	Set a 'target' for the new state pension, relative to earnings, that is more generous than current payment levels ⁸⁶	DWP	Spending	High	Low
	Enable employers to roll out opt-out payroll saving requirements – initially for large workplaces ⁸⁷	DBT	Regulation	Low	Medium

PILLAR 2: COORDINATION – ESTABLISH CLEAR ACCOUNTABILITY AND CROSS-GOVERNMENT WORKING

The second group of recommendations focuses on how government can both deliver and coordinate the above set of actions in a cohesive way. At present, important responsibilities are distributed across several government departments, and there are not mechanisms of coordination and accountability focused specifically on living standards.

As part of its growth mission, the government has set out a milestone to improve living standards in every region. Below, we set out a series of recommendations to ensure this goal is hardwired into how the government works.

Recommendation 3: Make the Treasury accountable for new ‘living standards goals’

The process of setting goals, targets and indicators is essential for government delivery. They help governments articulate ambition and define success; force prioritisation and coordination within the government; track progress over time and sustain focus; and create internal and external accountability and recognition.⁸⁸ Goals also represent political choices. They are set to reflect and articulate ministers’ political priorities, taking into account public opinion, the social challenges facing the country and assessments of feasibility. There are many cautionary tales of poorly constructed targets, which can lead to perverse incentives or gaming. But this simply underlines that it is important to design targets well, rather than suggesting we should avoid them completely.

Under the last government, the Treasury did not have any explicit responsibility or goals with respect to household living standards or consumer issues. Likewise, no one senior in the department’s organizational structure had clear responsibility for higher household incomes or living standards (in contrast with GDP growth



and social security policy). The Treasury has the power to improve living standards substantially, so this lack of political prioritisation and accountability was likely one of the factors in poor living standards growth in recent years.

The Labour government has rightly made the Treasury accountable for delivering the living standards ‘milestone’. The government has said that real disposable household incomes (RHDI) must rise by the next election. It also monitors a wide range of indicators as part of an internal

‘dashboard’ – and has proposed to publish such figures in an accessible format in order to be held to account. These are important, positive steps.

But the government does not currently have a focused set of top-priority, accountable goals to support their living standards milestone. These would be used to monitor progress, focus attention, and ensure that everyone benefits – especially the poorest. They would also help with delegation and accountability across relevant departments, facilitating coordination.

The government should make the Treasury accountable for new living standards goals. In addition to the living standards milestone, the prime minister should make the chancellor directly accountable for five ‘living standards goals’, with other departments supporting as appropriate.

1. **Income:** to increase real-terms household incomes (before housing costs, covered below) at each of the 1st to 5th deciles in the income distribution for working-age households (shared with DWP and DBT).^{vi}
2. **Living costs:** to maintain or reduce the aggregate cost of essentials in regulated markets, relative to median weekly pay (shared with MHCLG (housing) DSIT (broadband), DESNZ (energy) and DEFRA (water)).
3. **Destitution and poverty:** to meet an ambitious but deliverable target for ending destitution and the use of foodbanks; to cut the rate of in-work poverty (using a scorecard approach, but prioritising the established HBAI poverty rate, see box 1); and to cut child poverty by half over 10 years (all shared with DWP).
4. **Security:** to reduce the share of pay lost to sickness, parental or caring responsibilities, and unemployment; to increase the savings rate for people on low and middle incomes; to reduce households in ‘negative budget’⁸⁹;

and to increase the average level of pension saving for households on low and middle incomes (all shared with DWP and DBT).⁹⁰

5. **Inequalities:** to close the gaps with the national average in the headline RHDl milestone, and all of the above goals, between:
 - **people** – improving outcomes to tackle inequalities based on gender, ethnicity, disability and socio-economic background; and
 - **places** – improving outcomes for poorer performing councils, strategic authorities and regions.^{vii}

Data improvements will be crucial to hold the government to account on these

goals. The government should:

- Avoid moving the goalposts with methodological or other changes, where possible.^{viii}
- Support the ONS to improve the timeliness of available data, particularly concerning income, poverty and regional inequalities – including exploring ‘nowcasting’ (which generates estimates for the current state of the economy from available indicators).^{ix}
- Support the ONS to undertake other methodological improvements, especially of the family resources survey – including: equivalisation; ‘deep’ poverty measures; the below average resources (BAR) measure; and the use of destitution and food bank use measures (see box 1 below).^x



vi. Both child poverty and pensioner poverty remain priorities. However, child poverty will largely be tackled by raising incomes of working-age households. Pensioners will also benefit from measures to tackle living costs, and short-term measures to tackle pensioner poverty specifically require more generous pension entitlements and benefits – which we don’t recommend.

vii. We recommend several geographies for this analysis: neighbourhood/LSOA; local authority; sub-region (ie ITL2 areas or EMSA areas like Greater Manchester) and region (ie ITL1 regions such as the north east). We also note the long time lag for data with this level of detail, and inherent shortcomings in methodologies. This underlines the need for better data, but also for well-informed interpretation of this data by analysts informing decision makers.

viii. A major revision to HBAI is due next year.

ix. For more information on nowcasting household income, see: Data Science Campus, Technical report: nowcasting UK household income using the new “signature” method, ONS, 2023.

x. Some improvements are already underway.

As noted above, these goals will need accountability structures to be effective. Therefore, we propose below that they are embedded in all fiscal policymaking, and

are overseen by the Growth Mission Board, supported by a living standards taskforce (see recommendation 3). Below we set out the role of the OBR (recommendation 5).

BOX 1: COMPARING MEASURES OF POVERTY

There are broadly four different ways of measuring poverty:

1. **Below average income (HBAI).**

This established government measure classes someone in poverty if they live in a household with less than 60 per cent of contemporary median income after housing costs.^{xi 91}

2. **Below minimum income standard (MIS).**^{xii}

This unofficial measure developed by JRF and Loughborough University classes a family in poverty if income is 75 per cent of the money required for an acceptable living standard, as determined by public deliberation.

3. **Below average resources (BAR).**

This measure gives a truer reflection than HBAI, as it measures households' resources after discounting for additional essential costs (eg costs of disability and childcare), and includes financial assets and debt, not just income.

4. **Below average expenditure (BAE).**

This assumes that spending is a better indicator of poverty, and classes a household in poverty if they spend less than 60 per cent of median household spending after housing costs.⁹²

The BAR and BAE measures have been proposed because measuring incomes does not tell the whole story about living standards, even after adjusting for housing costs and family size. Households with net assets have more spending power than those without, and household spending does not always align with either income or wealth.

All the measures suffer major issues with accuracy and uncertainty, not least as they are usually using same survey dataset. HBAI, BAR and HBAE all share common drawbacks: they factor in household size, which introduces methodological uncertainty; equivalisation involves using convention-based international ratios, not recent UK data; the different quality of life expectations of different families are not factored in; and they set an arbitrary threshold. Surveys have also been undercounting benefits and major revisions are being made, including to the weighting.

Timeliness is a particular problem for the purposes of accountability, and of monitoring policy impact. The ONS's ongoing methodological review may improve timeliness, and they are also exploring 'nowcasting', which provides a much more up-to-date figure, albeit with drawbacks.

Recommendation 4: Ensure the growth mission board can prioritise living standards, overseeing a dedicated strategy and taskforce

The government has set up mission boards to lead and coordinate its missions and deliver on its milestones, including living standards. These are important. Our research has found the need for governance, strategy and delivery to work together to effect policy change.

- **Governance structures**, such as cabinet committees or 'mission boards', can be effective if used properly. Government departments have often struggled to co-ordinate with each other on overlapping priorities, due to competing objectives and a lack of clear lines of responsibility.⁹³ There are existing cabinet committees designed to reconcile departmental accountability with the need for coordination. The success of these committees is highly variable, with some tokenistic, and others incredibly powerful – such as those utilised during the Covid-19 pandemic.⁹⁴ The key lesson is that they must have buy in at a senior level, and be driven purposefully by a powerful department – usually either No 10 or the Treasury. The Labour government's mission boards are very similar to cabinet committees, though they can incorporate external representatives.⁹⁵

Our research has found the need for governance, strategy and delivery to work together to effect policy change

xi. HBAI also produces an alternative 'fixed-line' measure of poverty which currently measures how many people have incomes below the 2010/11 poverty line, uprated by inflation. This is (misleadingly) referred to as 'absolute' poverty. Using a fixed threshold can help track progress over time but it does not measure hardship with respect to the norms of the society in which people live today. Results under this alternative measure are only slightly better, since median living standards have barely increased since 2010/11.

xii Produced annually by the Joseph Rowntree Foundation and the University of Loughborough

The Council of the Nations and Regions could also be an important forum to coordinate policy between the devolved nations the UK and regions of England.

- **Government strategies** can be used to: articulate the case for change; set goals, secure buy-in and sign-off; coordinate, empower and focus actors; sustain commitment; communicate with stakeholders; and create accountability.⁹⁶ Some strategies can be ineffective, and government can be hindered by too much strategy-setting. But strategies are vital and can drive change if done properly. They tend to be successful if they have: support from the top and key enablers; clear, ambitious but achievable goals; initiatives and actions that have a clear link to those goals; visibility across government departments; and measures of reporting, accountability and review.
- **‘Units’ and ‘taskforces’** of civil servants have also proven to be an effective means of coordinating government, in the right circumstances. Collaboration between politicians needs to carry through the system, and many of the challenges of working across government are more practical, such as sharing data or identifying the right personnel.⁹⁷



Collaboration between officials and departments comes in many different shapes, ranging from the simple to the more involved and complex.⁹⁸ The Prime Minister's Delivery Unit under the New Labour governments is perhaps the most important and well-known of these. This unit was integrated with public service agreements and, together, these allowed performance management and long-term priorities to be set. They shifted government focus from inputs to outputs, and then on to outcomes, and helped ministers and civil servants feel directly accountable for delivery. Its introduction is widely regarded as a major success and has influenced international approaches.⁹⁹ A more recent example is the Child Poverty Unit, which, overseen by the Child Poverty Taskforce, is soon to unveil the child poverty strategy, and is working across government to bring complementary policies together. Units and taskforces need not be permanent to be effective, and they can come in many shapes and sizes. The crucial element is to have backing at the heart of government – usually the Treasury or Number 10.¹⁰⁰

There is a common determinant of the success or failure of each of these approaches: ideally, both the Treasury and Number 10 must give full political backing to ensure that change happens in practice.

The government has incorporated these lessons. As noted above, mission boards are a particularly important feature of this government's governance model. They are supported by a mission delivery unit. There are also mission leads: 'senior responsible owners' (SROs) who serve as lead civil servants for each mission. In the case of the economic growth mission, the mission lead also leads on growth and productivity at the Treasury, with the support of the Growth Delivery Unit based there. These teams all work together. And,

[But] the government needs to ensure the administration of government is fully geared toward delivering living standards improvements, not just long-term growth

by setting out a living standards milestone, the government has sent out a clear and important signal to civil servants across all departments that this agenda is backed at the top of government.

But the government needs to ensure the administration of government is fully geared toward delivering living standards improvements, not just long-term growth. Growth and living standards are related, but different in very important ways, with major implications for policy. The government needs to ensure that long-term economic growth will improve living standards – this is not inevitable, as discussed in part 1. Perhaps most importantly, the government must also ensure that living standards are prioritised this parliament, and across agendas that are not conventionally associated with growth – notably, the cost of living and social security. In short, the government must ensure that improving living standards is not subsumed into an economic growth agenda, and is instead a complementary priority in its own right.

The systems are not yet in place to translate the political priority of living standards into the day-to-day workings of government. The mission-oriented structures described above primarily support economic growth, incorporating living standards but not giving them the focus that they need. And this pattern also holds with the Council of Nations and Regions which has, to date at least, focused more on growth but less on living standards in their own right. These structures now need reform to ensure living standards improvements are delivered across government.

The government should require the **Growth Mission Board to prioritise living standards, overseeing a dedicated strategy and taskforce.** The government should:

A. Require the Growth Mission Board to have a focus on living standards, and include representation from the departments with relevant portfolios. This would coordinate political leadership and accountability across departments and would oversee a living standards taskforce (see below). Any department with a strong influence on living standards should be involved in coordinating via this committee, which would primarily include the Treasury, DWP, DBT, DSIT, DESNZ, DEFRA and MHCLG, but also DFT and DFE.

B. Set up a living standards taskforce, housed within the Treasury, to work across the key government departments, particularly ahead of budgets and spending reviews (see below). The taskforce should combine civil servants from relevant departments but be housed within and led by the Treasury. It should liaise closely with the Mission Delivery Unit. It would also collaborate with and advise local government and non-government actors, including regulators, businesses and civil society, and engage with representatives of employers, trade unions, consumers, and people with a lived experience of poverty.

C. Set out a living standards strategy. The Growth Mission Board should oversee the creation of a strategy, led by the living standards taskforce. This should articulate the case for change, set goals and secure buy-in. It would essentially be led by the Treasury, but produced jointly with the key departments who have living standards as a priority (see recommendation 1).



D. Create a living standards lead to be the senior responsible owner for living standards in the Treasury, and revise Treasury executive management board responsibilities so that relevant portfolios include living standards. Because social security has a major role to play, the director general of tax and welfare should have a clear living standards responsibility.

E. Make living standards a standing item on the Council of Nations and Regions and prioritise living standards measures in devolution policy. Living standards needs coordinating between tiers of government as well as between departments. Some of the powers to improve living standards either already sit at a lower geographical level or should do in future. Others require integration between tiers of government.

Recommendation 5: Ensure all budgets and spending reviews deliver rising living standards

Budgets and spending reviews can be transformative. They are not mere accountancy exercises: these fiscal events can set out the government's purpose and have a major impact on living standards. Many of the budgets between 1997 and the 2008 financial crisis were heavily driven by values, incorporating major redistributive elements and reflecting the Labour government's desire to end poverty. Indeed, fiscal events under Labour had a strong emphasis on child poverty, as well as productivity. More recently, the first budget under Boris Johnson marked a more interventionist approach to the economy. And the 2024 autumn statement was a very real change of direction for a new government – toward tax and spend, borrow to invest, and prudence with a purpose. The process of setting budgets and undertaking spending reviews also provides an opportunity to evaluate the impact of policy measures on living standards, and to ensure that the end result is positive for low- and middle-income households.

The process of setting budgets and undertaking spending reviews also provides an opportunity to evaluate the impact of policy measures on living standards, and to ensure that the end result is positive for low- and middle-income households

The June 2025 spending review process has had a focus on 'missions'. Ministers have been meeting as missions clusters, and some spending has been set aside to achieve the Plan for Change. The spring statement also announced a £3.25bn transformation fund which could be allocated to such purposes. This is good progress. However, there is scope to incorporate living standards further into fiscal events such as these.

The government should ensure all budgets and spending reviews deliver rising living standards. Ahead of future spending reviews and budgets, all departments should be tasked with prioritising living standards in their submissions alongside their other departmental priorities. In the first instance, they should focus particularly on the priority policies listed above. The Treasury, in leading the spending review, should prioritise living standards alongside its other considerations – and must take care to balance long-term economic growth alongside short-term measures to improve living standards in one parliament.

The government should:

- A. Integrate the new 'living standards taskforce' with the spending review, challenging proposals at all stages for living standards improvements.
- B. Require equalities impact assessments to make explicit the living standards impact of decisions and policies on low- and middle- income households. The government should incorporate an assessment of strategic alignment into the existing, legally required process of producing equalities impact assessments. And they should focus analytical work already undertaken as part of budgets and spending reviews on living standards for this group.
- C. Task the OBR with analysing and publishing the outlook for the five living standards goals alongside its existing publications and clarifying the impact of budgets and spending reviews on them. The OBR should focus especially on forecasting incomes for different groups in response to policy changes.



PILLAR 3: COMMUNICATION – MAKE A BROADER CASE WITH CONTRIBUTION AND SECURITY AT ITS HEART

The final group of recommendations focuses on securing public support from efforts to raise living standards and address poverty. They reflect two different communication problems:

1. Government policies which improve living standards often do not translate into public support for that government. People do not always feel living standards improvements; when they do, they do not necessarily attribute them to government action. Trust in government to improve living standards is low. (There is an asymmetry here: people tend to feel a decline in
2. Public opinion on social security is often negative towards those who need support – but it is also contradictory, fickle, and subject to change. This means there may be scope for effective politicians to shape public opinion – as, for example, Tony Blair and Gordon Brown did with child poverty, and then George Osborne did in the other direction during austerity.

living standards acutely and blame the government for it – particularly rising costs, as discussed in part 1.) The Biden administration provides a clear example of how economic growth does not always translate into living standards improvements and support for an incumbent government.

Recommendation 6: Combine communications on economic growth with a story on economic security and living standards

GDP growth is important, but in itself, it is intangible and often disconnected from people's direct, everyday experiences of the economy. More people agree that politicians focus too much on growth at the expense of other issues than think they don't focus on it enough.¹⁰¹ It should be no surprise that people fail to connect with politicians who simply repeat the desire for the economy to grow, without connecting it to people's lived experiences.

The Labour party has often used the language of economic security and living standards – both in opposition and in government. Such messages tend to resonate well with key groups of voters the government needs to retain, such as older voters and rural voters.¹⁰² However, it has been inconsistent, and has sometimes lacked a clear story that people can relate to in their own lives. In December 2024, the govern-

People fail to connect with politicians who simply repeat the desire for the economy to grow, without connecting it to people's lived experiences



ment reconfigured their growth mission to spotlight living standards as a ‘milestone’; and ministers often talk of ‘growth to raise living standards’. The government is also developing communications strategies aligned to mission boards. However, the term ‘living standards’ is policy jargon that may not resonate with people. It is vital to use messaging that connects with people’s real experiences.

The government should combine communications on economic growth with a story on economic security and living standards. Communications on growth must be aligned with a message about the insecurity and declining standard of living that people are currently feeling, in terms that are relatable and easily understood. For example, the government could emphasise the anxiety that comes with worrying if you will be able to afford to do the weekly shop or turn the heating on in winter. Similarly, they could talk about feeling insecure when without sick pay or a sufficient safety net in the face of unemployment. And they should usually avoid referring to abstract economic growth, particularly if it has no tangible reference point.

Recommendation 7: Focus economic messages on reducing costs and affordability

Messages about living costs often get lost in government communications. While the ‘cost-of-living crisis’ was deployed to significant effect before and during the election, it has not always been sustained in government. The government has set RHDI as its milestone, which does incorporate the cost of living, but only indirectly.

When people think about being ‘better off’, they tend to imagine having lower living costs, before thinking about having higher incomes. This was the top finding when we asked focus group participants what the government could do to make them feel better off. This was especially the case for energy and food costs, for under-

standable reasons. Increasing incomes, on the other hand, was not as much of a focus as reducing costs – perhaps because living costs have been keenly felt in recent years. Our focus groups also found that, while rises in the minimum wage were generally supported, increasing social security payments were not.

This creates a challenge for the government, which has more limited power over costs than over incomes. In particular, costs can be subject to global inflationary forces such as geopolitics and global conflicts. Furthermore, the nature of inflation means that even with substantive government action to constrain it, the cost of living tends not to fall, but just to rise less quickly, meaning governments cannot pledge to reduce costs. Focusing on ‘being able to afford the cost of living’ could be a way to square this circle – as goods will become more affordable if incomes also increase. Affordability is also a concept that is less associated with jargon, and closer to people’s real-life experiences – many people can relate to ‘not being able to afford’ something they want or need.

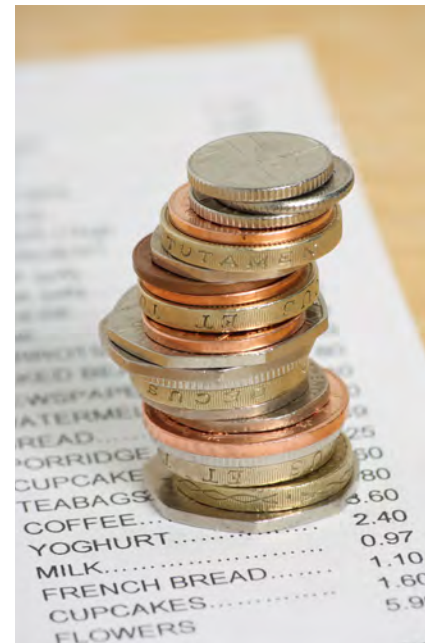
The government should focus economic messaging on reducing costs and affordability. It should emphasise policies which have an impact on living costs – like social tariffs, reducing train or bus fares, or windfall taxes to reduce energy costs. And it should talk about experiences people on low or middle incomes can relate to – such as the anxiety of not being able to afford the things you need – and then set out how government policy will create change. Clearly, this requires the government to then actually take action; otherwise, the communication aspect will likely fail, and possibly induce a backlash from a frustrated public.

The government should focus economic messaging on reducing costs and affordability

Recommendation 8: Use social security messaging that combines security, need, and universalism to sustain broad appeal

Public opinion on social security and other entitlements is complex, and the Fabian Society has done a great deal of work over the years to understand it. There are two themes that the government can draw on to sustain broader appeal:

- **Security.** Our qualitative research found strong support for prioritising those who have suddenly lost a job or suddenly become sick. This is in line with our wider work and with evidence from elsewhere. A previous Fabian/YouGov survey also found that 79 per cent of people who expressed a view support the introduction of ‘British employment insurance’, which includes greater support for those who have to stop work suddenly for reasons of sickness, maternity, caring, unemployment and retraining. And security was found to be a major consideration in Fabian Society work on older and rural voters.¹⁰³



- **Universalism and need combined.** It can be effective to focus on the social security system as an inclusive safety net, ‘supporting us all, especially those who need it most’. Such messages are effective because they make it clear that the system is for everyone — and in doing so, address the fears people have about being left out or overlooked. They also acknowledge that some face greater hardship than others and appeal to people’s sense of compassion, as well as helping people to see that the social security system needs to work in targeted and specific ways to support those who need it most.¹⁰⁴ There is not necessarily a tension between these two aspects, as many people understand that everyone needs support sometimes – and evidence shows that, across the course of a life, many people do need such support.

The government should use messages that combine security, need and universalism to sustain broad appeal. They should do so consistently and repeatedly at every opportunity, especially if there are opportunities to increase social security expenditure. Useful frames and messaging techniques for including social security could include:

- *“The social security system supports us all, especially those who need it most”* or *“People want to see a system based*

on compassion and justice that works for everyone”, or *“We all know people who have lost a job – we need a safety net that is there for everyone, especially those who need it most”*. This sort of messaging addresses fears people have about being left out or overlooked. It also acknowledges that some face greater hardship than others and appeals to people’s sense of compassion, as well as helping people to see that the social security system needs to be targeted.¹⁰⁵

- ‘Updating’, ‘upgrading’, or ‘modernising’ the benefits system rather than simply ‘increasing benefits’. Research has found that this helps people to see the need for change without appearing as politically motivated as ‘increasing benefits’.¹⁰⁶ Several of our focus group participants also mentioned they preferred this messaging, as they liked the idea of making the system fairer rather than simply more generous.
- *“All of us rely on publicly funded services and support systems like education, roads, railways and the NHS. And our public services are especially important to people who are struggling, such as our welfare system. We need to strengthen these supports to solve poverty and make sure everyone has a decent life.”* This reminds people that benefits are part of a wider system of public services we rely on.¹⁰⁷



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