
David Cameron's out of touch You're out of pocket

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Broken promises on living standards

David Cameron's out of touch...

At the 2010 General Election the Tories claimed they wanted to see an economy where people's standard of living "rises steadily and sustainably".

"We want to see an economy where not just our standard of living, but everyone's quality of life, rises steadily and sustainably."

Conservative Party Manifesto 2010, p.viii

... and you're out of pocket

But since David Cameron took office people have consistently seen their living standards fall, with prices outstripping wages.

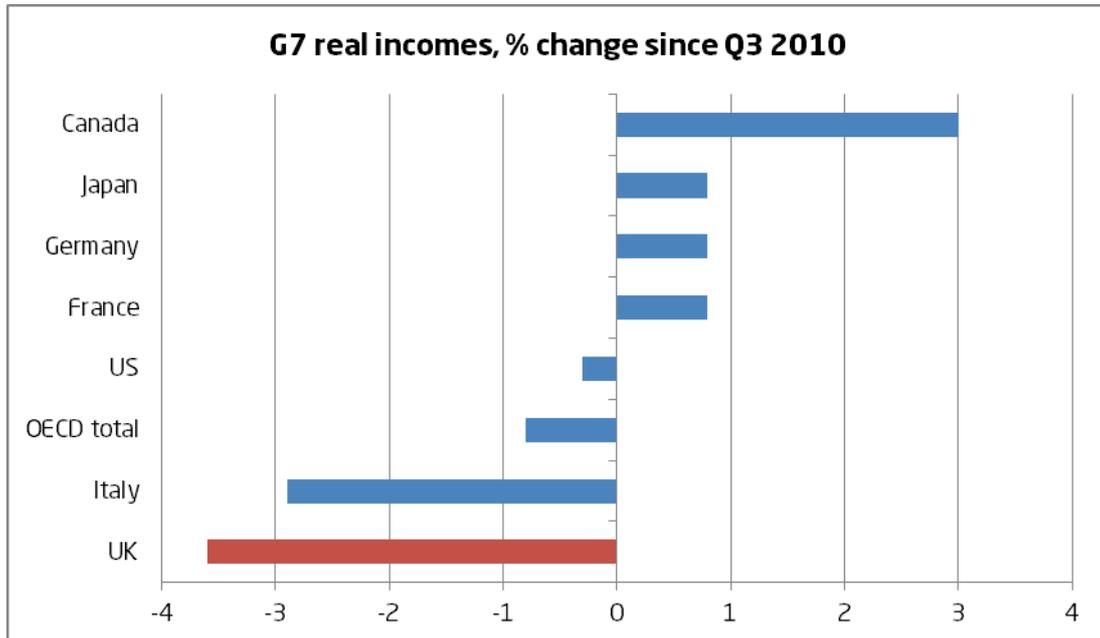
According to House of Commons Library figures, after inflation, average earnings are £1,350 a year lower than they were at the time of the last General Election. This means that, in real terms, workers are on average earning today the same as they made in 2001.ⁱ

Since 2010 wages have fallen in real terms in every region and nation of the UK, with Yorkshire and the Humber, Wales the North West and South West seeing the biggest percentage falls.

Region/nation	% change	Weekly change (£)	Annual change (£)
Yorkshire & The Humber	-8.1	-33.10	-1,721
Wales	-8.0	-32.10	-1,669
North West	-7.8	-32.40	-1,685
South West	-7.8	-32.00	-1,664
London	-7.5	-42.30	-2,200
West Midlands	-7.2	-29.80	-1,550
East	-7.0	-32.10	-1,669
East Midlands	-6.5	-27.00	-1,404
Scotland	-6.4	-27.30	-1,420
North East	-5.8	-23.10	-1,201
South East	-5.5	-26.30	-1,368
Northern Ireland	-4.8	-18.50	-962

Source: Gross median weekly wages for all employees, ASHE figures, between 2010 and 2012, adjusted by RPI, House of Commons Library calculations

And in the global race on living standards the UK is doing worse than its international competitors. Since the third quarter of 2010, the UK has seen the biggest fall in workers' income of any country in the G7.



Source: OECD, Labour compensation per unit input, House of Commons Library calculations

Out of touch on prices

David Cameron is out of touch...

David Cameron has often tried to claim his Government is helping people with the cost of living crisis they and their families face. In January 2012 he said they had “helped where we can with the cost of living”.

*“We helped where we can with the cost of living.”
David Cameron, BBC R4 Today, 6 January 2012*

At the start of 2012 then Treasury Minister Chloe Smith claimed that “the cost of living is coming down a little for families” despite the fact the fall in the inflation rate simply meant the cost of living was going up at a slower rate.

*“Well I think this is on the whole quite good news. It does show that the cost of living is coming down a little for families.”
Chloe Smith, BBC News Channel, 17 January 2012*

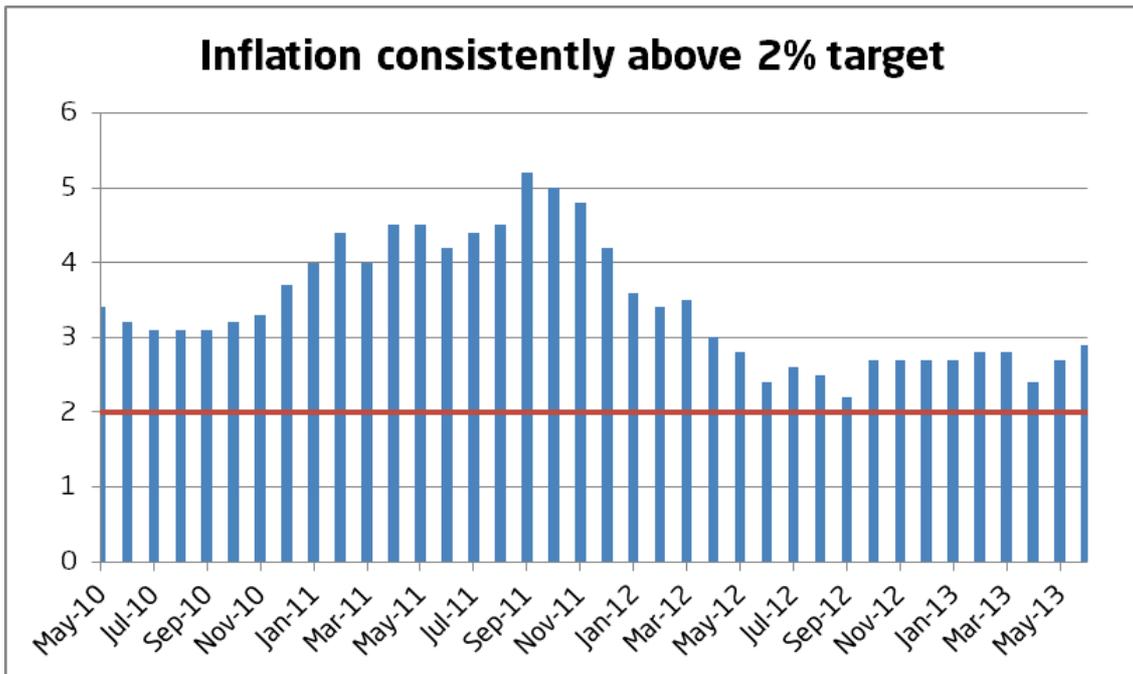
The following month David Cameron was boasting about how inflation was coming down.

*“Well inflation is coming down and that is good news because the cost of living is the most important issue to families up and down the country.”
David Cameron, pooled interview, 14 February 2012*

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While the rate of inflation was coming down in early 2012, that was because the impact of the Government's VAT rise the year before was no longer being measured in the statistics. Despite David Cameron's complacent claims inflation rose again towards the end of 2012, and has stayed a little below 3% for the last year, rising to 2.9% last month.

It has been consistently above the Bank of England's target of 2% since David Cameron has been Prime Minister.



Source: ONS, Consumer Price Indices

As the Bank of England has previously highlighted, the decision by David Cameron's Government to increase VAT to 20% pushed up inflation.

"CPI inflation was 4.2% in June. The strength of inflation continued to reflect the effects of past increases in both the standard rate of VAT to 20% and the prices of energy and other imported goods and services."

Bank of England Inflation Report, August 2011, p.7

In 2011, the year in which David Cameron said he had helped wherever he could with the cost of living, 70% of people saw their real wages fall as their pay packets failed to keep up with inflation. This is the first time since the 1970s that such a high proportion of workers saw their real wages fall.ⁱⁱ

"Figure 20 shows that between 2010 and 2011, 70% of employees who stayed in the same job faced real wage cuts, while Figure 21 shows that a third of those workers faced nominal wage freezes or cuts (12% experienced freezes and 21% experienced cuts). Moreover, these changes are occurring across the initial wage distribution. The last time that such a high proportion of workers faced real wage cuts was between 1976 and 1977, when inflation exceeded 15%, while the proportions of nominal wage freezes and cuts are the highest since the series began in the mid-1970s."

'What can wages and employment tell us about the UK's productivity puzzle?', Institute for Fiscal Studies, p.25-26, June 2013, <http://www.ifs.org.uk/wps/wp201311.pdf>

Labour analysis of figures published by the independent Institute for Fiscal Studies has shown that families are an average of £891 worse off this year because of tax rises and cuts to tax credits and benefits introduced since 2010.ⁱⁱⁱ

Standing up for the wrong people

David Cameron is out of touch...

Last year David Cameron claimed that he was elected to deliver “rising living standards for all, not just rewards for those in high finance”.

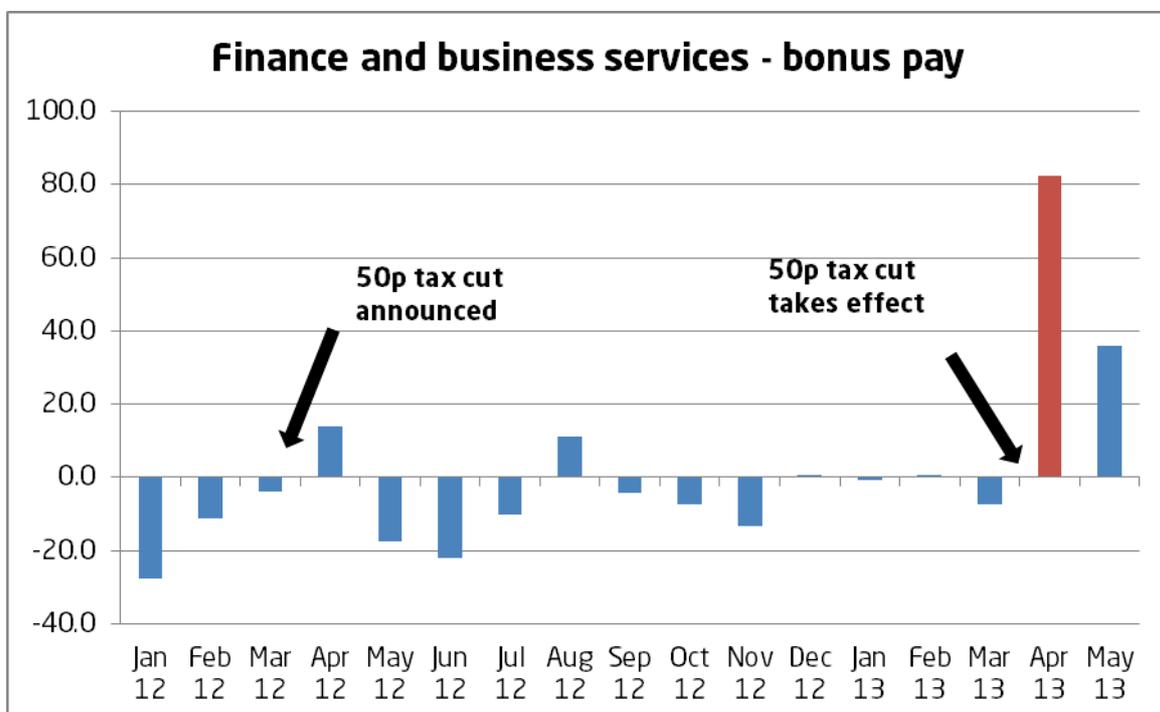
“When I think back to the last election, this was the change that people most wanted to see. Economic growth that meant rising living standards for all, not just rewards for those in high finance.”
David Cameron, *Daily Telegraph*, 7 May 2012

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Yet David Cameron's priority has been to cut taxes for millionaires by cutting the 50p rate of tax.

This is a move that has disproportionately benefited those in the finance sector. Almost half the people benefitting from the 50p tax cut work in either business services or finance.^{iv}

In April 2013 alone bonuses in finance and business services rose by 82.2% compared to the same month a year ago.^v This is an increase of over £1.8 billion to nearly £4 billion^{vi} and suggests bankers delayed their bonuses to take full advantage of the Government's cut in the top rate of tax which came into effect that month.



Source: ONS, *Labour Market Statistics*, 17 July 2013

Refusing to take responsibility

David Cameron is out of touch...

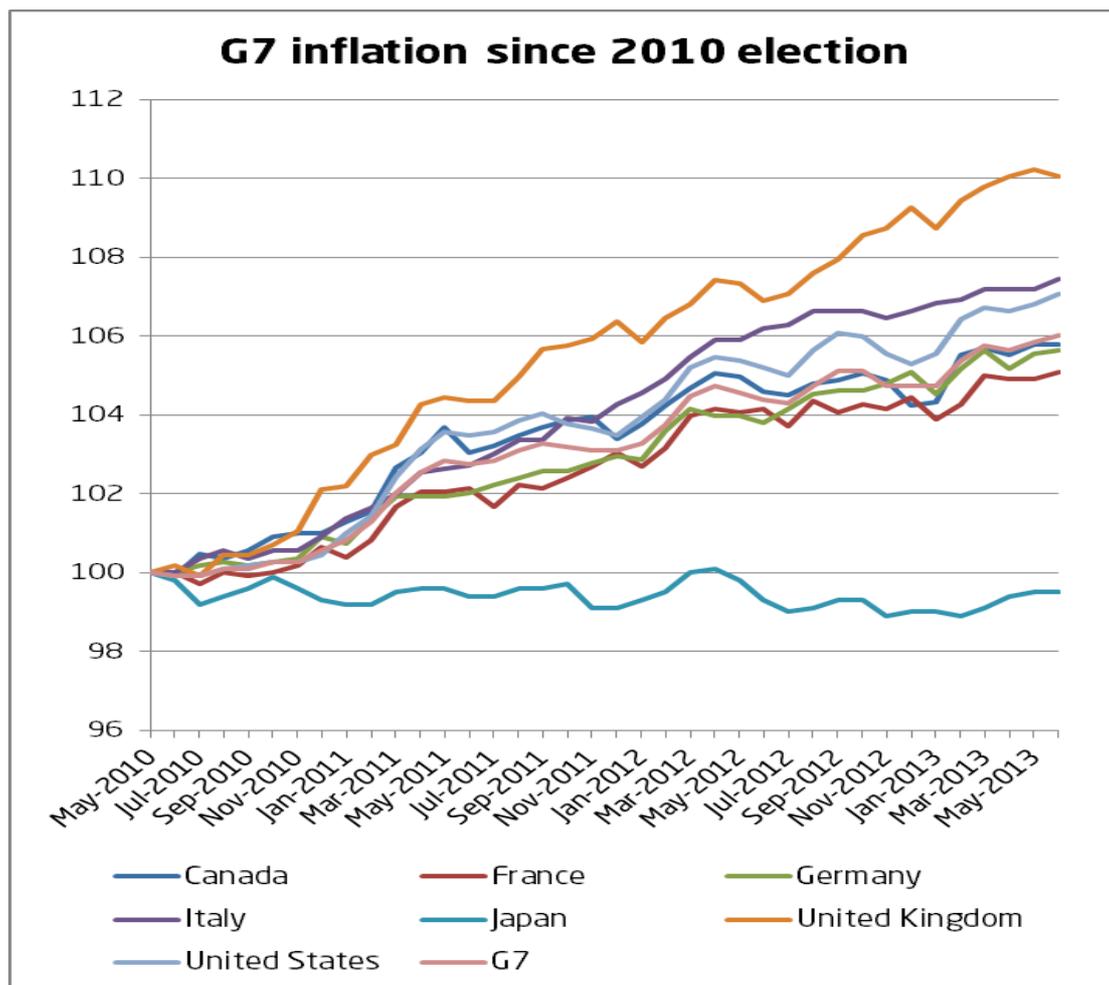
David Cameron and George Osborne have consistently refused to take responsibility for how their actions have impacted on living standards.

In June last year George Osborne blamed "rising global prices" for the rising cost of living facing families and claimed that the Tory-led Government would do "everything we can to help".

"Rising global prices have increased the cost of living for families here in Britain. This coalition Government will do everything we can to help."
George Osborne, Hansard, 26 June 2012, Column 146

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But inflation in the UK has steadily been running higher than our G7 competitors.



Telling people they've never had it so good

David Cameron is out of touch...

The Tories are now trying to claim that families are doing well as a result of their economic strategy.

"Government policies really can make a difference to who benefits from this recovery. Consider some other official statistics released in recent weeks: inequality is at its lowest for 25 years and disposable incomes grew by 1.4 per cent above inflation last year despite the squeeze, the fastest for three years."

George Osborne, The Times, 26 July 2013

.... and you're out of pocket

But ordinary families simply don't agree. Polling conducted by YouGov on behalf of the Labour Party^{vii} shows:

- 70% believe recent improvements in the economy have not benefited middle and lower income families, with just 10% saying they have.
- 81% believe that over the last year prices have grown faster than household incomes. Just 3% (and only 1% of women) believe that household incomes have grown faster than prices.
- And 81% believe that politicians who say household incomes have grown faster than price rises, as George Osborne claimed last month, are "out of touch".

But not only does Osborne's claim jar with the reality of most people's lives, it is also deeply misleading. The most recent figures show that real household disposable income actually fell by 1.7% in the latest quarter - the biggest fall since 1987.^{viii}

David Cameron's growing living standards gap is the worst on record

David Cameron is out of touch...

The Tories now claim they want to focus on living standards in the run-up to the General Election.

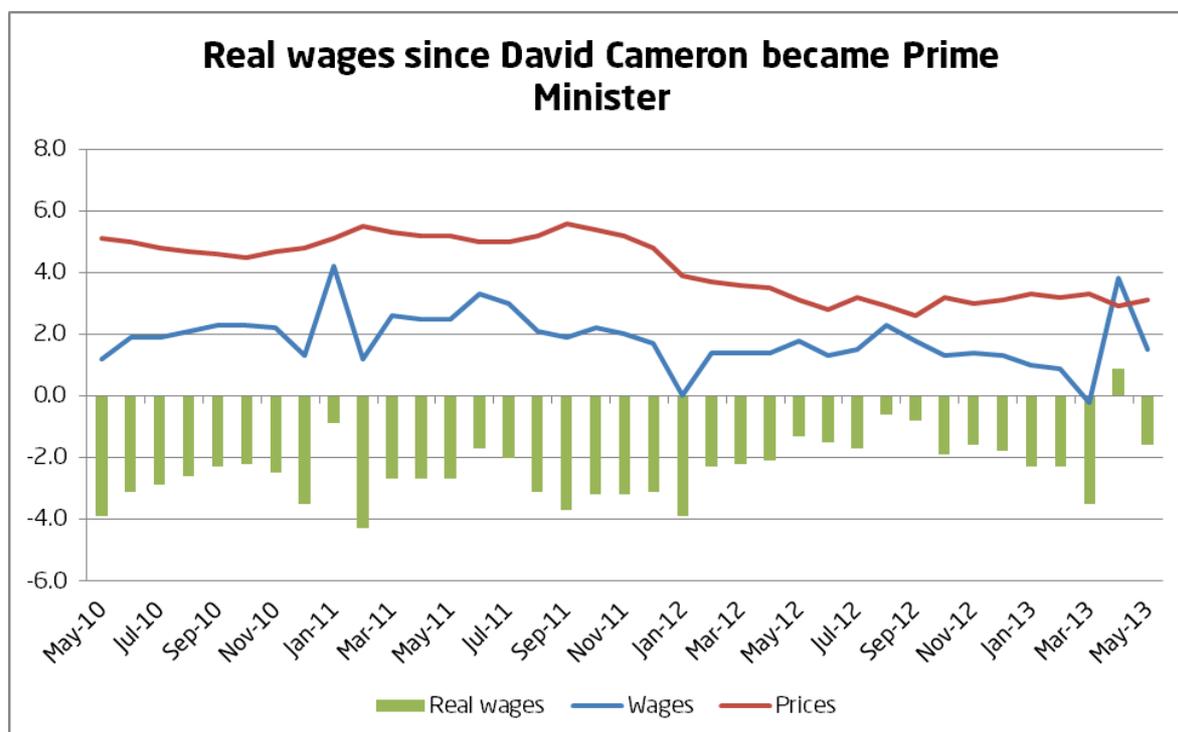
"His [Lynton Crosby's] advice was that relentless attention should be paid to subjects that matter to voters, such as reforming welfare and fixing immigration; and underpinning everything there should be a focus on 'the cost of living'."

Iain Martin, Daily Telegraph, 16 July 2013

But if they want to do that they'll need to address David Cameron's living standards gap.

...and you're out of pocket

The Tories tell families the economy is mending, but David Cameron has a dreadful record on living standards. As well as the overall fall of £1,350 in average annual real wages, figures show that prices have risen faster than wages in almost every month of his premiership.



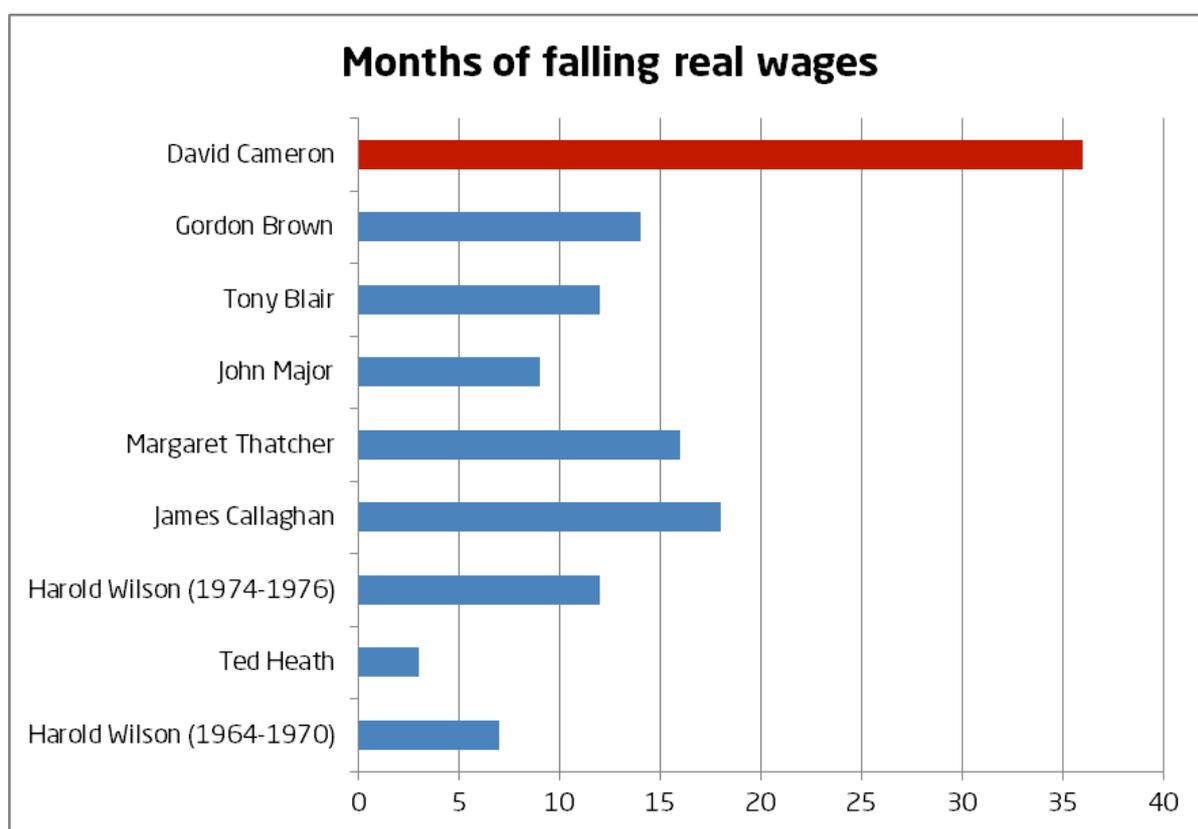
Source: ONS, Labour Market Statistics, 17 July 2013 and ONS, Consumer Price Indices, RPI, 16 July 2013

These figures show that since David Cameron became Prime Minister there has been just one month where wage growth has outstripped price rises - and that was April 2013 when he cut taxes for millionaires and bank bonuses soared.

No other Prime Minister since records began comes close to overseeing the disaster for family living standards David Cameron has overseen. He has been in Downing Street for more months of falling real wages than any Prime Minister on record. And no Prime Minister has seen so many consecutive months of falling real wages.

Prime Minister	Total months* falling	Longest consecutive fall (months)
Harold Wilson (1964-1970)	7 (out of 67)	3
Ted Heath	3 (out of 45)	2
Harold Wilson (1974-1976)	12 (out of 25)	8
James Callaghan	18 (out of 37)	17
Margaret Thatcher	16 (out of 139)	3
John Major	9 (out of 77)	8
Tony Blair	12 (out of 122)	5
Gordon Brown	14 (out of 34)	7
David Cameron	36 (out of 37)	35

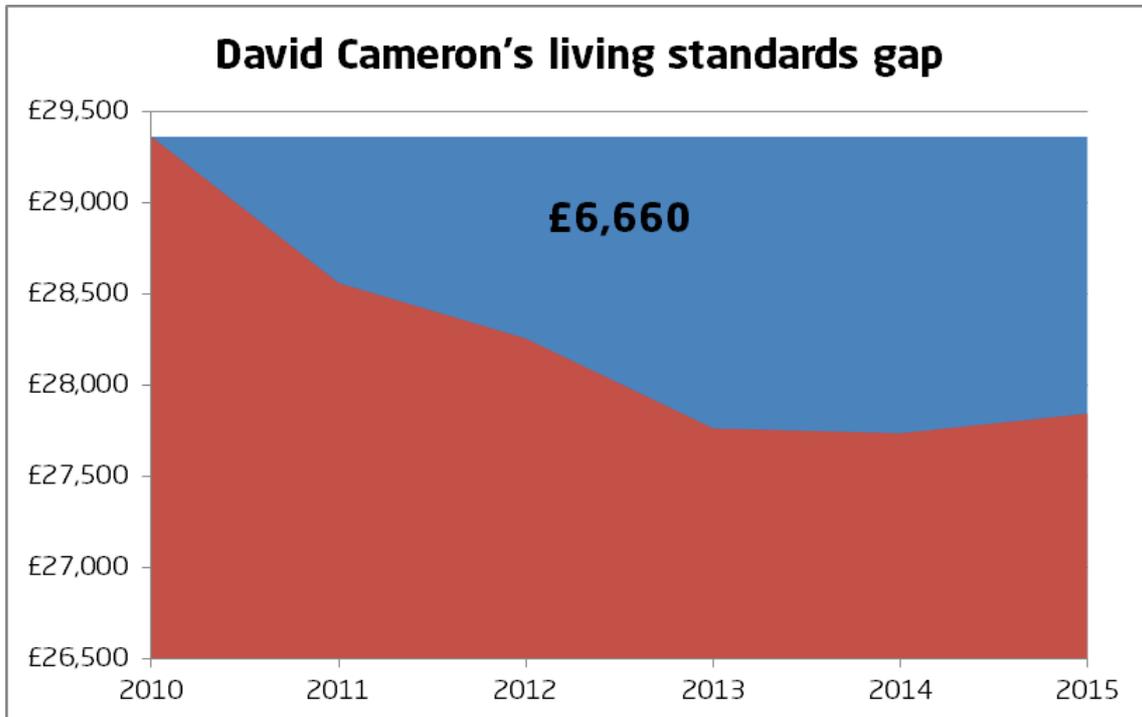
ONS, Average Weekly Earnings for 2001-2013, and Average Earnings Index for 1964-2001. There are two breaks in the series: 1989/1990 and January 2001 (when AWE began); RPI
*compared with the same month the year before



Source: ONS average earnings and RPI

And even according to the Government's own Office for Budget Responsibility, things are set to stay difficult for family budgets between now and May 2015.

According to new figures from the House of Commons Library, after inflation, wages are forecast to be £1,520 lower in 2015 than in 2010. This means that working people will, on average, have lost a total of £6,660 in real terms while David Cameron has been Prime Minister.



Source: House of Commons Library calculations based on OBR March 2013 forecast table 3.5 p.82

David Cameron's living standards gap of £6,660 would be enough to pay for the average family weekly shop for almost a whole year and a half.^{ix}

One Nation Labour

If Labour were in Government we would be taking action to implement a One Nation programme to boost people's living standards, including:

Back fair taxes

Problem:

- Prices are rising faster than wages and people are now £1,350 a year worse off than they were in May 2010.

Labour would:

- Reintroduce a 10p rate of income tax, paid for by a mansion tax on homes worth over £2 million.
- Stop the cut to the 50p rate of income tax for those on the highest incomes to reverse cuts to tax credits.

End rip-off rail fares

Problem:

- Rail fares are rising by up to 9% a year, after the Government gave back to private train operators the ability to increase some fares by up to another 5% above the fare increase 'cap'.

Labour would:

- Apply strict caps on fare rises on every route, and remove the right for train companies to vary regulated fares by up to 5% above the average change in regulated fares.
- Introduce a new legal right for passengers to the cheapest ticket for their journey.

Tackle the energy market that is letting Britain's families down

Problem:

- Families are facing record fuel bills while energy companies are enjoying huge profits. Since the election average energy bills are £300 a year higher.

Labour would:

- Abolish Ofgem and create a tough new energy watchdog with the power to force energy suppliers to pass on price cuts when the cost of wholesale energy falls.
- Require the energy companies to pool the power they generate and to make it available to any retailer, to open the market and to put downward pressure on prices.
- Force energy companies to put all over-75s on their cheapest tariff helping those benefiting to save up to £200 per year.

Stand up for families living in the Private Rented Sector

Problem:

- The housing market has changes significantly in recent years. There are now 3.8 million households in the private rented sector, including more than one million with children.

- Many are being ripped off through hidden fees, which are costing tenants £76m per year.
- More than a third of all privately rented homes are not up to decent standards, with more than 15% lacking minimal heat in winter.

Labour would:

- Introduce a national register of landlords, to allow LAs to root out and strike off rogue landlords, including those who pack people into overcrowded accommodation.
- Tackle rip-off letting agents, ending the confusing, inconsistent fees and charges.
- Seek to give greater security to families who rent and remove the barriers that stand in the way of longer term tenancies.

Reform the pensions industry so it works for ordinary savers

Problem:

- Upon retirement a pensioner can discover that up to almost half the value of their pension fund has been wiped out by hidden costs and charges.

Labour would:

- Tackle the worst offending pension schemes by capping their charges at a maximum of 1%.
- Amend legislation and regulation to force all pension funds to offer the same simple transparent charging structure so that consumers know the price they will be paying before they choose a particular scheme.

Curb pay day lenders

The problem:

- Among the fastest growing businesses on the high street are the payday lenders, sometimes with several opening on the same high street.
- Often there is nothing councils can do to stop pay day lenders clustering on a high street.
Some of them charge interest rates of over 1000%.

Labour would:

- Take national action to cap the cost of credit.
- Give local communities new powers to limit payday lenders on their high streets.

Notes

ⁱ House of Commons Library analysis

ⁱⁱ 'What can wages and employment tell us about the UK's productivity puzzle?', Richard Blundell, University College London and Institute for Fiscal Studies, Claire Crawford, Institute for Fiscal Studies, Wenchao Jin, Institute for Fiscal Studies, June 2013, <http://www.ifs.org.uk/wps/wp201311.pdf>

ⁱⁱⁱ Labour analysis of figures from the Institute for Fiscal Studies

^{iv} HMRC, The Exchequer effect of the 50 per cent additional rate of income tax p.13

^v Office for National Statistics, Labour Market Statistics, July 2013

^{vi} The total bonus pool for that sector in April 2013 was £3.953 billion. This is a rise of £1.857 billion on the same month last year and a rise of £2.184 billion on the previous month. The total bonus pool is calculated by using the employee jobs figures from the ONS:

<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/july-2013/table-jobs02.xls>

^{vii} Total sample size was 1,952 adults. Fieldwork was undertaken by YouGov Plc between 1st - 2nd August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

^{viii} Office for National Statistics, Quarterly National Accounts Q1 2013, 27 June 2013

^{ix} Last November research commissioned by Skipton Financial Services found that the average weekly food shop for a British family was £86 a week. (Skipton Financial Services, 15 November 2012, http://www.skiptonfs.co.uk/news/view_press_release.php?id=709)

The study analysed the spending habits of 2,000 UK parents with at least two children living under the same roof.

£6,660 would pay for over 77 weeks of food shopping bills.

