
STANDARD ISSUE

POLICIES TO RAISE LIVING STANDARDS

EDITED BY LUKE MURPHY MP, IGGY WOOD AND
MILES WARD



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INTRODUCTION

LUKE MURPHY MP

Knock on any door in any constituency in Britain, including my own in Basingstoke, and the issue raised most often will be the same. Across class, age, region and background, people feel the same pressure and pain: life is harder, less secure and less affordable.

Following the outbreak of war in Iran, households are facing another shock to their budgets and, ultimately, to their living standards. This is the second shock in five years. Energy prices are set to rise again, the costs of food and everyday essentials are on the increase, and working people are once again under increased pressure.

This is not a temporary squeeze in living standards but a crisis decades in the making. Before Iran was the war in Ukraine. Before that, Covid. Before that, Brexit. Before that, the global financial crash. The UK economy has been in a state of permacrisis from the point at which subprime mortgages began to have their own dedicated bulletins on the evening news.¹

People's living standards have been under sustained attack as a result. By late 2024, disposable incomes were no

higher than they had been at the end of 2019, capping off years of stagnation.² Had household incomes continued to grow at their pre-2008 trajectory, the typical family would today be more than £20,000 better off.³ For the poorest households, this squeeze has lasted longer than for any other: they have seen no real income rises since the early 2000s.⁴

The cost-of-living crisis has come to define modern Britain. For those on the lowest incomes, essentials are out of reach, while for middle earners, ordinary aspirations like home ownership, family security, or a social life are harder to achieve. It is no wonder that tackling the cost of living is the top priority for the British public and is the main anxiety for two-thirds of the population.⁵

This sense of unending pressure has left the British public despondent. Many no longer believe that the next generation will be better off than the last. I have met many parents who, struggling to get by themselves, are even more anxious about what kind of life their children will live. Almost all expect a

harder one.

What was once anxiety at the margins has become a mainstream experience. Exhaustion, insecurity and decline now shape how millions view their daily lives, their future and that of the country. It is little wonder so many people now believe the cost-of-living crisis will never end.

This prolonged erosion of living standards is not just an economic failure. It is one of the central political challenges of our generation. It is driving the public's distrust in institutions and politicians, fuelling disillusionment, and creating the conditions for populism to thrive.⁶

Analysis by polling expert Steve Akehurst following the local elections shows that economically insecure voters are voting in their droves for either the Greens or Reform. He shows that financially insecure voters with socially liberal values are voting for the former, while economically fragile social conservatives vote for the latter.⁷ As the local election results and the polls show, if living standards can't be raised by a mainstream government, then people are increasingly willing to roll the dice and vote for the extremes.

A PRODUCTIVITY PUZZLE AND A LIVING STANDARDS NIGHTMARE

While Britain's recent appalling record on living standards has been exacerbated by many external events, from Covid to the Ukraine war, it has been driven by something else: persistently weak productivity growth since the financial crash. Compared with the US, France, and Germany, the UK saw the

worst decline in productivity following the subprime crisis.⁸ UK productivity grew by 0.5 per cent annually between 2011 and 2019; US productivity grew by 0.8 per cent over the same period. Had the pre-2007 productivity trends in the UK continued, British workers would be 16 per cent more productive today, boosting wages and living standards.⁹

Understanding and resolving the UK's productivity crisis is essential to reverse the stagnation in UK living standards. Compared to some of its G7 peers, the UK economy has become less dynamic, with slower business creation and weaker levels of investment. Around 60 per cent of the productivity gap between the UK and the US is linked to lower investment. Regional inequality also remains a significant drag on growth, with London continuing to far outperform the rest of the UK. Major cities outside the capital lag behind their peers in France and Germany.¹⁰

Reversing the trend of low productivity and generating consistently higher growth requires a plan that boosts investment, innovation, and dynamism across the British economy. It also requires measures to ensure that the resulting growth is shared, raising living standards for those on low to middle incomes.

PROGRESS IS BEING MADE

The government is making progress. First, by taking difficult decisions on taxation and sticking to her fiscal rules, Rachel Reeves has been able to provide the economic stability that has been lacking in the UK under previous

governments. The instability that preceded the past few years damaged economic certainty and led to businesses diverting investments. We should never underestimate the value of providing the stability that gives businesses the confidence to invest.¹¹

Second, the government has begun to reverse the austerity in public services and public investment that did so much to scar our economy and dampen productivity growth. Rather than cutting public capital investment as previously planned, the chancellor increased investment by £120bn in energy, transport, housing, and R&D.¹²

Third, the government has been delivering necessary structural reforms: in planning, to speed up the development of housing and infrastructure; in industrial strategy, taking a long-term view and setting out how we will support our economy to modernise, protecting and creating jobs into the future;¹³ and through a ‘devolution revolution,’ with a mayor for every region of England and a roadmap for future fiscal devolution.¹⁴

These actions are already bearing fruit. Estimates show that since the third quarter of 2024, output per worker has risen by about 2.4 per cent. This is an annualised rate of 1.6 per cent – a remarkable improvement on the less than 0.3 per cent per year we saw across the previous decade.¹⁵

The government has also acted to ensure that the proceeds of growth are shared fairly, including by investing in skills training to support people into good jobs and to strengthen the bargaining position of workers.¹⁶ In

the short term, the government has also rolled out a series of redistributive measures to ease the cost-of-living crisis, from cutting energy bills, providing 30 hours of free childcare and freezing rail fares and prescription charges to delivering two increases in the minimum wage. Prior to the Iran war, this year was set to be the best for overall living standards for some time and a ‘bumper rise’ for lower-income families.¹⁷

Yet despite these interventions, pressure on household finances remains acute, not least due to the US and Israel’s war with Iran, and the strains within our electoral coalition are increasingly apparent. To rebuild public confidence, we need to show that we have a credible plan to markedly improve living standards over the short and long term.

There is an increasing sense that despite Labour’s landslide victory in 2024, the material conditions of daily life have not improved quickly enough to restore security, stability or confidence in the future. Hard work can still feel disconnected from the promise of a decent life, particularly as rising energy costs and wider economic pressures continue to shape household insecurity.

Labour’s challenge, therefore, is not only to take the right action, but to ensure that progress is visible and felt quickly enough to reassure voters that change is happening in their lives rather than simply promised in the future. Without that immediacy, as we have seen with the outcome of this month’s local elections in England, anxieties will be channelled into votes for the Greens and Reform who offer radical, but disingenuous, answers.

If Labour is to preserve its coalition and rebuild trust, we must accelerate the pace at which our agenda delivers clear, visible improvements to living standards.

HOW CAN WE IMPROVE LIVING STANDARDS THIS PARLIAMENT?

This mission is why we formed the Living Standards Coalition: to focus the energy of Labour MPs on the defining challenge facing our constituents and to ensure that improving living standards remains at the heart of Labour politics. We want to sharpen Labour's collective mission around delivering the tangible changes working people need in their everyday lives.

In the essays that follow, our contributors set out practical responses to Britain's living standards crisis, grounded in everyday pressures such as insecure work, rising bills, overcrowded transport, unaffordable childcare and declining economic security. Each author is responsible for their own chapter and recommendations. The purpose of this pamphlet is to offer ideas and stimulate debate, not to represent a collective view. Where there is a clear consensus is the need for the Labour government to continue to put raising living standards front and centre.

Baroness Mattinson opens with a warning from recent political history, showing how economic insecurity shapes both household finances and trust in politics, drawing lessons from the Democrats' 2024 defeat.

Louisa Dollimore and Praful Nargund explore how global instability, including energy shocks and supply

chain disruption, impacts family budgets. They argue for a closer relationship with Europe, defence investment for jobs and growth, and investment in social housebuilding.

Yuan Yang MP considers rising food costs as a key driver of economic anxiety and what is needed to secure affordable, healthy food. Dr Jeevun Sandher MP argues that growth must raise living standards for all, setting out the need for good jobs, fair wages and inclusion. He calls for greater skills training in response to the development of AI, further action on devolution, and backs the government's Youth Guarantee as means to ensure everyone can benefit from good work.

Sarah Ronan addresses the burden of childcare costs, setting out the progress made and the ambition still needed to ensure parents can access work.

Graeme Downie MP argues that transport is not simply a means of moving people from one place to another, but a method for pushing growth and boosting opportunity. He sets out how a sustainable, affordable, and reliable transport network can both increase growth and be powerful tool to combat poverty.

Polly Billington MP focuses on spiralling energy costs, calling in the short-term for energy support for households in response to the Iran crisis and for a social tariff alongside the transition to renewables to reduce exposure to fossil fuel volatility.

Iain Porter and Katie Schmuecker make the case that economic security underpins durable public consent. They argue that social security should be

linked to actual living costs, setting out how such a move should form a crucial part of Labour's electoral strategy. Marcus Johns makes the case for a whole-of-government approach, with living standards the yardstick against which departments are measured, and Priscilla Mensah examines the long-term impact of the student debt crisis, including how reform could provide greater security for young people.

Together, these essays argue that Britain's living standards crisis is neither inevitable nor unsolvable. Rebuilding trust and renewing the social contract requires making improved living standards an ongoing central mission of government.

This pamphlet brings together ideas, evidence and practical solutions to build an economy that delivers security, dignity and shared prosperity.

CHAPTER 1

ADVANCE WARNING

Deborah Mattinson, a Labour peer and former director of strategy for Keir Starmer, sets out what Labour can learn from the Democrats' loss in 2024

In August 2024, the Democrats were feeling confident. With fresh impetus from their new candidate, Kamala Harris, everything seemed to be going their way. Bidenomics looked like it had transformed the economy, and billions of dollars of investment in infrastructure projects were starting to have the desired impact in terms of productivity and growth.

Yet focus groups with undecided voters in swing states we conducted for the Progressive Policy Institute, a US thinktank, told a different story.

We found that furious voters were feeling worse off. They believed that any progress on the economy at a macro level had been achieved with taxpayers' cash without translating into positive change for struggling working-class Americans. Many were working harder and harder for less and less. Rather than seeing their lives improve, some were struggling to maintain their existing lifestyle. Prices were higher than ever.

People told us they were taking on extra work just to make ends meet; walking around the supermarket with their phone calculators out, putting back unaffordable items; and that their adult kids were abandoning plans to leave the family home.

This was not just about immediate cost-of-living issues, important though they were. There was a widespread sense that the entire social class that these voters were drawn from was under threat. Self-defining as 'middle class' led to despair, with many commenting that that class category – and the security and status implied by being a member of it – no longer existed, having been replaced by a simple division between the very rich (big business and politicians) and the struggling (people like them). The hallmarks of a good life – a decent home, well paid work, and a secure future for your children – all now seemed out of reach. As one woman in Georgia told us: "It feels like there's less

of a legit middle class nowadays. People are just working, working, working, and that seems unfair.”

The subsequent election proved the point. The biggest swings away from the Democrats were from low earners without a college education. This group was significantly less likely to say the Democrats were for ‘people like them’, and there was a general view that the Democrats, once the champions of blue-collar working America, were now ‘for the elite’. Voters’ anger stemmed from deep feelings of injustice, with many in the post-election focus groups we ran with former Democrats who had voted Trump describing themselves as ‘forgotten’. As one swing voter from Michigan put it: “I’m a union guy through and through, but that’s all in the past. No one speaks up for people like us anymore.” Or, as another told us: “That’s who’s been forgotten today – ordinary folk who work hard, aren’t rich, but aren’t at the bottom of the pile either.”

It is this strong sense of grievance that has driven voters to see immigration as intimately linked with the cost of living rather than as the separate ‘social issue’ that some policymakers paint it as. Voters did not believe that they had simply been forgotten, but rather that they had been deprioritised in favour of ‘less deserving’ immigrants, who had not paid into the system but were granted special treatment. These voters described access to housing, schooling and other public services being made available to people who had not contributed: services that their taxes were funding. As one newly-converted Trump supporter told us: “I was relieved

when Trump won. Because of immigration issues, transgender issues. We were going down a weird path”. Trump also made inroads with previously loyal Democrat constituencies, including Black and Hispanic Americans, many of whom were fed up with the failure of economic success to translate into higher living standards and increasingly dubious that the Democrats understood their families’ aspirations.

The sheer despondency of voters was even more stark when we asked voters to look to the future. Once, the American dream was that your kids would be better off than you; now, four out of 10 believed that life would be harder for their children – that they would not even be able to sustain their current, diminished quality of life. As well as poor access to housing, many feared changes to the job market, especially change fuelled by AI. They may well be right: estimates suggest that some 12 million American workers will need to change their jobs in the next decade. The US, like the UK, is already seeing a squeeze on entry level jobs.

Have these voters received the change they sought from Trump’s presidency? Recent evidence suggests not. A poll published on 22 April by the Associated Press and Norc, a research institute affiliated with the University of Chicago, shows Trump’s own ratings on managing the economy are at a new low, with just 30 per cent approval. As gas prices surge, even fewer – just 25 per cent – positively rate the job he is doing on tackling the cost-of-living crisis. Three-quarters describe his performance as ‘very’ or

‘somewhat’ poor – up from two-thirds in the space of a month. Worryingly for Trump, this trend reflects the views of many who voted for him, especially younger Republican voters. The Progressive Policy Institute is about to field a new poll and focus groups as we move towards the midterms, so watch this space.

What are the lessons for Labour? First, Labour won with a relentless focus on ‘hero voters’: ‘squeezed middle’ voters very similar in profile to the voters the Democrats have lost. Just like those former Democrats, hero voters had felt abandoned by a Labour party that had once championed their cause. Disillusioned by the Tories, they voted Labour in 2024 believing that that would change. Labour must now refocus on them, rewarding their faith and

delivering the change they voted for. Second, as Bidenomics shows us, even if economic growth picks up, if voters do not feel it in their own lives, it will count for little; people see the economy through the prism of their domestic finances. Third, where improvements are made, Labour must actively own the change. Cynical voters will resist giving the government any credit, and are more likely to simply conclude ‘I’ve been lucky’. Last but not least, it is important, as it always has been, that Labour continually reassures on tax and spend. Like the former Democrats we spoke to, voters’ default perception tends to be that Labour will spend their hard-earned taxes too casually. Continuing to build back trust to manage the economy in a disciplined way will be vital.

CHAPTER 2

GLOBAL EFFECT

Prafal Nargund and Louisa Dollimore – director and director of strategy, respectively, at the Good Growth Foundation – analyse public opinion against the backdrop of global turbulence

The British public is living through a period of profound and pervasive instability, caught in a dual crisis at home and abroad that is reshaping not just living standards but people's sense of control over their lives. From the ongoing volatility in Ukraine to the recent, sharp escalation of the war in Iran, global turbulence has increasingly moved from a distant geopolitical headline to a direct, punishing hit on households' budgets, choices and confidence.

We are witnessing an intense cost-of-living crisis in which a series of shocks have created a reality where everything feels increasingly fragile and uncertain. This crisis has done more than squeeze incomes. It has decimated people's freedom to choose. When families cannot reliably plan for next week's food shop, rent rise or energy bill, they simply cannot take the risks that underpin both personal progress and national growth:

a new job, a mortgage, retraining, starting a business.

While inflation and growth figures may fluctuate and the focus of international conflict shifts from one theatre to another, the domestic reality for millions remains a relentless squeeze that has fundamentally changed the political landscape and exhausted the public's patience.

At the Good Growth Foundation, our research – including our foundational report, *Mind the Growth Gap* – highlights a growing and dangerous chasm between macroeconomic indicators and the lived experience of the public. The problem is that people are struggling, and that means they are denied the stability required to make important choices. Any government that aims to secure a path toward national renewal must bridge this gap by addressing the deep-seated economic insecurity triggered and sustained by these

overlapping global conflicts. The public is no longer interested in hearing about abstract growth figures when their personal reality is one of diminishing returns and increasing anxiety.

The cost-of-living crisis is a structural trauma that has redefined the relationship between the citizen and the state – a relationship that has continuously been reshaped since the financial crash. In fact, our latest polling from April 2026 confirms that the cost of living remains the undisputed top priority for the electorate, and the war in Iran has made the necessity of addressing energy bills more urgent and politically charged than ever. Our polling shows that:

- The cost of living dominates the public agenda: 67 per cent place the economy and cost of living in their top three issues, 20 points ahead of the next concern (with health/NHS at 48 per cent and immigration at 46 per cent).
- The Iran-US-Israel war is the top cited driver of the cost of living: 32 per cent put it in their top three drivers, ahead of the decisions of governments over many years (27 per cent), Brexit (23 per cent), recent government decisions (22 per cent), and the Ukraine war (22 per cent).
- Nearly a third of the public are financially insecure: 29 per cent can only sometimes afford the basics or worse. Among 18-24s, 20 per cent often struggle or can't afford the basics. The 45-54 age group is the most squeezed: 39 per cent are struggling in some form and just 27 per cent are comfortable.
- Respondents said reducing the

impact of international conflicts on fuel prices should be the top priority for the government: 33 per cent place it in their top three, just ahead of energy production (31 per cent), income tax (28 per cent), and immigration (27 per cent).

Voters are increasingly weary of being told their suffering is an unavoidable byproduct of events in Tehran, Washington DC or anywhere that is not the UK; they expect the government's primary role to be one of active protection against energy price spikes exacerbated by these international escalations. It has, in their eyes, not fulfilled that role.

The 'growth gap' theory posits a simple truth: people do not wake up and check GDP figures or Treasury forecasts. They do not think about how the Strait of Hormuz may impact charts in the Treasury. They check their bank balance before the weekly shop and weigh the cost of essentials against a shrinking disposable income. Even when the economy technically shows signs of growth, as it has done in recent months, if that growth is immediately absorbed by rising energy costs, surging rents, and food price inflation fuelled by international wars, voters perceive it as a fundamental failure of the system.

The truth is that they are right: it is a failure of the system, because it freezes ambition. People who cannot plan cannot progress. People who cannot progress cannot take risks. And an economy made up of households forced to stand still, delay decisions or narrow their horizons is not resilient, dynamic or prepared for a volatile world. It is stuck.

Our findings consistently find that the government is currently being judged on a competence of the everyday – a visceral sense that if families are forced to stand still or fall behind due to global factors beyond their control, the social contract that promises security in exchange for contribution is effectively broken. So instead, they turn to the parties that offer to take back control. Whether to the left or the right, there are compelling outlets for anger which are increasingly hard to paint as wasted votes.

To turn the tide, policy must move decisively beyond the era of emergency support and toward a permanent state of structural resilience that gives people back their agency. Yes, this means providing immediate support, but it goes beyond that. At the end of the day, people do not simply want bailouts. They recognise that they would be no more than sticking plaster solutions. What they want is to be financially secure enough to make long-term decisions – to make choices that could protect them in the long term, like insulating their house, installing in a heat pump, or switching to an electric vehicle.

At our recent National Growth Debate, energy secretary Ed Miliband addressed this challenge head on, arguing that the only way to truly shield the UK from the fallout of the Iran war is to accelerate a radical transition toward total energy independence. Miliband and HMT's recent announcements point in the direction of insulating households from global turbulence by giving them more predictable costs and greater control over their futures. In tandem with these long-term shifts,

the government is expanding the UK's energy storage capacity and bolstering the £1bn crisis & resilience fund, which supports low-income households with their bills. This not only offers immediate relief, but goes some way in giving families the breathing room to make important financial decisions again.

Policy that explicitly seeks to decouple British living standards from global price shocks by creating a self-sustaining domestic energy market and home-grown resilience is precisely the sort of politics any government should now be pursuing. This principle can be applied to a range of policy areas. A closer relationship with Europe would provide greater economic stability and protection against global disorder, reducing exposure to fragmentation and volatility. Ambitious social housebuilding would ease one of the most powerful constraints on household choice, lowering insecurity and giving more families the foundation to plan ahead.

The same logic should shape how government thinks about defence spending. In an age of geopolitical instability, defence investment should not be framed only as national necessity, but as a chance to widen opportunity, spread secure employment and give more people a visible stake in the country's economic future.

For Labour MPs and policymakers, the central challenge is to show that change is not a one-off event at the ballot box, but a sustained, tangible effort that restores choice, agency and security. Prioritisation of policy interventions that protect households from external trauma is key. The test

will be whether people feel they have more room to breathe, more room to act and more confidence to take risks. The announcements at the National Growth Debate are a first step. But they must be the first of many.

The global turbulence that defines our age is a stark reality, but it cannot be used as an alibi for domestic stagnation. For the British public, the cost-of-living crisis has moved from an acute, short-

term shock to a chronic, soul-eroding condition. The mandate for the coming years is clear: we must move toward an economic model where the British public is insulated from overseas conflict and where the government actively shields the domestic economy from the tremors of a volatile world so that everyone can live better lives. A resilient Britain is one that protects and provides real agency to its people.

CHAPTER 3

BREAD AND BUTTER

Yuan Yang, the Labour MP for Earley and Woodley, highlights the importance of food prices

It is no coincidence that journalists are known to quiz politicians on the latest price of a pint of milk or a loaf of bread. The device is not intended just to test our representatives' authenticity, but also to gauge how in touch they are with everyday concerns.

Sadly, the price of food has been on everyone's minds lately. Last year, more than a third of parents said that price was a barrier to being able to feed their child what they would like to.¹⁸

That would be damning enough, but we are not even at the peak of the UK's food crisis. In its latest monetary policy report, the Bank of England has said that food price inflation could rise to around 6-7 per cent by the end of the year, although the timing and magnitude are uncertain.¹⁹ This increase means UK food prices are set to be 50 per cent higher by November compared to where they were at the start of the cost-of-living crisis in 2021.²⁰

For the vast majority of households,

food is the essential item they pay the most attention to. We buy it repeatedly, at least once a week, each time assessing what we can and cannot afford. Over 60 per cent of households say that their inflation perceptions are heavily influenced by food prices, much more than say the same for clothing (34 per cent) or housing (32 per cent).²¹ If we want the Bank of England to continue cutting interest rates, lowering food inflation is critical, because it disproportionately drives consumers' expectations of inflation.

The recent shocks to UK food prices have been a result of our position in international supply chains. We rely heavily on imported energy and fertiliser, and Brexit has introduced additional trade frictions with our closest partner. Domestic policies, such as our planning system, could also be better used to encourage lower prices. In this short contribution, I will set out some of the levers the government can

pull to bring down food prices.

RESILIENT FOOD SYSTEMS

Since the start of the cost-of-living crisis, several staple foods have seen particularly steep price rises, in part due to their sensitivity to oil and gas prices. For example, pasta has risen in price by 50 per cent, eggs by 59 per cent and beef by 64 per cent.²²

As a result of Trump's war in Iran, the price of oil is rising rapidly. If we are to insulate our food supply from these shocks, we need to move towards domestic renewables and end our reliance on foreign oil and gas. Thankfully, the government is already doing so with its plan to generate nearly all of our electricity from renewables by 2030 and reforms to the energy market that will decouple electricity and gas.

But these long-term reforms do not help farms that rely on red diesel for machines and gas heating for glasshouses. To help these producers, we need to make electricity or biomethane-driven alternatives cheaper and more attractive, including through supporting UK-based innovation in agriculture.

Of course, the closure of the Strait of Hormuz doesn't only affect energy prices. A third of the world's fertilisers also flow through this channel.²³ We've been here before: when Russia invaded Ukraine, we saw a similar spike in the price of fertiliser. Unfortunately, the Conservative government failed to learn the lessons of this experience and take measures to end our reliance on imported synthetic nitrogen fertilisers.

We need to help farmers transition

away from this dependency so we can insulate our food supply chain from spikes in the price of nitrogen. This means funding soil testing, nutrient mapping and lab capacity, which will also help farmers reduce the use of fertiliser where it isn't needed. Bold action on this front will safeguard British farmers, protect consumers from future price spikes, and protect nature.

Specific products are also particularly vulnerable to shocks. Research shows that there is a gap in the market for retailers to offer more plant-based foods as own-brand goods, which would also reduce supermarkets' vulnerability to the highly volatile price of animal proteins.²⁴ More domestic innovation on this front will make good quality plant-based food even more attractive to shoppers.

Fundamentally, in the long run, we will need to do more with fewer inputs. Backing British innovation in agriculture – like that taking place at the University of Reading's Sonning Farm and Hall Farm – will also mean we have a place at the frontier of the coming global food revolution.

TRADE POLICY AND REGULATION

The government is already on track to secure sanitary and phytosanitary agreements with the EU, which would reduce trade frictions and could reduce import prices by 3-6 per cent by 2030 depending on the degree of alignment.²⁵

To go further, the government could also consider a bespoke customs arrangement. Lower import costs reduce costs for manufacturers and retailers, although they remain vulnerable to price volatility.

Moreover, in the short run, the government could look to liberalise or devolve some Sunday trading laws. Alongside the new protections afforded by the Employment Rights Act, this would make it easier for customers to choose low-cost options – rather than having to rely on more expensive, smaller shops that are open later.

These smaller shops cost consumers 10-20 per cent more than large supermarkets²⁶ thanks to higher prices and fewer offers. Importantly, though, retail workers should still be able to opt out of Sunday working.

In the longer run, we can also look at planning laws to make it easier for supermarkets to build in new areas, such as relaxing car park requirements. Previous policy changes that allowed the expansion of Lidl and Aldi created “estimated welfare gains of 3.5 per cent on certain basic products.”²⁷

The government could look at specific development rights for low-cost supermarkets, especially in areas that

are not served by larger shops. This would reduce “food deserts” where shoppers are potentially paying higher prices at corner shops or “express” supermarkets.

FROM MACROECONOMIC TO POLITICAL STABILITY

In short, dealing with food costs will require dealing with supply-side constraints that are keeping prices high, such as trade frictions and planning laws, and increasing our resilience to shocks by moving away from our reliance on oil, gas and fertiliser produced in faraway, unstable regions of the world.

This programme is essential to realising macroeconomic stability and low interest rates. But it is also crucial for political stability. Politicians should pay attention to the price of milk – and not just for media interviews. When the price of the weekly shop rises, people tend to vote out the politicians they hold responsible.

CHAPTER 4

MAKING WORK WORK

Dr Jeevun Sandher, the Labour MP for Loughborough, assesses how the government can create good jobs

“There is no fundamental economic law that guarantees every adult will be able to earn a living solely on the basis of sound mind and good character.” – David H Autor

If we want to make life affordable for all, then everyone needs to be able to earn enough to live on. But we are very, very far from that point. Today, almost 7.5m full-time jobs don't pay enough for someone to afford a decent life. The fear, frustration and fury you hear on the doorstep is driven by the fact that, today, working hard simply does not work. And where unaffordability enters, the hate-filled division of our opponents takes root and spreads.

Our Labour values are as follows: all should be able to live a good life, and we can only guarantee this by acting together. Of course, to make sure life is affordable for all, we must interrogate why so many jobs today do not pay enough. There are three key facts that

define our good jobs problem.

First, for a two-earner family with two kids to afford the basics, they need to earn around £70,000 in total, or £35,000 each. But around 40 per cent of full-time jobs pay less than this. It just is not possible for everyone to earn a decent life at the moment.

Second, technology is driving the difference between good and low-paid jobs, and it is non-graduates who have been losing out. Good jobs are now for those who can work effectively with computers and new technology that earn a decent wage. It is largely graduates that take these jobs.

Third, the distribution of good jobs across the country is hugely unequal – and it is this distribution that determines how well off a town or city is. A barista earns about the same in Blackpool as they do in London. The difference between London and Blackpool, however, is that there are many more well-paying jobs in the capital.

But why isn't the market creating enough good jobs anymore?

WHEN TECHNOLOGY HELPED

It was not always this way. In the postwar era, technology helped workers earn a decent living no matter where they lived. Young men (and back then, it was mostly men) could leave school and get a decent job in their local factory. Technology helped. People worked with machines on the mass-manufacturing production line to become more productive. Most jobs paid enough to live on, buy a house, and raise a family on. Workers had unions, and government had full employment as a central goal.

WHEN TECHNOLOGY STARTED HURTING

But then we entered the 1980s automation era, in which new technology – in the form of robots and machines – now did the tasks that workers used to in their local factory. Where a human used to weld a car body together, a machine could do it faster, cheaper, 24 hours a day, 7 days a week. The era of people leaving school and getting a good job in the local factory disappeared with the factory itself. And with far fewer people working together in the same place, it became far harder to organise, leading to the decline of labour power.

Some workers benefitted from the new technology: mainly graduates, whose work often dovetailed neatly with the digital revolution. Non-graduates, on the other hand, were largely left with low-paying jobs. While technology has made us more productive overall, it also

harmed many people by destroying the good jobs of old. It is the lack of good jobs that is driving populist-fuelled rage across the globe.

AI'S NEW ERA

Artificial intelligence heralds a new technological era. While people fear mass unemployment, as they did with the computer, the most likely outcome is a more unequal future rather than a jobless one. Currently, AI's main effect seems to be reducing the need for firms to hire people to do basic graduate tasks, and so leading to an even more unequal labour market, where the ever-fewer people who own AI firms or work in high-productivity AI-augmented roles benefit. But this is not destiny. As I will cover below, there is a way we can create good jobs for all.

HOW DO WE CREATE GOOD JOBS?

Our new technological era will not solve itself. It is only by the government stepping in to help create jobs that we can make a difference. Specifically, we need to create millions of good jobs.

First, the government can and should create good jobs for non-graduates in every place that needs them. There are millions of jobs in insulating and building the homes we need and in caring for our loved ones. We are creating these jobs in the green economy, in construction, and in healthcare.

Second, we need to actively prepare the labour market for AI. Doing so requires both industrial and education policy, like we are doing with the AI Opportunities Action Plan and the AI Skills Boost. In terms of the former, AI is still in its infancy, and we can

direct its adoption in firms in a way that is labour-enhancing rather than labour-replacing. In terms of education, we need training to help people prepare for the AI age.

Third, we do need to do more of the basics to help places that currently lack good jobs regenerate. This means decent transport infrastructure and devolution. As we've seen in both London and Manchester, great infrastructure matched with devolution is a powerful recipe for making places thrive.

Fourth, we need a jobs guarantee for

young people as a backstop for those who don't get good jobs through any of the above. The Youth Guarantee is one example of this.

Our technological era is not one where good jobs for all will come into existence on their own. Instead, our government must help create them. Creating these jobs is about more than income. It is about creating a nation that is true to our values, where all can live a decent life. This is how we extinguish the populist-fuelled fury at its source.

CHAPTER 5

CRADLE TO GRAVE

Sarah Ronan, executive director of the Early Education and Childcare Coalition, argues that there is still more to do on childcare costs

If critics of the Office for Budget Responsibility ever get their way and the institution ceases to be the arbiter of government fiscal policy, then we may want to consider replacing their biannual economic outlook with a bill for childcare of the type familiar to parents across the country: equally confusing, with eye-watering calculations that affect labour market participation and GDP. It could practically be a straight swap.

I'm not sure Rachel Reeves would go for that suggestion, but what this Labour government has long recognised is the importance of childcare as social infrastructure, supporting parents to work and children to learn.

However, despite more than two decades of policy developments, childcare has largely been treated as something to be worked out around kitchen tables, usually by mothers. In

recent years, this has shifted. Childcare is now more of a doorstep issue than a domestic one – perhaps unsurprising when you consider that costs rose at twice the rate of wages in the decade to 2022. It comes up unprompted in conversations with voters because it goes to the heart of whether work pays, whether family life (and having more children) feels possible, and whether the sums add up at the end of the month.

Before the expansion of 30 hours of funded childcare was announced in March 2023, England was one of the most expensive countries in the world for childcare. Up until that point, the 30-hour offer had been limited to certain working parents of three- and four-year-olds, but Jeremy Hunt's spring budget extended it to include nine-month-olds. Labour, understandably, committed to delivering that

policy for eligible families.

The operative word here has always been “eligible”. It creates a tension for a Labour government committed to ending child poverty and delivering a fair start for every child to simultaneously preside over the expansion of a model that, according to the Institute for Fiscal Studies (IFS), excludes the poorest third of families.

For those families, costs remain prohibitively high, at £189 per week for a part-time place, according to the latest Coram Family and Childcare survey. Yet decades of evidence show that children from these households benefit most from early education, not just because it enables parental employment and reduces household poverty, but also because it supports development and helps close the attainment gap. Yet these are precisely the families missing out.

The same survey, however, tells us something more hopeful. Where government has intervened, it has made a real difference. For eligible families, costs have fallen sharply. At its peak, the average cost of a full-time childcare place for a two-year-old in England was almost £14,000 per year, rising to almost £21,000 per year in London. Fast forward two years and this has fallen to averages of £6,700 and £8,600 respectively. Which makes our central question harder to ignore: if government investment can make this much difference, why is it not making that difference for the families who need it most?

The answer lies in how the system is designed. By tying support primarily

to parental employment, the current model rewards those already in work, while doing far less to improve access for those on the edges of the labour market – those most at risk of being swept into poverty by the tsunami of rising living costs. IFS analysis suggests that much of the investment represents a transfer of costs from middle- and higher-income families to the state. That is no bad thing; those families now have more money in their pockets and are better able to weather this cost-of-living permacrisis. But the central point of the 30-hour expansion was to improve labour market participation, and early evidence and anecdotal reports from the sector indicate that, rather than increasing employment, it could be reducing it in some higher-earning families, as they feel they can afford to work fewer hours.

So, it seems we have managed to build a system that is generous but not especially well-targeted. It helps many families feel a bit better off, but does far less for those facing the sharpest pressures. The challenge now is not simply to expand provision, but to shape the system itself, moving from a patchwork of entitlements and market incentives towards something more coherent, equitable and sustainable.

That starts with access. Even for those who are eligible for government support with childcare costs, finding a place is not guaranteed. Provision is increasingly uneven. England has a mixed market with private, voluntary, independent and school-based providers. But over time, this has become more fragmented than mixed,

with a decline in voluntary provision and a rise in private equity-backed chains. These are less likely to operate in areas with limited returns, contributing to the emergence of “childcare deserts” in disadvantaged or rural communities.

Historic underfunding has compounded this. Provider closures have been concentrated in disadvantaged areas, while the steady decline in childminders, who are often more flexible and affordable, has reduced supply further. At the current rate of decline, IPPR estimates there could be no childminders left in England by 2033. In these communities, a lack of childcare limits access to work and deepens the impact of the cost-of-living crisis. Moreover, for families with children who have special educational needs (Send), access is even more constrained, with just 10 per cent of local authorities having enough provision for children with Send, according to Coram.

Labour has taken steps to address these gaps in access through the rollout of school-based nurseries, but the child poverty strategy promises to go further. It builds on previous commitments in the Best Start in Life Strategy by promising to review gaps in support and improve access for lower-income families. This will require funding that reflects reality, ensuring that providers’ operating costs are adequately covered so that they do not simply pass on funding shortfalls to struggling families. Alongside this, the government needs to take a more active role in shaping the market,

incentivising provision where it is most needed and ensuring that children and parents benefit more from government investment than shareholders do.

In the effort to make childcare more affordable, we must not forget the early years workforce which underpins the system. Early years workers are among the lowest-paid in the labour market, despite performing the highly skilled work of child development. Increasingly, they face the same cost-of-living pressures as the families they support, with over half the workforce reliant on universal credit. It is a system in which the people who make work possible for others are themselves at risk of in-work poverty.

For some families, childcare is immediately prohibitive. For others, it simply creeps up on them. When the household budget stops balancing, food, energy, and housing are non-negotiables. Consequently, childcare is often sacrificed – and along with it, the career and financial resilience of at least one parent, more often than not the mother.

If families are to survive these pressures, then affordable childcare must sit alongside decent jobs, flexible working and stronger parental leave – areas this government is already making progress on. These are not just supports; they are the foundations of an economy that includes families. Labour has long understood this, from Sure Start to the national childcare strategy to the current Best Start in Life plan. The last two years have shown that government intervention works. The task now is to finish the job.

CHAPTER 6

OFF THE RAILS

Graeme Downie, the Labour MP for Dunfermline and Dollar, argues the cost of inaction on transport is being felt across the country

When we talk about the cost of transport, we are usually referring to direct cost: petrol prices, train tickets and bus fares. But there are two other questions of cost that must be at the heart of any effective transport policy. First, what is the cost of a transport option or service not being available? Second, do people feel a particular transport option is secure, or is it likely to fluctuate in cost, frequency or route?

To illustrate the first question, consider a parent living in Oakley, a rural former mining village in the West Fife area of my constituency. They struggle to get work because the council subsidised bus service does not run at the times that allow them to get to the office and drop and collect their child from nursery. That has a massive impact on their cost of living.

Similarly, take a young person who cannot reach a college course because no reliable public trans-

port option exists, or a carer who turns down a shift because the last bus home runs too early. Here, too, a lack of transport has a massive impact on their ability to live a good life.

Starker still, consider a woman unable to access her regular mammogram because the closest 'mobile' diagnostic van is a 4-hour return bus journey involving multiple changes – even though it is only 25 minutes by car. This represents a fundamental threat to her wellbeing.

In each case, neither the Scottish government nor HM Treasury records any expenditure. No line in a spreadsheet captures the loss. And yet the cost to that individual, to their family, and to our economy and society is very real.

Stability is also crucial. Many rural services are funded on an annual basis, requiring operators to reapply each year. As rising costs meet falling council budgets, the next campaign to keep

the service is always just around the corner. The consequence is a lack of transport security that has a direct human cost and risks the depopulation of large rural areas – and indeed even suburban areas comparatively close to transport hubs. It also fundamentally threatens our efforts to decarbonise. Drivers who think a bus route might disappear cannot risk giving up their car, and so they don't.

On trains, the SNP's decision to remove peak fares was pitched as a bold, progressive move – and it is a good thing. It represented, however, precisely the kind of half-measure that we often see when it comes to transport, with ambition sacrificed in favour of a short-term gesture and only on absolute cost.

The same number of trains ran. Their reliability was just as poor. The same overcrowded carriages lurched in and out of Edinburgh. Passengers travelling from Dunfermline into the capital at peak times still found themselves standing in corridors, unable to work, unable to sit, unable to justify the trip by anything other than necessity. Many wrote to me stating that for those with disabilities and underlying medical conditions, the journey has now become all but impossible as trains grow ever more crowded. Though the cash cost is lower, the true 'cost' to passengers is the same or worse.

Real ambition and help with the cost of living would mean more trains, not just cheaper ones. It would mean investing in the infrastructure that makes rail competitive with the car on

journey time, not merely on cost. You cannot improve transport just by growing demand; supply must come first, even if only barely.

It is much the same story with buses. Routes are designed around assumptions that have not been tested with the communities they serve; passengers are expected to make do and be grateful for what they have.

Capping fares can be a positive step, but it does not in itself address the wider problem. Instead, it risks simply providing a different subsidy for a private company to run an existing service.

The question, then, must be not only how much the bus costs, but whether it goes where people need it to go when they need it to. If it doesn't, the bus could be free and still not reduce the cost of living.

Underpinning all of this is a question about energy and economic resilience. The volatility of energy prices, driven so noticeably by conflict in the Middle East, is a reminder that public transport is at least part of the answer. E-vehicles can be used as a form of distributed energy storage, literal batteries on wheels. Vehicle-to-grid technology is maturing rapidly, and a progressive transport strategy must engage seriously with its implications. If the government wants to incentivise electrification, it might consider subsidising electric car usage in those rural areas where both fuel and transport costs are high. Two birds, one stone, and a glancing blow to lower carbon emissions as well.

Increased active travel routes for

pedestrians and cyclists would be another useful measure, working particularly well alongside expanded public transport networks to help improve travel accessibility and meet our net zero commitments.

Campaigns to obtain such a pathway between the villages of Muckhart and Dollar in my constituency have been consistently kiboshed by Clackmannanshire council, despite the suitability of the area and a genuine desire to reduce car use among residents.

The thread running through all of this is the same: a consistent failure of political imagination when it comes to what transport is for. It is not simply a means of moving people from one place to another, but a method for pushing

growth and boosting opportunity. A sustainable, affordable, reliable transport network is one of the most powerful anti-poverty tools a government possesses. This has been true throughout history and is a view Labour has traditionally embraced.

Britain's progressive tradition has always understood that the market left to itself produces outcomes neither efficient nor fair. Transport is no exception. In communities like those I represent, the case is being made every day, in missed opportunities and forgone potential. Investment in effective transport pays for itself many times over. The cost of standing still is higher than we ever admit. It is time we started counting it properly.

CHAPTER 7

NEW ENERGY

Polly Billington, the Labour MP for East Thanet, discusses the implications of our new age of energy insecurity

Donald Trump's disastrous war on Iran is the latest global shock to expose Britain's dangerous reliance on volatile fossil fuel markets, but it is far from the first. The public is still living with the economic fallout of Russia's illegal invasion of Ukraine through higher bills and squeezed household finances. Staggeringly, half of all recessions since the 1970s have been driven by surging fossil fuel prices.

The question is not whether the latest instability in the Middle East will hit British households, but how quickly and how severely. Even if the Iran crisis ended tomorrow, experts agree that the impact will be measured in months and years, and that the worst effects have yet to begin.

We must be honest with the public that we are entering a new era of global energy insecurity, one for which the UK remains poorly prepared. The government needs to set out a clear plan to deliver both the short-term protection

families need and the long-term resilience to future energy shocks we know will come.

This is not alarmism. Energy underpins our entire economy, and price spikes reverberate through everything we buy and consume. The political consequences are just as serious. Hostile states that control fossil fuel supply chains understand the power they have; just look at how Russia and Iran have weaponised our reliance on fossil fuels against us. Higher costs, falling living standards, and rising public anger also create fertile ground for extremists and populists on the left and the right.

But Britain is not powerless to act. As soon as the US and Israel launched this ill-judged conflict, I called for the prime minister to convene an International Energy Summit of the same scale as Gordon Brown's G20 summit after the financial crisis. As an advisor in the energy department at the time, I saw how Britain used our unique position as

a trusted convenor to shape the global response. Brown proved the doubters wrong, secured a plan for action, and helped avert a far worse crisis.

But diplomacy alone is not enough. Britain must adopt a “war footing” approach at home, protecting the public now while building lasting resilience. The chancellor is right to rule out the Truss-style unfunded spending splurge advocated by the Green party, which would see billions in taxpayer cash transferred to the wealthiest households to subsidise their bills. This plan is not progressive; nor is it fair on the future generations expected to pick up the tab.

Instead, as suggested by the New Economic Foundation, a capped amount of subsidised energy for every household, with additional targeted support for those who need it, is an idea worthy of serious consideration.

Targeted help does not have to mean support only for those in the benefits system. We have the means to identify a broader group of people – renters; people on low and fixed incomes; those whose illness or disability leaves them reliant on energy-hungry medical equipment – who we know are most exposed to cost-of-living pressures.

Too many people dread the arrival of their next energy bill, and the burden is not shared evenly. Standing charges have risen by over 60 per cent since 2021, hitting the poorest and most vulnerable hardest. These charges accumulate whether you are using energy or not, meaning debt builds even when the lights are off.

Meanwhile, the energy bills support system that Labour inherited is failing.

The £150 Warm Homes Discount has risen by just £10 since 2011 and reaches only three in 10 households in fuel poverty, despite bills having more than doubled in that time. It is outdated, inadequate, and constrained by rigid eligibility rules.

I have long argued for an energy social tariff to protect vulnerable households while deeper reforms bring bills down permanently. A social tariff would offer a lower unit price for low-income and vulnerable households, applied consistently across all suppliers, instantly providing families relief from fuel poverty. It would apply to all payment methods, including prepayment meters, and follow customers between suppliers when they move or switch.

This is not an untested idea. Spain already offers discounts of 35 per cent to vulnerable households, rising to 50 per cent for those most in need. It works — and Britain can make it work too.

Ultimately, however, the only sustainable route to energy resilience and lower bills is reducing Britain’s exposure to fossil fuels altogether. Homegrown renewables cannot be held hostage by dictators, petrostates, or erratic American presidents. Accelerating clean power is therefore not only an environmental goal, but central to national and economic security.

But such a transition must be fair. The benefits cannot be limited to the wealthy households able to afford solar panels or a new electric car. To their credit, the government is already doing huge amounts to increase access to energy efficiency measures and green

technologies. However, eligibility for a social tariff would be a good way of targeting government energy efficiency upgrades to those most in need to help them cut their bills for good.

Britain should be building a modern energy system that is decentralised, efficient, and flexible. Plug-in solar panels on balconies and in gardens should become part of national resilience, just as Anderson shelters were during the second world war — allowing households to contribute to security while cutting their own bills. And we must break the link between gas prices and household bills; it is simply

incomprehensible that bills remain tied to the volatile global price of gas even as fossil fuel use declines. The energy secretary has begun to move in the right direction, but he must go further to tackle this massive structural failure.

The direction of travel is clear, but the government now has a chance to be bolder. No option should be off the table, even those once dismissed as too radical. Energy is not a luxury. It is a necessity for every household and the economy. In an era of deepening global energy insecurity, Britain must protect the public, strengthen resilience, and ensure no one is left to face global chaos alone.

CHAPTER 8

TRULY UNIVERSAL

Katie Schmuecker and Iain Porter – principal policy adviser and senior policy adviser respectively at the Joseph Rowntree Foundation – set out the role of social security and argue for a minimum income floor

A government that fails to ensure voters feel a sense of economic security and improved living standards will also fail to keep or win those voters.²⁸ This is a lesson the last Conservative government learned as they presided over the first parliament on record in which living standards were lower at the end of the parliament than at the start.²⁹

The current Labour government is precariously close to repeating that failure. Joseph Rowntree Foundation (JRF) analysis of the Office for Budget Responsibility's spring forecast showed average annual incomes were set to grow by just £40 over the course of this parliament.³⁰ But the likely economic fallout from the subsequent outbreak of war in Iran is likely to leave an even bigger living standards problem for the government than that analysis implied.

Our social security system is too often overlooked in the living standards debate. Its erosion has played a key role

in both spreading in-work poverty and intensifying the depths of poverty that people are facing. It could, nevertheless, become a vital shock absorber in these uncertain times, supporting people when an economic shock hits their family so they can, at the very least, afford life's essentials.

THE ROLE OF SOCIAL SECURITY IN THE LIVING STANDARDS PROBLEM

The role of social security in the flatlining of living standards over the last two decades is often underappreciated. Following the global financial crisis, employment and wages recovered but incomes stagnated, particularly for households on lower incomes. This was reflected in growing in-work poverty, with almost 7 in 10 working-age adults in poverty now in a working household. That amounts to 5.4 million adults, an increase of 53 per cent since the turn of the millennium. Part of the explanation

is that rising earnings were offset by other factors, including cuts to social security support for working families since 2010.³¹

The erosion of our safety net also underlies another significant living standards trend over this period – deepening poverty. Around half of people in poverty are now in very deep poverty, meaning they have an income more than a third below the headline poverty line. This compares to around a third of people in poverty who were in very deep poverty 30 years ago.³²

Universal credit should offer support to anyone who falls on hard times, but caps and freezes to its basic rate since 2010 have left it threadbare. At just £98 a week, it falls well short of the £120 a week JRF estimates a single adult needs to afford essentials like food, heating and other basic household bills.³³

SOCIAL SECURITY AS PART OF THE LIVING STANDARDS RESPONSE

Social security must, therefore, be part of any response to the living standards crisis. Universal credit has wide reach, not only providing security for anyone facing difficult times – such as losing a job, falling ill, or needing to care for a sick family member – but also providing support for millions of working people facing low earnings and high housing costs.

With the pandemic, the war in Ukraine and the cost-of-living crisis, families have been hit by wave after wave of economic turmoil. And now, with the effects of the war in Iran looming on the horizon, the cost of essentials is about to come roaring back

into view in our politics (not that it ever went away for the electorate). We need to build systems that help people withstand shocks and bolster economic security.

LABOUR SHOULD BUILD ON ITS PREVIOUS SUCCESSES

The government has just taken some bold action in this area, righting a major wrong with the removal of the two-child limit on universal credit. Not only will this lift 450,000 children out of poverty by the end of the parliament,³⁴ but it will provide a potent boost to living standards for the poorest third of households.³⁵ In doing this, Labour ministers were powerful, positive and persuasive. The government foregrounded Labour values while explaining their mission to reduce child poverty.

Labour can build on this progress by talking passionately about change to ensure that, whatever happens, people have the security of knowing they will always be able to afford life's essentials. This is a powerful, common-sense principle that garners wide support. For instance, 72 per cent of the public support the idea that universal credit should guarantee people can afford life's essentials (with only 8 per cent opposing).³⁶

A SYSTEM THAT RESPONDS TO PRICES IN THE REAL WORLD

Immediate steps can be taken in this direction. A fundamental structural flaw in the social security system is that benefit rates have never been set according to any logical calculation or evidence of actual living costs. Rates today are simply the culmination of

years of individual decisions on how much to uprate the previous year's rate, shaped by inflation, welfare cuts and political considerations. This has enabled cuts and allowed the basic rate of universal credit to become completely detached from the cost of household bills that it intends to cover.

Instead, there should be an independent process to advise governments on the basic rate of support needed to cover life's essentials. This should be based on evidence, including from people with direct experience of living on a low income.³⁷

The last Labour government delivered lasting improvements on living standards by adopting such an approach. When introducing its groundbreaking minimum wage, the Labour government of 1997 created the independent Low Pay Commission to recommend the appropriate level. This pioneering approach became deeply embedded as it institutionalised tackling low pay, eventually securing support across the political spectrum. Labour can learn from this precedent and apply it to our social security system.

An essentials guarantee in universal credit would see the basic rate set according to independent assessment of what is needed to cover life's essentials. It would effectively create a floor in the system below which the basic rate of universal credit could not fall, paralleling the wage floor that was created in

the labour market in the 1990s. Just as it took several years for the minimum wage rate to ratchet up and eradicate low pay, so too the pathway to an essentials guarantee can be achieved over time, so long as the vision and political will to get there. This would create a system that would respond directly to changes in essential living costs, helping households absorb the shock of future price rises.

STRENGTHENING SOCIAL SECURITY, LIVING STANDARDS AND ELECTORAL PROSPECTS

Strengthening social security in this way would be good for families' living standards and economic security. It would also have wider benefits: a strong social security system underpins a strong economy by supporting incomes through shocks, giving people breathing space to find better job matches, and helping them to unlock opportunities. And poverty damages people's health, potential and education, with lasting effects that further undermine future living standards; lowering hardship would both improve the economy in the long run and reduce immediate pressure on public services like the NHS and schools.³⁸ The government has made clear that these goals will be at the heart of their case to the public at the next election. As such, it must recognise that social security is a crucial part of its electoral strategy, too.

CHAPTER 9

THROUGHLINE

Marcus Johns, a senior researcher at the Fabian Society, argues for a whole-of-government approach to increasing living standards

The 2008 financial crisis left in its long wake an unprecedented stagnation in real incomes from which we are yet to recover. The Conservative-led administrations from 2010 to 2024 not only failed to rebuild but further damaged the economy's foundations. This has left UK households around £7,700 poorer annually than they would have been had we sustained the 1997-2007 trajectory.³⁹

The government had begun to turn the situation around: by spring this year, interest rates were falling, and energy bills contracted £150 on average from April onwards. We started to see living standards improve.⁴⁰

The economic shock triggered by the war in Iran threatens this fragile progress, however. This is painful and worrying for a Labour government on a mission to rebuild Britain. If we are to raise living standards across the country, we will need a whole-of-government response.

THE CRISIS AT HAND

High living standards are the hallmark of a prosperous society and a key plank of what the labour movement seeks to deliver. Our vision – of a society in which we all can realise our true potential, and power, wealth and opportunity rest in the hands of the many, not the few – will not be possible without high and equitable living standards. Falling living standards risks an accelerating crisis that undermines prosperity and fuels political danger.

Unfortunately, this government inherited dire living standards. Weak growth between 2010 and 2019 left wages lower and the UK economy exposed to economic shocks – notably, the post-Covid surge in inflation and the enduring cost-of-living crisis that followed. As living costs soared, consumer demand fell and economic growth stalled. To make matters worse, this lowered tax revenues and weakened the state, limiting the current govern-

ment's ability to rebuild public services.

But this government's frustration at its inheritance cannot act as a brake on action nor be an excuse to underdeliver. In the polls, the cost of living consistently ranks as the public's highest priority, yet few are confident it will improve.⁴¹ As public anger grows, trust in the state is falling, creating ideal conditions for populists on the left and right to shamelessly undermine trust and divide communities. As a party that believes the state can be a force for good – and the party of government – Labour risks being seen as a defender of the status quo rather than a force for change. More generally, inflation is an 'incumbent-killer' that has wiped out many governments in recent years – and another surge is coming.⁴²

It is not enough for the government to prevent decline. Life must get noticeably better, and remain securely so, even in the face of global headwinds. People must be able to feed their children without skipping meals; take their family out for dinner without breaking the bank; and feel they can cope if the washing machine breaks, irrespective of international instability.

WHY A WHOLE-OF-GOVERNMENT APPROACH?

Living standards should be understood from the perspective of people, not economists. So, while gross disposable household income is a key indicator, policymakers should focus on five domains that reflect people's lived experience: low earnings, high living costs, inadequate social security, low entitlement take-up and insufficient

financial security.⁴³ Each is a major challenge.⁴⁴

The government is acting across these areas already. It is raising the minimum wage and boosting productivity through industrial strategy to raise earnings; reducing energy bills by shifting levies to general taxation; limiting rent increases through renters' rights reforms; and freezing rail fares and prescription charges to cut costs.

On social security, the government has increased the universal credit standard allowance above inflation and ended the two-child limit while promoting pension credit uptake and improving employment support to help people claim their entitlements. The flagship Employment Rights Act will also bring financial security to many.

As is clear from this list, raising living standards is not the work of one department. It is the central focus of HM Treasury, the Department for Work and Pensions, the Department for Energy Security and Net Zero and the Ministry for Housing, Communities and Local Government – not to mention Number 10. Other departments have a role, too. At the next election, every minister will need to feel able to look the public in the eye and say: 'we did all we could to get every last pound into your pocket.'

This means that the living standards agenda runs up against one of biggest challenges facing government: institutional fragmentation and departmental silos. Bureaucratic challenges, slow processes and dysfunctional relationships between departments leave the centre of government unable to tackle the country's problems, ultimately

frustrating ministers and civil servants alike.⁴⁵ As a result, there is widespread recognition of the need for strategic, active, coordinated government.

To address this, the government has tried galvanising action across departments through ‘missions’. As Marianna Mazzucato has argued, transformative missions need a rallying question. For Nasa, that question was: how can we put a man on the moon?⁴⁶ Now we must ask: how can we make Britain affordable again? The challenge’s boldness is the point. The growth mission and the living standards milestone sought to bring this approach into government, and good policies have followed. Indeed, this government has been one of the most successful in terms of manifesto implementation.⁴⁷ In practice, however, improving living standards has proved difficult to coordinate and communicate. Many policies have not cut through. Those that have aren’t easily recalled or readily associated with the government’s missions – which have slipped into obscurity.⁴⁸ Recent measures are yet to be felt, while the war in Iran and Trump’s tariffs remind us how easily the government can be blown off course.

The government must persist. Living standards are too important to accept defeat. If the government places improving living standards at the centre of its strategy, it can help convince the public that it recognises the challenge and is prepared to throw the entire weight of the state to meet it.

The war on rising costs must be a political north star. All must know that this is a government improving living standards as a top priority and

understand how it will do so by bringing the entire machinery of government to bear.

A WHOLE-OF-GOVERNMENT SOLUTION

To rise to the challenge, we must build machinery through which the prime minister’s will can be exerted. The government has now established a growth and living standards cabinet committee, chaired by the prime minister, to ensure living standards remain a priority across government, in line with Fabian Society recommendations. The government needs to build on its initial successes, sustain delivery, and communicate more effectively, cutting through the bureaucracy of Whitehall and amplifying its message to stakeholders and the public.

The government should establish a Living Standards Taskforce – a cadre of civil servants with the full political backing of the cabinet committee – to lead a living standards strategy, setting goals that encourage cross-department collaboration and secure buy-in. For the initial focus on cutting bills, each department should present proposals to reduce living costs within their remit for the taskforce and committee to consider. Every department should have a mission statement setting out its contribution to the strategy and a senior civil servant responsible for reporting progress to the taskforce.

This coordinated approach should involve broad partnership working with both politicians and officials at all levels of state and politics, including the Council of Nations and Regions and

with the parliamentary Labour party. This will allow debate and ideas on further, faster progress to flourish.

Learning from the mixed success of its 'missions' and 'milestones', the government should recognise that communication and consistency need to improve. Government communications should move away from the 'busy approach,' which emphasises how much the government is doing, towards a strategic approach that demonstrates consistent delivery on the immediate priority: cutting bills and raising household living standards.

This government is almost halfway through its term. While it has been more politically turbulent than expected,

Labour has built a strong foundation of legislation and policy that can be built upon in the second half.

Living standards are the government's stated priority. They are the right one: living standards simply must improve by the next election. The government must rebuild meaningful prosperity so that voters can see they are better off by the next election – and, more fundamentally, that the system Labour took on and changed now works for them.

It is a daunting task. But throughout our history, through conviction, unity, and compassion, the Labour movement has achieved the seemingly impossible to build a stronger nation.⁴⁹

CHAPTER 10

GENERATION GAME

Priscilla Mensah, a public affairs volunteer on the Rethink Repayment campaign, argues that the student loan system is in desperate need of a redesign

For a long time, it was a universally-acknowledged truth that each generation would know better material conditions than its predecessors. Greater prosperity was the expectation. That is no longer true. If the social contract in the UK hinged upon the young following a set script – “doing everything right,” then attaining financial security – it now seems well and truly broken.

In 2025, there were approximately 17,000 graduate job postings across the year for a total of 1.2 million graduates. In a job market blighted by automation and global conflict, the dividends of a university education seem increasingly uncertain. What is left? A graduate debt crisis for millennials and gen Z, exacerbated by unaffordable housing, stagnant wage growth, and high prices.

Those who began university in 2012 may recollect some of the more egregious claims made by the system’s early peddlers, some of whom were sent into schools to sell the loan while still

in its infancy. According to a recent BBC News investigation, presenters who were hired to give talks at colleges and sixth forms were instructed not to use the word “debt”, and instead were urged to frame repayments as a financial commitment analogous to a “phone contract.”

Fast forward a decade and a half and the contrast with reality could not be starker: interest at the discredited measure of RPI up to 3 per cent accrues from the moment the loan is disbursed, even though students cannot make repayments. While graduates were told the repayment threshold would increase with average earnings, retrospective tinkering by successive governments now means graduates making incomes not far off minimum wage are on the hook for repayments at a marginal tax rate of 9 per cent. The interest rates are punitive: until the government’s April 2026 announcement that it would cap interest at 6 per cent, interest on student

loans had reached painful highs of 8 per cent. In recent years, the interest rate on student loan debt has been 25 times the Bank of England base rate.

The vast majority of debt-laden graduates never come close to paying down the principal. A recent estimate from the Institute for Fiscal Studies determined that the average plan 2 graduate would need to earn over £66,000 a year to begin to see their loan balance fall. The result for middle earners is especially staggering; two graduates in the same office – one whose parents had the money for tuition and living expenses upfront, versus one from a single parent household who needed the maximum tuition and maintenance loan – will take home different pay packets in the order of hundreds of pounds a month.

This re-entrenchment of class inequality – making a mockery of the idea that university was the great equaliser – may seem abstract. Yet the real-life impacts of rising student debt levels in our swirling cost-of-living crisis are stark: graduates losing upwards of hundreds per month, while not able to chip away at their principal debt, are taking increasingly drastic measures which are likely to have long-term personal and national implications.

A December 2025 survey by insurance behemoth Axa reported that a third of workers between 18 to 25 were not paying into a personal or workplace

pension, with a ‘significant’ number deliberately opting out of autoenrolment. Such a trend of graduates pulling from pension pots as a possible remedy to punishing loan repayments should give any government pause; so should reports that graduates are delaying starting families, moving out, or taking promotions.

What would a system redesign to alleviate the economic pressure on graduates look like? This April, the chancellor forged ahead with a new threshold freeze that means more and more graduates at lower income levels will be drawn into making repayments with a monthly salary already stretched too thin. Reversing this freeze is a crucial step, but not enough on its own. In addition to a fair cap on interest rates, realising a fairer monthly pay-packet for graduates requires a definitive cut to the current repayment rate, currently 9 per cent, which means that, taken together with income tax and national insurance, any graduate with a plan 2 loan earning more than £29,385 per year loses 37 per cent of each additional pound earned.

What is clear is that the status quo will not hold. Diminishing access to ‘the good life’ is fuelling unprecedented generational anger that is developing a new political expression, and the political party that will take bold steps to address intergenerational injustice will no doubt benefit from growing ire. Time will tell how bold this government will be.

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