

Funding the Future

Article URL

Published: January 12, 2026, 4:51 pm

The Institute for Fiscal Studies published a damning indictment of neoliberalism in the UK this week. [It began by saying:](#)

Wage and earnings inequality has been on the rise in the UK since the late 1970s / early 1980s, and with faster increases than comparator countries it is now one of the countries with the highest levels of wage and earnings inequality in the developed world. Labour market inequality arises in various forms: inequalities in employment opportunities, wages and hours worked, but also in other dimensions of employment, such as job security.

It continued with this executive summary, which I share in full because it appears appropriate to do so:

- * Earnings inequality is considerably higher in the UK than it was 40 years ago, moving the UK up to being one of the higher earnings inequality countries in the developed world by 2019.
- * The evolution of earnings inequality over the four decades between 1980 and 2019 shows distinct temporal and distributional differences. In the 1980s, earnings inequality went up sharply at all points in the distribution. In the 1990s and 2000s, upper-tail inequality rose significantly but lower-tail inequality grew less, especially in the 2000s. After the global financial crisis, the 2010s saw a modest narrowing of upper-tail earnings inequality and a more pronounced reduction of lower-tail earnings inequality.
- * The long-run structural trend of rising earnings inequality was driven by technical changes that benefited skilled workers doing more complex tasks, whilst the minimum wage that was introduced in April 1999 played a crucial role in stopping and reversing the upward trend of lower-tail earnings
- * The past 10 or 15 years have seen real earnings growth of most workers slow down and stagnate, giving the labour market a double whammy of more inequality coupled with little or no earnings improvement in real terms (with the exception of the low-paid who benefited from above-inflation upratings of the minimum wage).
- * The nature of work has changed dramatically over the past 40 years. Traditional work patterns have become less delineated in the face of big compositional shifts in who works and the definition and structure of modern jobs. Worker power has fallen in the light of rapid union decline and increased employer power in pay determination.
- * Two related significant shifts have been the rise in solo self-employment and the

emergence of new informality via the gig economy. These have radically changed the jobs landscape and the way people work. In addition, the share of the lowest-earning quintile who are self-employed has increased by 54%, or 8 percentage points, from 15% to 23%, between 1999 and 2019.

* Higher earnings inequality, with low real earnings growth, and a very different labour market from 40 years ago have placed the world of work in a much more unequal and divisive place. To halt or reverse this trend requires significant attention be devoted to ways to restore and reinvigorate real earnings growth and to generate decent jobs with good career opportunities in an inclusive way.

So, in summary, I suggest that:

- * Neoliberalism has made most people more insecure;
 - * Only the best off have done well in the last forty years;
 - * In the last ten to fifteen years real wages have stagnated;
 - * The UK is more divided and unequal now than it was when Thatcher came to power;
 - * There is a real cost to this, both economic and as importantly, in our wellbeing.
- More than forty years of economic policy has failed then. But in response the report has two key observations. The first is:

In practice, government has few direct policy levers it can use to deliver wage growth to workers.

To which the authors add:

The changing composition of work that was documented earlier also offers significant challenges, if the aim is to ensure decent and fair work in future.

In effect, the author despair of doing anything about this.

So much promise, in other words, at the outset of this report and so typically IFS at the end - with a shrugged acceptance that what the market wants the market gets, as if that is our fate.

I'll take the first half, but do not accept the conclusions.