

The 2020s will be a failed decade - and we're only half...

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As the Resolution Foundation reported in a new report entitled the [Living Standards Outlook 2025](#):

“Taking into account the cost of living crisis, the typical income in 2029-30 would remain essentially unchanged (0 per cent growth) compared to 2019-20.”

That is a staggering suggestion. The Resolution Foundation is a decidedly centre ground (at best) think tank that seems unable to question neoliberal economics, and yet what it is saying is that current economic policy, whether Tory or Labour, is failing.

I stress, the Resolution Foundation is not saying growth will be weak. It is saying it will be non-existent. Across the entire 2020s, typical UK household income is forecast to increase by zero per cent in real terms. To contextualise this, that would make this decade the worst for living standards growth since at least the 1950s, and most likely the worst in modern economic history. And as they persistently point out in the report, what they are suggesting is consistent (although not quite the same for methodological reasons) with what the Office for Budget Responsibility is suggesting.

This is significant enough to require analysis.

First of all, it is important to note that the Resolution Foundation’s projections are not based on extreme pessimism. They assume inflation falls to target, earnings rise modestly, and the labour market stays relatively (and I stress that word) strong. But, even with these assumptions, they are suggesting that real incomes do not improve. This is because of four compounding pressures, none of which will be a surprise to any reader here, including (and these are my highlights):

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Interest rates are high and are forecast to remain so. This is creating a drag on growth and household budgets.

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Taxation has increased significantly, most especially for working-age, in-work households, while government spending priorities continue to favour pensions over other services. These increases are because of the freezing of personal and other allowances by Rishi Sunak, which is still largely continuing, and increases in regressive council taxes, none of which Labour will tackle.

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Housing costs remain deeply regressive, with those renting, meaning disproportionately younger and lower-income households, are seeing growing crises of affordability.

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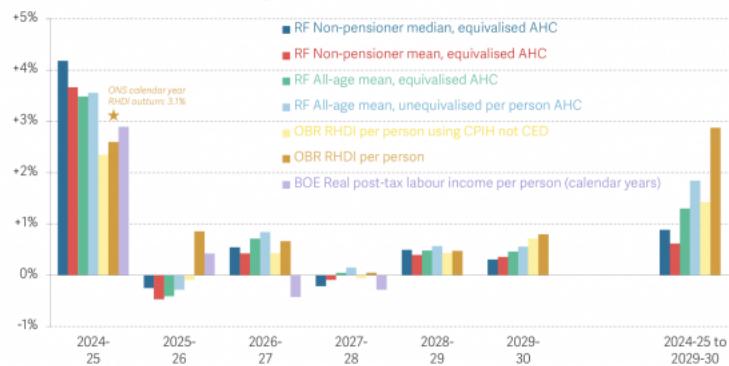
Public service degradation, or austerity, if you like, imposes hidden costs: when health, transport, childcare, social care and the education systems do not function as a modern economy requires, families are either forced to pay privately for services they might reasonably expect the state to provide, or suffer lost earnings because of having to make good the deficits in services in their own time.

These are not market failures. They are very obviously political design choices. And their consequence is economic stagnation for middle-income households (let alone those on low income) despite record corporate profits, rising executive pay, and growing concentrations of wealth.

Secondly, within this report, it is clear that there will be growing inequality that is hidden if only the averages are looked at.

FIGURE 8: The OBR and Bank also forecast a big decline in income growth after 2024-25, and our overall results are comparable to the OBR's

Projected real household income growth per year: UK



NOTES: AHC is real disposable income after housing costs (HBAI definition). RHDI includes imputed rent. Bank of England forecast includes RF adjustment for population growth.

SOURCE: RF projections including use of the IPPR Tax Benefit Model; DWP, Households Below Average Income; ONS, various; Bank of England, Monetary Policy Report, May 2025; and OBR, Economic and Fiscal Outlook, March 2025.

The report's headline figure of zero per cent income growth refers to the median household, which is the one right in the middle of the range of all households. But that

masks major divisions. In particular:

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Those on lower incomes are forecast to fall behind further in both absolute and relative terms.

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Families with children are projected to suffer particularly poor outcomes, in part due to the erosion of child-related benefits and the real-terms decline in Universal Credit benefits.

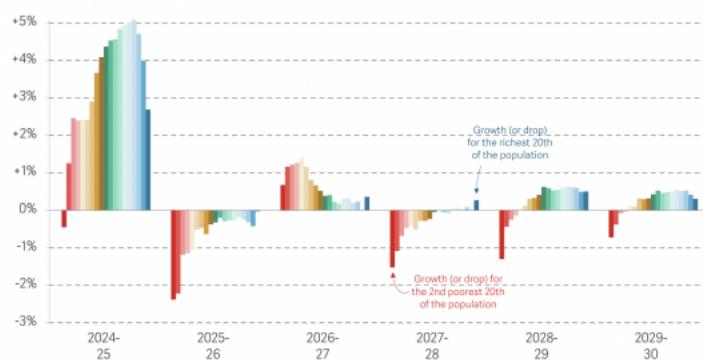
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The poorest tenth of families are expected to be £1,500 a year worse off in 2029-30 than they were in 2019-20. They are the biggest losers over the decade.

In contrast, pensioner households, largely protected by the pension triple lock, which is assumed will continue, will fare better. And, as the report notes, households with greater property or financial wealth will do better in income terms. The poorest do very much worse.

FIGURE 9: The growth outlook is generally even worse at the bottom of the income distribution, though with a small boost in 2026-27

Annual real growth in average equivalised household disposable income, after housing costs, by non-pensioner income quintile: UK



This, then, is not just a report that says we are stagnating. It says we are becoming increasingly divided by inequality as we do so.

Third, most worryingly, what the Resolution Foundation suggests is that there is no plan to fix this.

As they note:

[P]rospects for lower-income households are much more directly in the control of

central Government – where relatively small spending changes can make a big difference to the poorest – and indeed a range of headwinds are due to longstanding Government policies.

And in response, what they note is that things like the two-child benefit cap, which could deliver a big change in net income for many lower-income households, and reduce child poverty a lot, are not scheduled for reform by Labour.

Labour is not engaging with the implications of this data. Rachel Reeves is still insisting on fiscal responsibility, which is code for austerity. She is, in the process, ignoring the real-world effects of these choices on household incomes. In the meantime, key tools for raising living standards such as green investment, housing reform, improved public services, a living wage, and social security enhancement, are all deemed unaffordable.

The implications of this forecast are enormous.

First, it confirms that austerity economics, pursued in different forms by all major parties since 2010, has failed. Neoliberalism is no longer the answer to any known question. Not only has it degraded public services and damaged resilience, but it has also suppressed income growth across most of the population.

Second, it makes clear that redistribution through wages is not working. In a labour market weakened by poor bargaining power, precarious employment, and underinvestment, rising productivity, if it is ever achieved, is unlikely to benefit most working people.

Third, it reveals the scale of underinvestment in the economy. The UK's creaking infrastructure, insufficient housing stock, and declining health outcomes are not just quality-of-life issues; they are growth constraints.

Fourth, it shatters the narrative that “work is the route out of poverty.” The working poor are now structurally locked out of prosperity, and there is no indication that this will change.

So, what needs to change? This is my interpretation, I stress:

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We need to abandon the economic myth of austerity and low public spending. The private sector cannot drive recovery on its own. The government has to be a partner in the economy, and not assume it simply extracts value from it, which is what Labour does now, quite incorrectly.

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We must increase social security rates (and drop the words welfare and benefits from the lexicon) to restore dignity and security to those left behind by the neoliberal market

system. The social safety net has to be rebuilt.

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A serious housing policy is overdue: rent caps must be considered, mass social housing building is required, and controls on speculative forms of ownership and such things as second homes might be essential. Council tax reform could play a significant role in this.

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The tax system must be rebalanced, with higher taxes on income and gains derived from wealth and unearned income to compensate for extra spending on investment and redistribution. The [Taxing Wealth Report](#) lays out much of what needs to be done.

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Public services should be rebuilt as drivers of opportunity and change, and should not be seen as liabilities on a spreadsheet.

Above all, we must reject the silence of acquiescence in the stagnation of hope, which is what Labour is delivering. If a government cannot deliver rising living standards for the majority, it does not deserve to govern. And if an opposition won't name that failure, it does not deserve to replace it. We need a new politics of care, and no one is offering it.

The Resolution Foundation's report is damning. Its numbers should shake the foundations of Westminster complacency. That they have not done so yet is all the more reason to shout louder. This report is a call to action. It needs a response. We cannot afford another lost decade. Not economically. Not socially. Not democratically. This is the time for change.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).