BRIEFING | COST OF LIVING | PUBLIC ATTITUDES

Starmer's missed milestone? The outlook for living standards at the Spring Statement

While on average all families are forecast to see a fall in living standards this Government, families on the lowest incomes are set to bear the brunt of the pain.

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1. Introduction

Discussion ahead of the Office for Budget Responsibility's (OBR) statement on 26 March has focused on whether the Chancellor will meet her fiscal rule, and the extent to which near unprecedented cuts to disability benefits will be used to balance the Government books. Behind all of this is a deteriorating economy failing to deliver for families. Our modelling shows the prime minister could be on course to miss his fundamental milestone of seeing rising living standards across the parliament just 4 months after it was announced. Perhaps most concerning of all is the risk that this could take place alongside a widening of inequality, with living standards for the poorest deteriorating around twice as fast as for everyone else under this Labour Government.

To address these risks, JRF is calling on the Government to place a strategy for targeted improvements in household living standards at the heart of its strategy for growth.

Recommendations

- An immediate plan to address hardship, including a reversal of cuts to disability benefits, creating a new 'minimum floor' in Universal Credit so there is a line below which no one's payment can fall as a result of the benefit cap, permanently unfreezing Local Housing Allowance (LHA), additional targeted support with energy bills for low-income households, reforming no recourse to public funds and reforming the Household Support Fund.

- A medium-term plan to rebuild the foundations of a much stronger social settlement that can provide greater security to families both now and for the long term, including a commitment to an Essentials Guarantee in Universal Credit, reform of housing and land markets to ensure everyone has access to an affordable and secure home, a renewed focus on supporting people into higher-quality jobs, and a reimagining of informal care infrastructure to ensure people caring for a loved one are properly supported financially while away from work as well as being properly supported to return to work afterwards.
- New steps to make the tax system as ‘neutral’, ‘progressive’ and ‘predictable’ as possible. Even with the Government’s political commitments not to raise the headline rates of income tax, National Insurance or VAT, the tax system can still be improved in line with these principles while raising significant additional revenue for the public realm. The tax changes at the Autumn Budget, such as increasing the rates of capital gains tax, were a step in the right direction and could be built on further to ensure that returns on wealth and investments are increasingly taxed at an equivalent rate to earnings from work.

2. New modelling and polling

Following the Autumn Statement at the end of last year, the prime minister announced a series of milestones to supplement the existing government missions. The growth mission was refreshed to include a new target of 'higher living standards in every region of the country', as measured by the OBR's estimate of 'real household disposable incomes' (RHDI) per head (Starmer, 2024; BBC, 2024). The prime minister added that, 'as we target the fastest growth in the G7, so working people have more money in their pocket; the burden of the cost-of-living crisis, no longer intruding on the joy of family life' (Starmer, 2024). Just 4 months on, this briefing uses new modelling and polling to assess how the country is faring against this new milestone, and what the perception is from voters of their own economic circumstances and living standards.

This work is the latest from JRF's new economics programme, launched in March 2024 (Stirling et al., 2024). Using a mix of microsimulation modelling and bespoke polling, the programme aims to better understand not only how macroeconomic trends are affecting families from across society, but also how individuals anticipate the economy will affect their lives, and who they hold responsible for the consequences. In this paper, we present analysis showing what the implied trajectory and distribution for household incomes is likely to be if the OBR adjusts its forecasts on 26 March in a similar way to how the Bank of England and other major forecasters adjusted their forecasts up to February 2025.

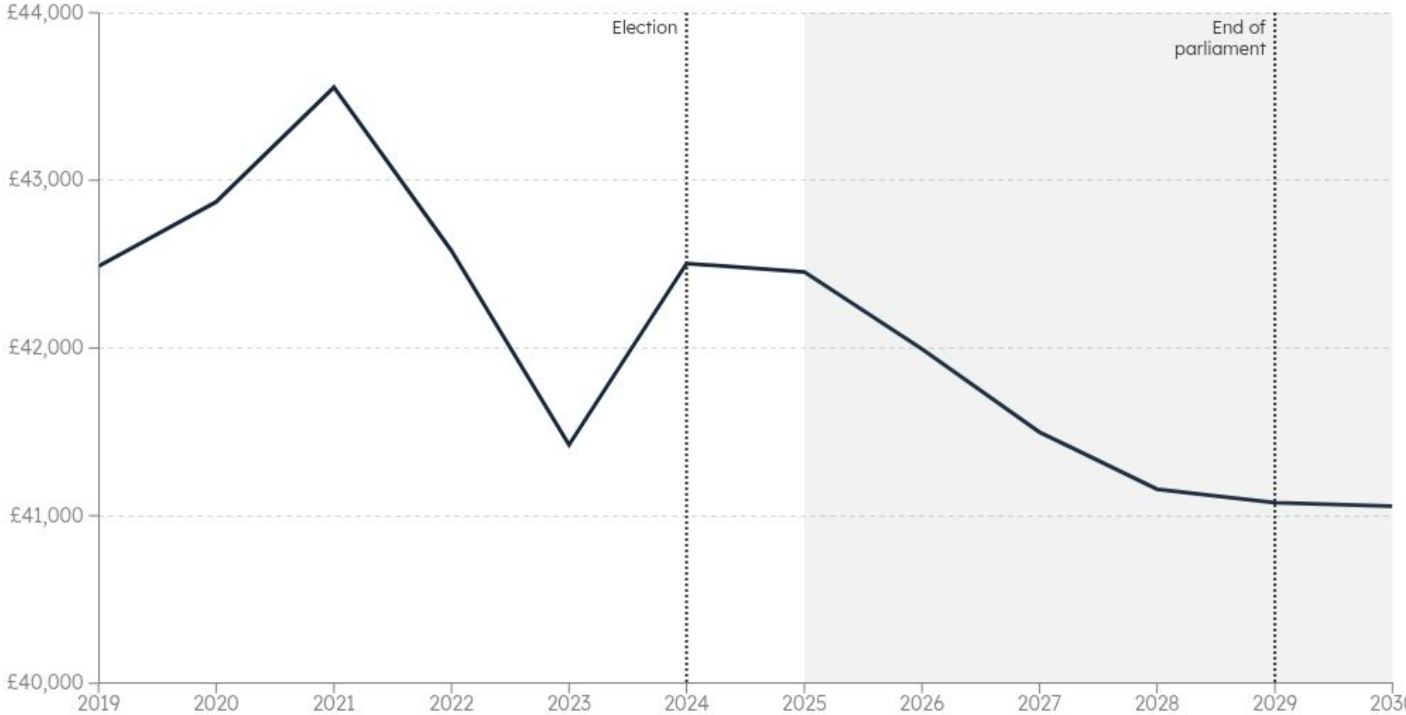
For the modelling, we make use of the Institute for Public Policy Research (IPPR) Tax-Benefit Microsimulation Model, using data from the Family Resources Survey, official outturns from the Office for National Statistics and macroeconomic projections from a range of forecasters. The modelling is conducted at the level of households, taking into account both macroeconomic variables such as earnings growth, inflation and interest rates as well as policy variables such as the schedules for tax and benefits. It should be noted that while this briefing focuses on incomes as our key indicator for living standards, the breadth and quality of public services, among other things, also contributes to living standards beyond incomes. A full description of our methodology can be found in Appendix 1.

On the polling side, we worked with YouGov to ask a UK representative sample of 5,042 UK adults a number of questions, including ranking economic concerns when thinking about their personal circumstances over the next 12 months with respect to each category above, and to what extent they hold the Government responsible for these areas of economic impact on their lives. The survey took place between 17 and 19 February, and a full description of our methodology can be found in Appendix 2.

3. Scale and nature of living standards crisis

By April 2025, families will not have recovered from the double hit of the pandemic and cost-of-living crisis, but the latest official forecasts imply there is even worse to come. We estimate that average household disposable incomes after housing costs (hereafter 'disposable incomes') will remain £400 a year below 2020 levels in April 2025.By April 2030 households will be a further £1,400 worse off on average than they are today, a 3 percentage point fall (Figure 1, all £ figures in this briefing are in April 2025 prices unless otherwise specified). The past year may in fact prove to be the high point for living standards this parliament.

Figure 1: Average annualised household disposable income (£, April 2025 prices) after housing costs, April 2019 to April 2030



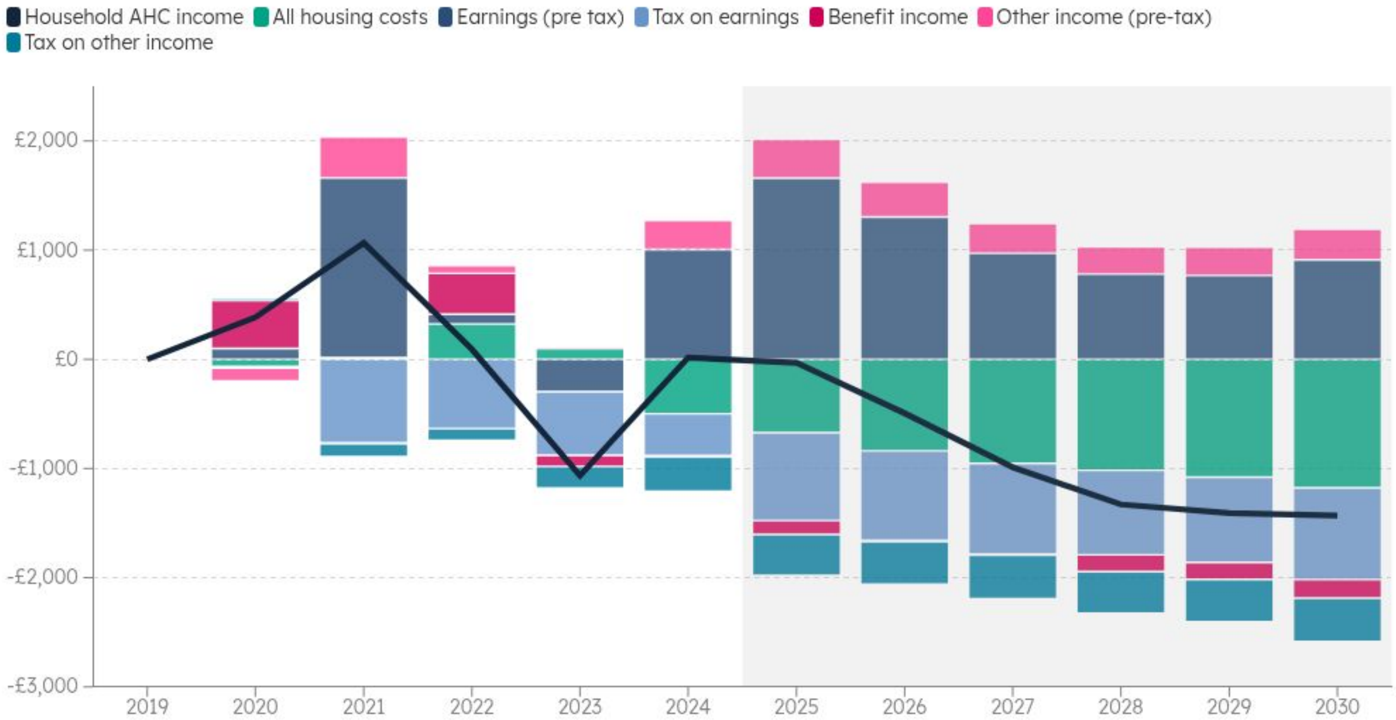
Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data from April 2025 onwards based on forecast data rather than outturns. See Appendix 1 for details.

The modelling breaks down the major components of household disposable income, so we can examine what is driving (Figure 2). Following the worst of the pandemic and cost-of-living crisis, disposable incomes by April 2023 were around £1,100 a year lower than in 2019. A large part of this was driven by inflation, which outstripped growth in earnings and benefits since 2019, and tax contributions on earnings, which had grown due to 'fiscal drag' (the result of tax thresholds being frozen in nominal terms rather than rising in line with inflation).

Since 2023, families have on average experienced some recovery in real incomes. This has been driven in part by earnings rising faster than inflation again and employee National Insurance cuts in 2024 (despite being partially offset by continued fiscal drag). But even over this most recent period, increases in disposable incomes have been blunted by the rise in housing costs, in the form of both higher rents and mortgages. Higher interest rates, designed to contain and stabilise inflation, have fed through into mortgage repayments as families have come off their previous fixed terms and onto higher rates.

This recovery is set to be short-lived, with disposable incomes on average set to fall across the rest of the decade. Rising housing costs will continue to act as a brake on living standards, with the average mortgage holder paying around £1,400 more per year in mortgage interest by 2030, compared to 2025, and the average renter paying around £300 more across the same period. Real gross earning growth is forecast to reverse from 2025, with earnings falling £700 a year between 2025 and 2030. This is due to firms passing on most of the costs of the recent increase to employer National Insurance Contributions (NICs) through lower nominal wages, smaller staff counts and higher consumer prices. Fiscal drag also continues to squeeze post-tax income through to 2028, when income tax thresholds are currently set to rise for the first time since 2021.

Figure 2: Decomposition of the change in average annualised household disposable income (£, April 2025 prices), April 2019 to April 2030

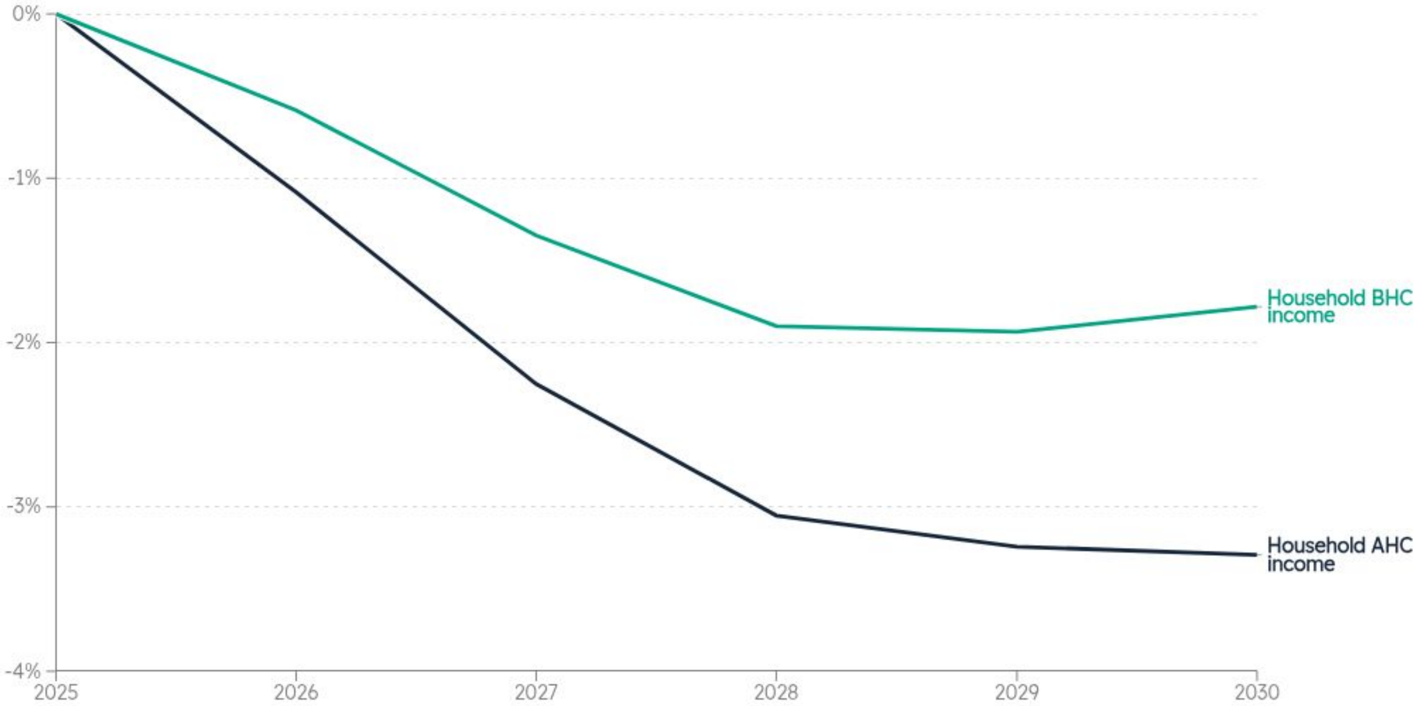


Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data from April 2025 onwards based on forecast data rather than outturns. See Appendix 1 for details.

When the Government comes to assess progress against its living standards milestone, it will likely refer first and foremost to the OBR's measure of real household disposable incomes per head, based on official national accounts data. Although this data shows a similar overall picture to that of our preferred data from another official source – the Department for Work and Pensions' Family Resources Survey – it has 2 key disadvantages. First, the OBR will not be able to report on distributional impacts. As the following section shows, this is a significant blind spot for policy-making. Second, there are a number of technical differences which we believe make the OBR measure an inferior proxy for the lived experience of family disposable incomes. These include measuring disposable incomes before (BHC) rather than after (AHC) housing costs, slight differences in the metric for inflation, and the inclusion of 'imputed rents' as a form of income, among other things. The OBR also produces 2 series for RHDI, one that includes population growth among children and one that does not. In a separate recent analysis, we find that adjusting for all the differences above brings the 2 data series into broad alignment (Matejic, 2025).

For the current forecast period, the most significant difference between the OBR's measure and our preferred measure is whether disposable incomes are considered before or after housing costs. That is because, as the analysis above shows, housing costs are expected to rise much faster than inflation in the OBR's own forecasts. Our measure of disposable incomes on a BHC basis is the best immediate (albeit incomplete) indication of what the OBR's own outlook for disposable incomes might look like, assuming their forecasts move in a similar direction to other major forecasters – see Figure 3. Making further adjustments along the lines discussed above would serve to push the OBR's measure closer towards zero. Nonetheless, our analysis suggests that there is a reasonable chance even a national accounts measure of BHC disposable income may show average disposable incomes falling between 2025 and 2030 (especially when looking at incomes per adult rather than per person).

Figure 3: Percentage change in household disposable income before and after housing costs, April 2025 to April 2030



Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data is based on forecast data rather than outturns. See Appendix 1 for details.

4. How the living standards crisis is distributed

While the outlook at the average shows a challenging picture for living standards across this parliament, our modelling shows that the distributional picture is even tougher, with inequality set to rise as real disposable incomes fall around twice as fast for lower-income households, compared with the middle and the top.

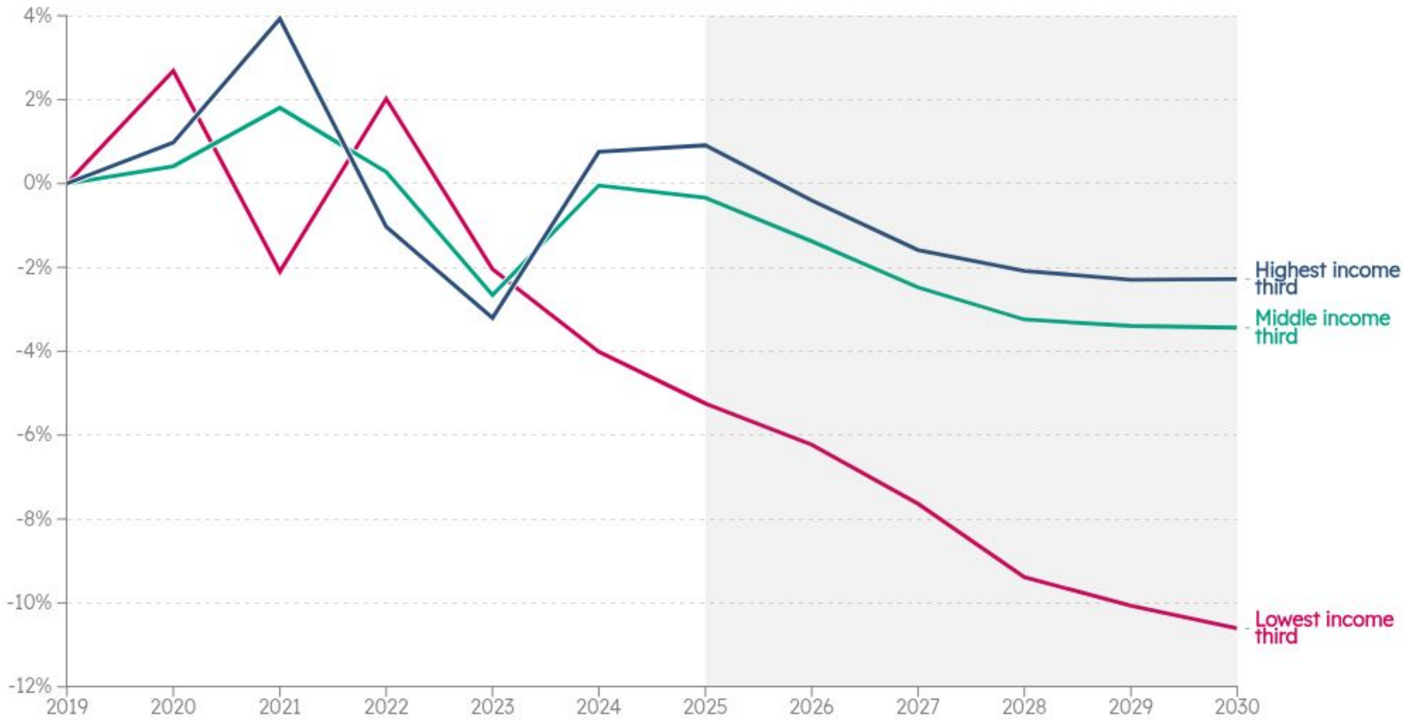
The pandemic was experienced differently across the income distribution, with households in the lowest income third of the population (these are the households containing the poorest third of people, hereafter described as 'lower-income' households) the only group to have seen a reduction in real disposable income by April 2021. The picture becomes more complex through the cost-of-living crisis. Families on the lowest incomes consistently struggled to afford the essentials, despite targeted support through the social security system, which provided a temporary income boost particularly in 2022 (Johnson-Hunter, Earwaker and Milne, 2024). By 2023, families in the middle- and higher-income thirds respectively had seen slightly larger proportionate falls in incomes. This was because they were eligible for less government support to offset the impacts of high inflation. But middle- and higher-income families were far less exposed to the significant hardship experienced by the lowest income households, even after targeted support for the latter.

By 2025, families on middle and higher incomes have benefited from rising real earnings, and had largely recovered 2020 levels of living standards. Families on the lowest incomes, however, are already feeling the effects of a weakening labour market, with disposable incomes set to be 8% lower than pre-pandemic levels in 2020.

Over the rest of this decade, our forward-looking simulation of the latest macroeconomic forecasts suggests inequalities are set to rise further, with incomes falling proportionately faster for poorer households. Middle- and higher-income households see a fall in real disposable incomes of around 3% between 2025 and 2030, with real net earnings falling at the same time as housing costs rise.

For the lowest income families, incomes are falling twice as fast as for the middle and the top, with a 6% fall in real disposable incomes between 2025 and 2030. These lowest income families will be £900 worse off by 2030, compared to today. For this group in particular, there is falling real benefit income (as policies such as the benefit cap, 2-child limit and frozen LHA continue to bite in real terms) – on top of rising housing costs and slightly higher taxes.

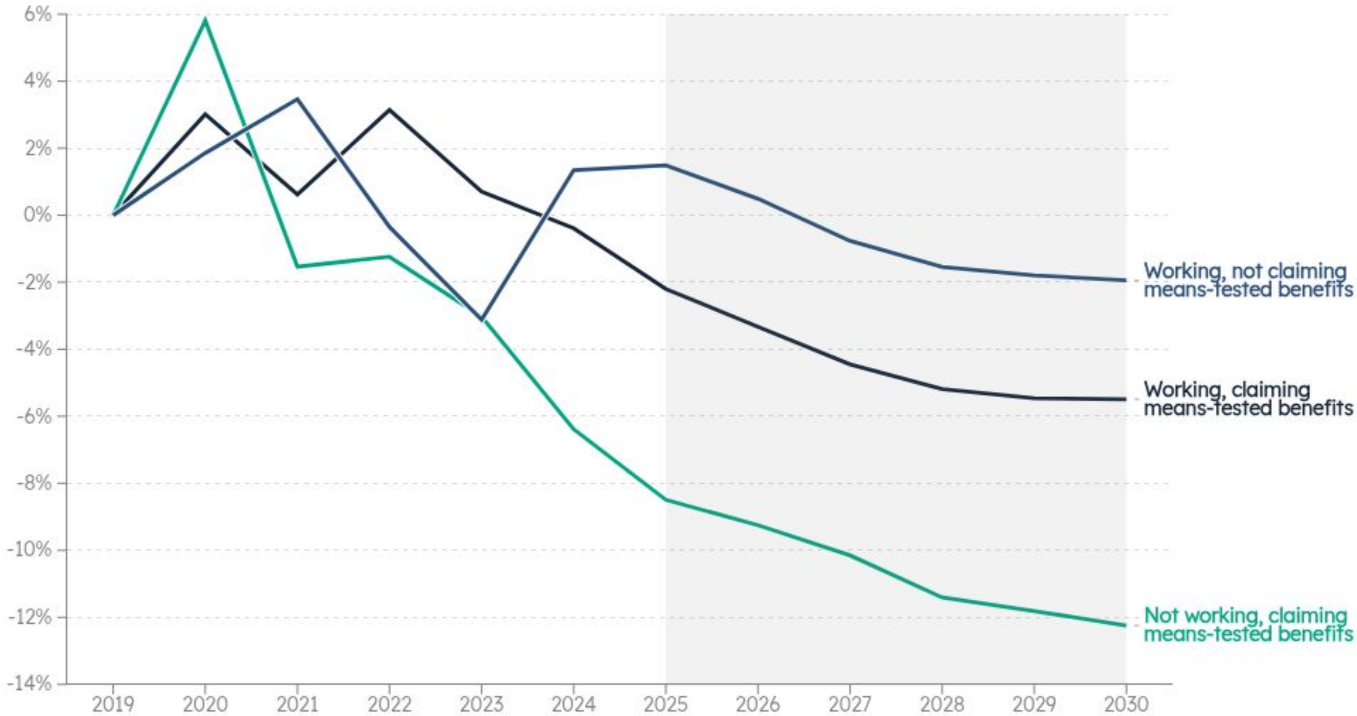
Figure 4: Real percentage change in household disposable income after housing costs by population tertiles, April 2019 to April 2030



Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data from April 2025 onwards based on forecast data rather than outturns. See Appendix 1 for details.

We also examine what the forecast means for working-age families, through work and benefits status. Families claiming benefits who are not in work have experienced falling disposable incomes since 2022, with disposable incomes around 8% lower in 2025, compared to 2019. Families who have income from work supplemented by benefits also have lower disposable incomes in 2025, but to a lesser degree due to growth in real earnings. From 2025, families receiving benefits – whether in work or not – are forecast to see their disposable incomes fall further. Families with no work are forecast to see a further reduction of 4% of their disposable incomes, while families with some work are only marginally better, seeing their disposable incomes fall by 3% between 2025 and 2030. This does not include the impact of £5 billion in cuts to disability and incapacity benefits in 2029/30, which will further erode disposable incomes (Department for Work and Pensions, 2025).

Figure 5: Real percentage change in household disposable income after housing costs for working age households, April 2019 to April 2030

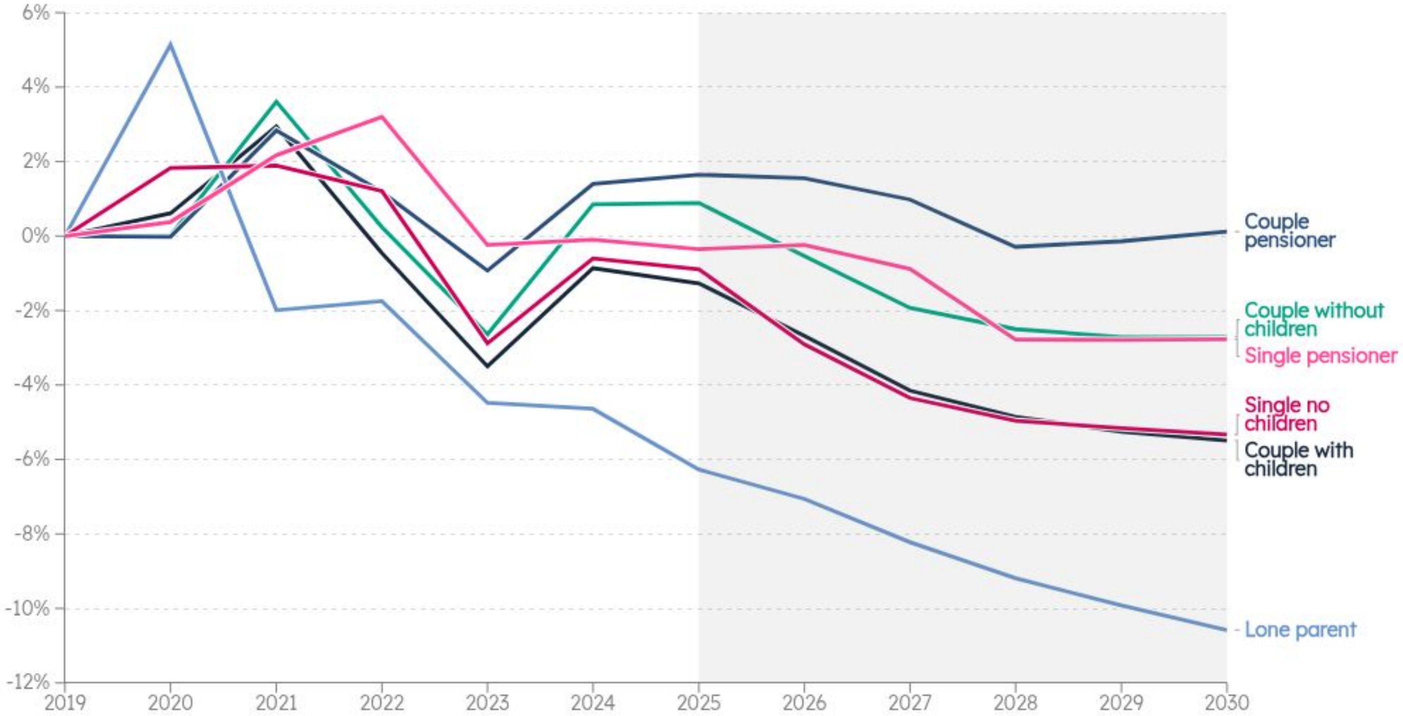


Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data from April 2025 onwards based on forecast data rather than outturns. See Appendix 1 for details.

Our modelling also shows what the latest forecasts mean for different family types. The only family types who are set to be better off this April 2025 compared with 2019 are pensioner couples and working-age couples without children. By the end of the decade, however, pensioner couples are back to where they started, with all other family types experiencing reduced living standards. Conversely, single-parent families have experienced deteriorating living standards, with disposable income 6% lower in 2025 than 2019. This is set to continue, with single parent families forecast to have £1,100 less in disposable income in 2030 compared to 2025.

These trends are likely to be due to the nature of exposure to housing costs and a deteriorating labour market. Pensioner couples are largely protected from both, due to high rates of outright ownership and low reliance on earnings from employment. While couples without children are more exposed, they are the most likely to have dual incomes, which offer greater protection. Conversely, single-parent families face greater costs with earnings from employment the most at risk from rising unemployment.

Figure 6: Real percentage change in household disposable income after housing costs by household formation, April 2019 to April 2030



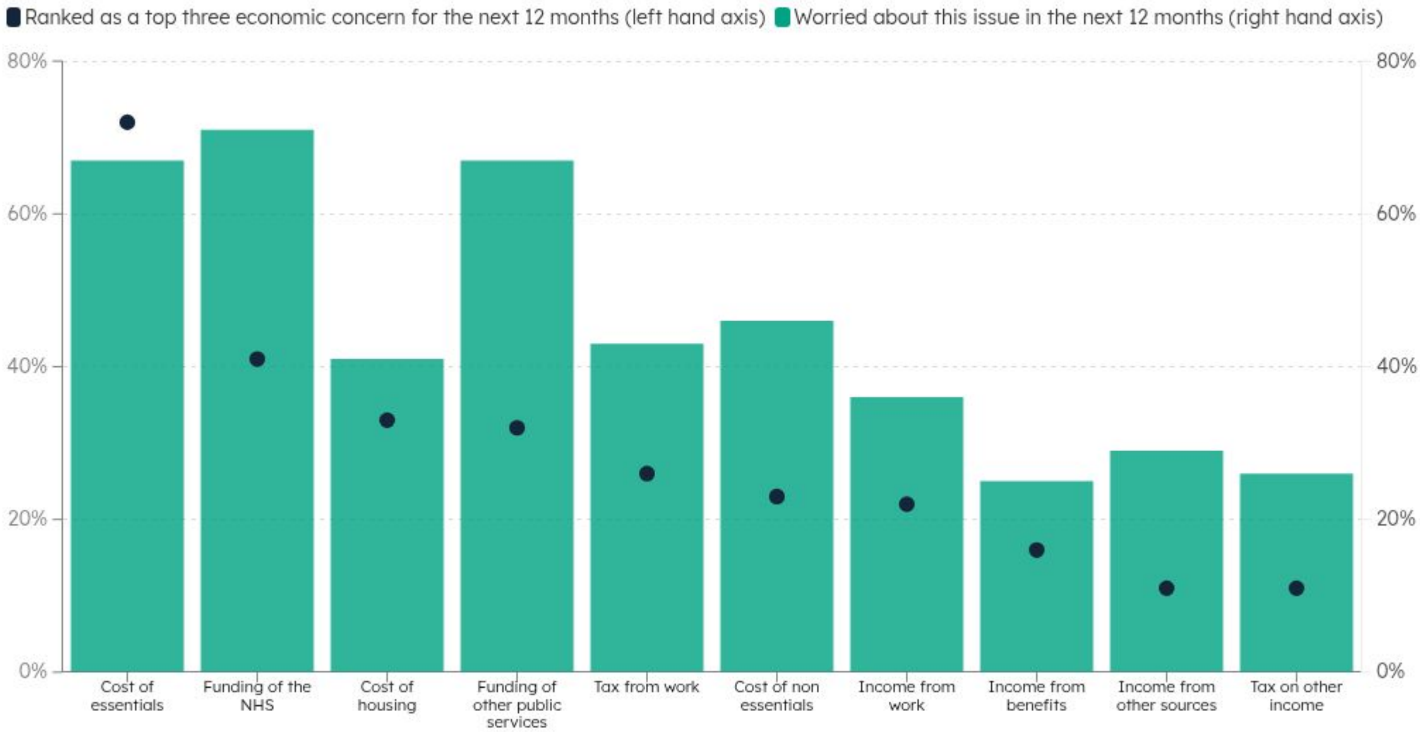
Source: JRF analysis using the IPPR tax and benefit microsimulation model. Data from April 2025 onwards based on forecast data rather than outturns. See Appendix 1 for details.

5. Political risks of not acting on living standards

While the analysis above shows the extent of the policy challenge on living standards that faces the Government, new polling suggests that economic performance on living standards could be key to the Government holding its existing electoral coalition together.

Concern amongst the public for their broader living standards – including through public services – over the next 12 months is high, with around 7 in 10 households worried about the cost of essentials (67%) and the funding of the NHS (71%) and other public services (67%), and 41% worried about the cost of housing (Figure 7). The cost of essentials was also most likely to be listed among the top 3 concerns (72%), followed by the NHS (41%) and housing (33%).

Figure 7: Ranking economic conditions as a top three concern, and worry over the next 12 months

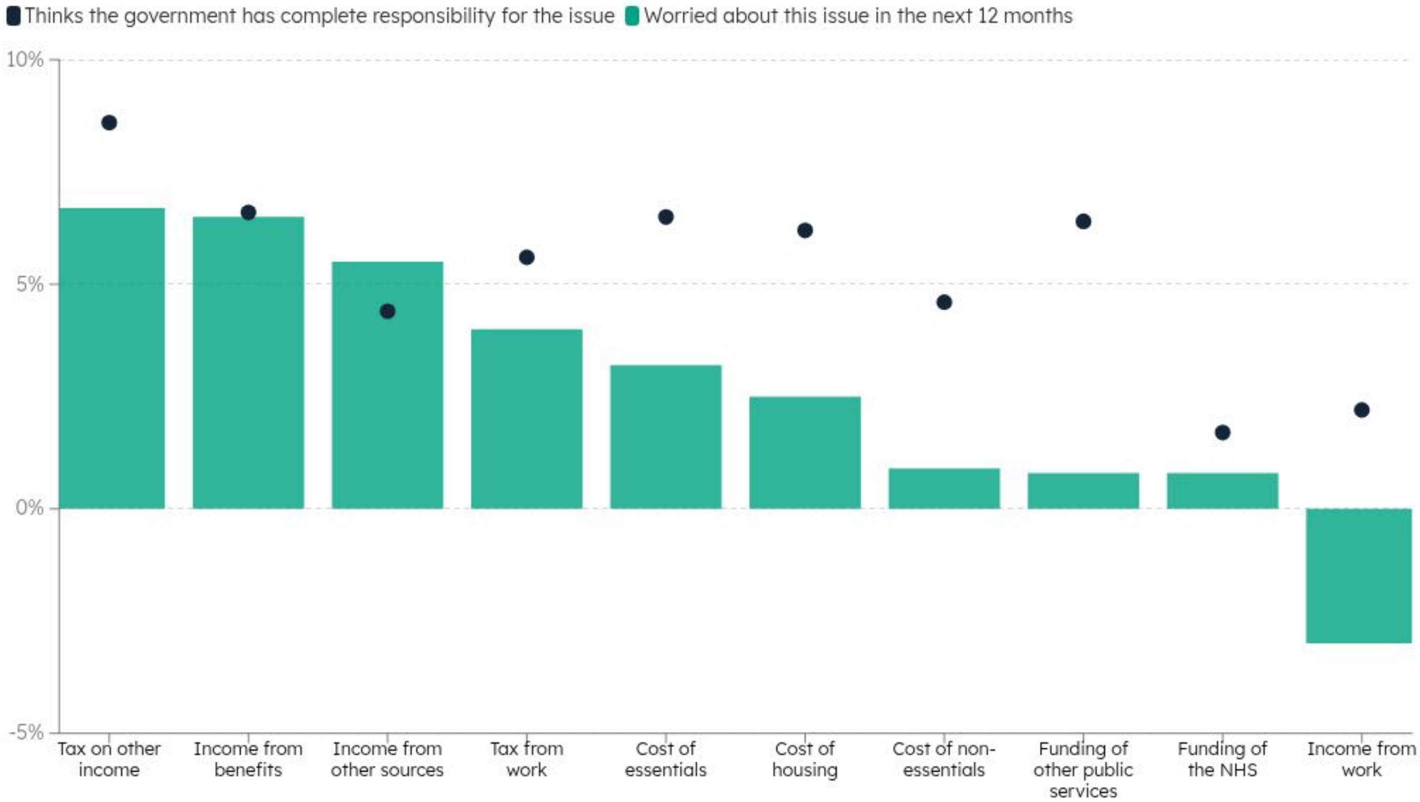


Source: JRF analysis of a YouGov poll of 5,042 adults from 17-19 February 2025. More information on the methodology can be found in Appendix 2.

Crucially, these concerns – as well as attribution of responsibility to government – appear elevated for the section of the electorate who voted for the Labour Party at the general election but have since switched their preference either to another party or are undecided or would not vote. For simplicity, we have called this group ‘potential Labour defectors’ below.

Compared to those who would still vote for Labour, potential Labour defectors were more likely to be worried across every category we asked about, except income from work. And they were more likely to hold government accountable, even in areas that are seemingly under less direct government control, such as the price of housing and other essentials. Potential Labour defectors are also more likely to be worried about income from benefits (7 percentage points higher) and think that it is the complete responsibility of government to improve it. Similarly, the recent report by the Nuffield Politics Research Centre found people who voted for Labour in the 2024 election who feel economically insecure are more likely to switch their vote away from Labour or are now undecided (Nuffield Research Centre, 2025).

Figure 8: Percentage point difference in levels of worry and thinking the government has complete responsibility for economic issues, by 2024 Labour voters who are likely to defect, and those who are loyal



Source: JRF analysis of a YouGov poll of 5,042 adults from 17-19 February 2025. More information on the methodology can be found in Appendix 2. The percentage point difference is calculated by subtracting the proportion of 2024 Labour voters who are "loyal" from those who might defect from the party if an election was called today.

6. Fiscal pressures

Political attention in the run-up to new OBR forecasts on 26 March has once again been occupied by the outlook for the public finances and the extent to which cuts to disability benefits will be used to balance the books. This is because without any adjustments in policy, it is thought the Chancellor was on course to miss her fiscal rules on 26 March by £5 billion (Smith et al, 2025). This is dwarfed, however, by the extent to which the Prime Minister may be set to miss his living standards milestone, with our modelling suggesting an aggregate decline in disposable incomes of around £40 billion a year by April 2030.

The public finances have come under increasing pressure from 2 directions since the start of 2025. Most recently this has taken the form of President Trump's reset of United States foreign policy, particularly with regards to Ukraine, and what this means for the UK Government's position on defence spending. A little earlier this year, separate pressure was coming from bond markets, as investors adjusted up their expectations for global interest rates due to uncertainty over tariffs and inflation, leading to an increase in the rate of interest charged on UK Government debt.

On the former, the Government has decided to increase defence spending by 0.2% of gross domestic product (GDP) by 2027, funded by an equivalent cut to international aid budgets.

That means there should be no overall effect on the end fiscal position before 26 March.

The effects of higher interest rates, and wider changes in the macroeconomic outlook, remain more uncertain, however. At their peak in January, it was thought that the effects of higher interest rates on government borrowing since the OBR's autumn forecast was roughly equivalent to the Government's £10 billion (nominal terms) of so-called 'headroom' against their fiscal rules (Pittaway and Smith, 2025). Since then, rates have fallen back about halfway to where they were in the autumn, reflecting some softening in the market's view of the outlook for central bank interest rates (Financial Times, 2025). It is also clear that recent movements in UK gilt markets have been driven almost entirely by broader global conditions, as opposed to specific concerns for the UK economy or its domestic policy position (Pittaway and Smith, 2025).

What is clear is that economic conditions have deteriorated since the Autumn Statement, with GDP growth being downgraded, consumer confidence falling, and sticky inflation (Smith et al, 2025). Together these changes are thought to have more than eroded the available headroom (Smith et al, 2025). But a change in forecasts of this scale is not in itself particularly significant by recent historical standards (Emmerson and Stockton, 2025). It could itself be dwarfed by other factors, particularly if the OBR makes one of its semi-regular adjustments to methodology or assumptions pertaining to GDP growth, with the watchdog's productivity assumptions coming under increasing scrutiny.

Given this, it is important that government does not overreact to small, temporary shifts in global dynamics with significant, permanent changes in domestic policy. Going into the next OBR statement, overall fiscal policy is thought to have a close to neutral effect on GDP growth across the parliament, and if anything may be acting as a small drag – in part due to £8 billion a year in cuts to 'unprotected' government budgets over the last 3 years of this parliament (Pittaway and Smith, 2025; Aref-Adib et al, 2024). Cuts to disability and incapacity benefits of £5b by 2029/30 announced ahead of the Spring Statement are likely to make this worse (Department for Work and Pensions, 2025). Given the already deteriorating picture for economic growth and disposable incomes, this further fiscal retrenchment could be extremely harmful. If anything, the economic case for further expansion in fiscal policy may be growing, even if this is made difficult by the Chancellor's fiscal rules.

The situation for the Chancellor is unenviable and, politically at least, the available options to respond are little better. They include breaking or changing her fiscal rules, cutting spending, or increasing taxes. But further cuts to public spending in particular are likely to make the outlook for families even worse, both directly and through their knock-on impacts on the wider economy. The ability to absorb and pool risk more efficiently than other actors in an economy is one of the genuine strengths of government. It would be a tragic irony if risk aversion on the public finances contributes to greater risk being borne directly by the households and voters that can least afford to bear it, including families relying on disability and incapacity benefits. In the next section, we argue that government should look to find ways to further reduce the hit to living standards overall, and for the lowest income families in particular, including careful tax reform to help manage the fiscal pressures.

7. A plan to prioritise living standards

Discussion ahead of the OBR statement has focused on whether the Chancellor will meet her fiscal rule, and how deep the cuts will be to disability and incapacity benefits to balance the books. Sitting underneath all of this is the fact that the prime minister could be on course to miss his fundamental milestone of seeing rising living standards across the parliament – a target, which, at the national level, would have previously been met by every government since comparable records began in 1955 (Corlett, Pittaway and Smith, 2024). Perhaps most concerning of all, this could happen while living standards for the poorest deteriorate around twice as fast as for everyone else. Cuts to disability and incapacity benefits are likely to make this picture even worse, with 2 in 5 working age families receiving disability benefits already unable to afford enough food, heat their home or are behind on bills.

To address these risks, JRF is calling on the Government to place a strategy for targeted improvements in household living standards at the heart of its strategy for growth. The priority step within this is an immediate plan to address hardship (Schmuecker, 2024), including: protecting people on disability and incapacity benefits but not cutting benefits, creating a new 'minimum floor' in Universal Credit so there is a line below which no one's payment can fall as a result of the benefit cap, permanently unfreezing LHA, increasing targeted support for low-income households on energy bills (beyond the current expansion in the warm homes discount), reforming no recourse to public funds and reforming the Household Support Fund to create a sustainable ecosystem of support for people when they experience financial hardship.

Beyond this, however, the Government must lay out plans to rebuild the foundations of a much stronger social settlement that can provide greater financial resilience and living standards to families both now and for the long term. This would include a commitment to an Essentials Guarantee in Universal Credit, to ensure everyone has a protected minimum amount of support to afford life's essentials. It would also mean reform to the housing and energy markets to reflect greater prioritisation of affordability where it is needed most. It would mean a redesign of employment services with an emphasis away from monitoring and compliance and towards engagement and supporting people back into the right type of work. And finally, it would mean a rethink of our care infrastructure so that parents have access to the right kind of childcare that allows them to work if they want to, as well as proper financial support for people who need to temporarily step away from work to help care for a loved one.

Targeted interventions on incomes and affordability, while addressing the Government's immediate fiscal pressures, will require a new strategy for taxation. To guide this work, we would call on the Government to build on the principles of the 2011 Mirrlees Review (Adam et al., 2011), and take steps to make the tax system as 'neutral', 'progressive' and as 'predictable' as possible. Even with the Government's political commitments not to raise the headline rates of income tax, National Insurance or VAT, the tax system can still be improved in line with these principles while raising significant additional revenue for the public realm.

The tax changes at the Autumn Budget, including increasing the rates of capital gains tax, were a step in the right direction and could be built on further to ensure that returns on wealth and investments are increasingly taxed at an equivalent rate to earnings from work. To illustrate the point, it’s possible to consider 2 options the Chancellor might consider as part of this reform agenda, each of which has broad support from a range of research and policy institutions across the political spectrum. The first would be to bring effective tax rates on capital gains more closely into line with income tax, including an increase to headline rates, re-introducing an investment allowance, removing the death uplift, and implementing an exit tax so that those emigrating from the UK do not avoid paying tax on their capital gains. Together these measures could raise more than £13 billion per year by 2029/30. The second option would be to apply National Insurance Contributions to investment income (for example dividends, rents and savings), which would likely raise in excess of £10 billion a year by 2029/30 (see Appendix 3 for further details).

One of the greatest risks facing the UK economy now is complacency and inaction on living standards. If the Government is lucky, its official target for RHDI may remain slightly positive, though this would likely be due to a failure to fully account for rising housing costs, among other things. Worse still, the continued preoccupation with the public finances, over the finances of ordinary families, may see the deteriorating picture on the latter go under the radar. Either way, the current Labour Government risks presiding over the first parliament on modern record to see a fall in living standards from start to finish, with the poorest households suffering worst of all. Should that come to pass, it would prove a difficult record to stand upon at the next election.

Modelling methodology

The modelling analysis in this report uses the Family Resources Survey (2022/23) and the IPPR Tax-Benefit Model (version v02_78) to project household income, housing, and income tax expenditure for April of each forecast year. The model takes the base survey data to a given month (April in this instance) and then applies inflation and the known or anticipated tax and benefit policy regimes to project household incomes and tax liabilities in future years. All projected household income and expenditure is converted into 2025 Q2 prices.

Income and tax categories

Income from work is any income earned through employment including self-employment (and via the furlough scheme during the period between March 2020 and September 2021).

‘Other’ income is predominantly made up of income from private pensions, returns on investments and savings interest, but also includes income from a range of other sources including (but not limited to) royalties, child maintenance, grants, private insurance payments and statutory pay. A full list is available on request.

Income tax is calculated for each household and then separated into ‘earnings tax’ and ‘other tax’. Where households may have taken advantage of tax optimisation opportunities, this reduction would show up in the ‘other tax’ category.

Income from benefits includes all cash payments received directly to households from local or national government. This includes means-tested benefits (such as Universal Credit), non-means tested benefits (such as Personal Independence Allowance and Child Benefit), the state pension and additional ‘one-off’ payments (like the cost of living and energy payments).

Housing costs include rent, mortgage interest payments, council tax, water payments, ground rents and service charges.

Uprating indices

The IPPR Tax-Benefit Model uses the latest outturn data and published forecast data for Consumer Price Index (CPI), average weekly earnings (AWE), Housing Costs growth and the employment rate to uprate 2022/23 survey data to future years. At the time of writing, the latest OBR estimates of these were published in October 2024. We have used more recent data from the Bank of England and HM Treasury’s summary of independent forecasts, to update the OBR forecasts, as described in the table below.

Data set	OBR forecast

CPI inflation	Outturn to December 2024, then alters the OBR forecast from October by the percentage point change in the Bank of England inflation forecast between their November 2024 and February 2025 Monetary Policy Reports.
AWE growth	Outturn to December 2024, then alters the OBR forecast from October by the percentage point change in average earnings of independent forecasts published between their November 2024 and February 2025 Reports. These are only available for annual increases that have been interpolated to generate revised quarterly projections.
Mortgage interest rates	Outturn to December 2024, then alters the OBR forecast from October by the percentage point change in the market profiles forecasts of the bank rate between November 2024 and February 2025 in the Bank of England's Monetary Policy Reports.
Private and social rents growth	Outturn to December 2024, then alters the OBR forecast from October by the percentage point change in the Bank of England inflation forecast between their November 2024 and February 2025 Monetary Policy Reports.
Employment rate	Outturn to 2024 Q2, then alters the OBR forecast from October by the percentage point change in the Bank of England unemployment forecast between their November 2024 and February 2025 Monetary Policy Reports, assuming the inactivity rate published by OBR in October stays the same.

Further notes

We base our tertiles on equivalised household income after housing costs. Tertiles are set at person level, meaning a third of people are in each tertile; this means that around 45% of households fall into Tertile 1. Average income is calculated at household level.

After earnings uprating has been applied for each year, an additional step involves ensuring no adult earns less than the National Living Wage (NLW). Due to limitations of the survey data, the Family Resources Survey over-estimates the number of workers currently working for the NLW, so the impact of NLW increases will be over-estimated slightly in our analysis.

The components of income in our analysis do not exactly sum to the average Annual Housing Costs for each period. This difference is due to pension contributions made by employers, which are excluded from total household income but remain included in earnings.

Polling methodology

We commissioned public attitudes polling from YouGov. All public attitudes figures, unless otherwise stated, are from YouGov Plc. The total sample size was 5,042 UK adults. Fieldwork was undertaken between 17 and 19 February 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). The analysis of these figures is JRF's own and is of those who responded to each question. It uses unrounded percentages where responses are added before rounding the final result, so will therefore differ from YouGov published tables.

The questions asked were:

1. Thinking about your personal circumstances over the next 12 months, how worried are you, if at all, about each of the following:

- the cost of your housing – rent or mortgage
- the price of essentials other than housing – food, home heating, basic household goods, utility bills
- the price of non-essentials – meals out, holidays, activities
- your income from work before tax – your annual salary or your hourly pay
- how much tax you pay on earnings from work – income tax, National Insurance

- your income from benefits – Universal Credit, state pensions
- your income before tax from other sources – private pensions, rental income, capital gains
- how much tax you pay on your investments and profits – capital gains tax, corporation tax and inheritance tax
- the amount of funding for the NHS
- the amount of funding for other public services – police, education, adult social care, refuse collection.

Response options:

- very worried
- fairly worried
- not very worried
- not at all worried
- not applicable
- don't know.

2. Thinking again about your personal circumstances, which of the following are you most concerned about in the next 12 months? Select up to 3:

- the cost of your housing – rent or mortgage

- the price of essentials other than housing – food, home heating, basic household goods, utility bills
- the price of non-essentials – meals out, holidays, activities
- your income from work before tax – your annual salary or your hourly pay
- how much tax you pay on earnings from work – income tax, National Insurance
- your income from benefits – Universal Credit, state pensions
- your income before tax from other sources – private pensions, rental income, capital gains
- how much tax you pay on your investments and profits – capital gains tax, corporation tax and inheritance tax
- the amount of funding for the NHS
- the amount of funding for other public services – police, education, adult social care, refuse collection.

3. How much responsibility, if any, do you think the UK Government has for making changes in each of the following areas:

- the cost of your housing – rent or mortgage
- the price of essentials other than housing – food, home heating, basic household goods, utility bills
- the price of non-essentials – meals out, holidays, activities

- your income from work before tax – your annual salary or your hourly pay
- how much tax you pay on earnings from work – income tax, National Insurance
- your income from benefits – Universal Credit, state pensions
- your income before tax from other sources – private pensions, rental income, capital gains
- how much tax you pay on your investments and profits – capital gains tax, corporation tax and inheritance tax
- the amount of funding for the NHS
- the amount of funding for other public services – police, education, adult social care, refuse collection.

Response options:

- complete responsibility
- most of the responsibility
- some of the responsibility
- no responsibility at all
- don’t know.

Tax costing methodology

Option 1: Capital Gains Tax reform

We have costed the Capital Gains Tax package based on CenTax's modelling (Advani et al, 2024) of a package including the following items: an increase in headline rates to match income tax levels, an investment allowance based on the rate of return approach, the removal of the death uplift and the introduction of an exit tax for capital gains purposes (also known as rebasing on arrival and deemed disposal on departure (ROA-DDD).

CenTax estimate that in 2025/26 this full package would generate £14.3 billion of additional revenue. We have subtracted £2.5 billion from this due to the changes made to capital gains tax at the Autumn Budget 2024, leaving us with £11.8 billion of additional revenue to be generated in 2025/26. Uprating this by OBR's equity price index and forecasts to 2029/30, this brings the potential revenue generated from this package to £13.6 billion per annum.

Option 2: remove the exemption for National Insurance Contributions (NICs) from investment income

We have costed this using the latest figure for this policy change, which estimates additional revenue of £8.6 billion in 2016/17 (Advani et al, 2021). This includes extending NICs to dividends from shares, rent from property and interest from savings. It does not include removing the exemption for people of pension age. We have then uprated this by OBR's equity price index and forecasts to 2029/30, bringing the potential revenue generated from this policy change to £12.7 billion. This figure should be treated with slight caution as it does not account for changes to NICs and corporation taxes since 2016/17, and is a fairly crude uprating.

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