Who Wins Under Labour?

By Daniel Herring

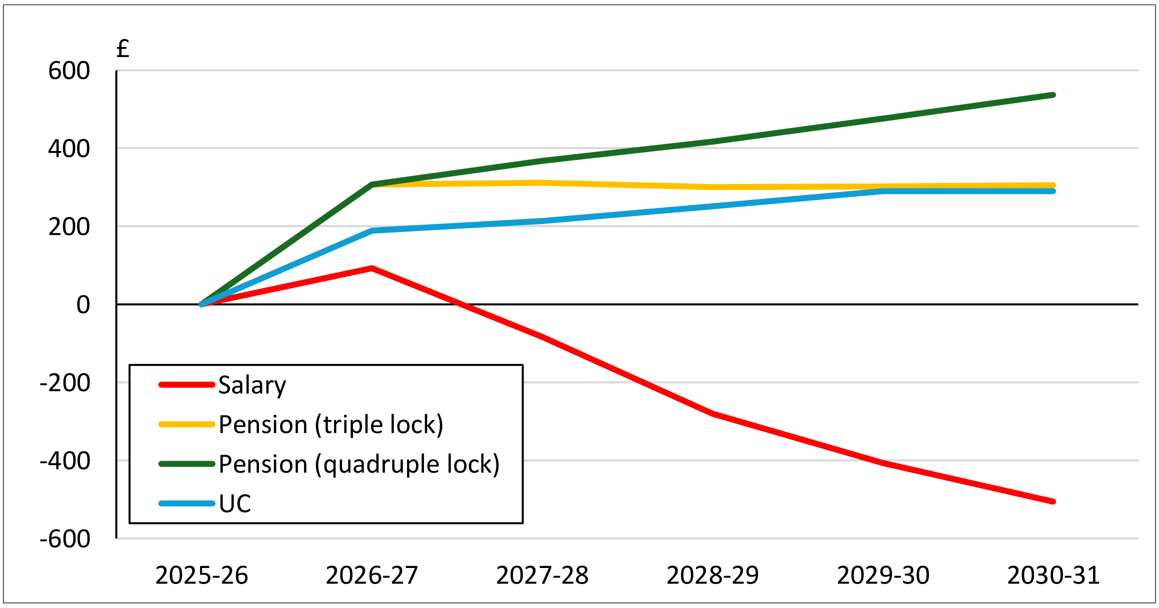
Labour's November Budget has been characterised as one that takes from workers and gives to those on welfare. But the real consequences of this will be over the longer term. The Chancellor has frozen income tax and National Insurance thresholds for an additional three years, extending a Conservative policy that was introduced in 2022. At the same time, wages are forecast to rise only slightly above the rate of inflation, so hardly increasing in real terms.

Based on wage growth and inflation forecasts from the OBR, this combination of poor wage growth and frozen income tax thresholds means that many workers will be worse off by 2030 than they are today, in contrast to those who receive their income from the state, whether via a pension or benefits.

Those workers paying only the basic rate of tax will still see their income rise, despite the value of their tax-free personal allowance being eroded. But the real pain will come for those who find themselves being dragged into higher tax bands. Some of the worst-hit workers will be those earning around £50,000. That's because, once they cross over the higher rate threshold of £50,270, they will pay a 42% combined tax rate (income tax at 40% and National Insurance at 2%) on every additional pound earned, compared to 28% combined rate (income tax at 20% and NI at 8%) below the higher rate threshold.

In nominal terms, a worker on £50,000 in 2025-26 who sees their pay rise in line with average wage growth – assuming the OBR's predictions are correct – would see their salary reach £56,269 in 2030-31. After tax, they would have £43,193 in take-home pay, up from £39,520. However, once you feed in the OBR's forecasts for inflation, they would actually be £505 worse off in real terms compared to this year.

Real-terms change in income from salary (£50k), pension and UC, 2025-26 to 2030-31



Source: OBR, CPS calculations

For pensioners and those on the standard allowance for Universal Credit, the picture is rather sunnier. Thanks to the triple lock, a pensioner could expect under the OBR's forecasts to be at least £306 better off in 2030-31 than they are this year (in real terms). But if, as has been mooted, pensioners are exempted from paying income tax on earnings above the frozen Personal Allowance – the so called 'quadruple lock' – a pensioner today could expect to be £537 better off. (This would also apply if the Government takes the more limited approach of exempting those pensioners who have no earnings outside the state pension from income tax, as Rachel Reeves has promised: those pensioners would gain £537, while others would be £306 ahead on the state-derived portion of their income, if taxed at the basic rate.)

Meanwhile, thanks to Labour's big increases in the standard rate of Universal Credit, someone on out-of-work benefits will receive an extra £290. And of course that number would be higher for those claiming other benefits, assuming they rise as predicted.

Methodology

Data for wage growth and CPI inflation are taken from the OBR Excel file 'November 2025 Economic and fiscal outlook – detailed forecast tables: economy'), published as part of the November 2025 'Economic and Fiscal Outlook'. Wages are assumed to grow in line with OBR's estimates for 'Average weekly earnings growth' in Table 1.6 and CPI is taken from Table 1.7.

Values for the New State Pension are taken from a House of Commons Library Briefing, 'Benefits Uprating 2026/27'. Pensions are estimated to grow by 2.5% each year from 2027-28 (the most conservative assumption). We have assumed that pensioners pay 20% income tax on the pension over £12,570 under the triple lock, but no income tax under the 'quadruple lock'. The increase in UC refers only to the increase in the standard allowance. Past values for the UC standard allowance are also taken from House of Commons briefing above, and future values are taken from another House of Commons Library Briefing, 'Changes to Universal Credit rates from April 2026'. Values for 2030-31 were updated in line with the CPI forecast from the OBR.

Calculations: worker on £50,000 in 2025-26

	CPI (%)	Wage growth (%)	Salary (£/year)	Total tax (£/year)	Post-tax wage, nominal	Post-tax wage, 2025-26 prices
2025-26	3.5	4.4	50,000	10,480	39,520	39,520
2026-27	2.2	3.2	51,585	11,108	40,477	39,612
2027-28	2.0	2.1	52,661	11,560	41,101	39,437
2028-29	2.1	2.1	53,785	12,032	41,753	39,240
2029-30	2.0	2.2	54,994	12,540	42,454	39,113
2030-31	2.0	2.3	56,269	13,076	43,193	39,014

State pension and Universal Credit

	Pensioner – triple lock		Pensioner – quadruple lock		UC standard allowance	
	New State Pension, nominal £	New State Pension, 2025-26 £	New State Pension nominal £	New State Pension, 2025-26 £	UC standard allowance (over 25), nominal £	UC standard allowance (over 25), 2025-26 £
2025-26	11,973	11,973	11,973	11,973	4,802	4,802
2026-27	12,548	12,280	12,548	12,280	5,099	4,990
2027-28	12,803	12,285	12,861	12,341	5,226	5,015
2028-29	13,060	12,274	13,183	12,389	5,377	5,054
2029-30	13,324	12,275	13,512	12,449	5,527	5,092
2030-31	13,594	12,279	13,850	12,510	5,637	5,092

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