

**DID THE POLITICS OF AUSTERITY IMPLEMENT FROM MAY 2010**  
**RESULT IN A 'LOST DECADE' FOR THE UNITED KINGDOM'S**  
**ECONOMIC POLICY AND PERFORMANCE?**

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## ***1 Introduction***

It is imperative that the time up to May 2010 was dominated by the global economic crisis of 2008 which led to a considerable recession in many of the developed countries including the United Kingdom. It has been highlighted in the research of Kober-Smith (2022) that the upshot of the crisis was a considerable reduction in the British economy, an increase in the level of unemployment, a decrease in the GDP, and an increase in the public deficit. To these challenges, the coalition government led by David Cameron and his Conservative Party and Nick Clegg and his Liberal Democrats enacted several measures which sought to address the problems and bring back stability to the country's economy through the reduction of the budget deficit (Benczes, 2022).

Moreover, austerity meant deep reductions in public expenditures, especially in welfare, health, and education, as well as taxes (Bortun, 2023). The reasons for these policies were to regain fiscal balance, bring down public debt, and regain market credibility. This report aims to critically analyse to what extent the austerity policies that began in May 2010 led to a lost decade for the UK's economic policy and performance. A study of the austerity dimension of the United Kingdom's economic policy and performance is significant for the analysis of the fiscal consolidation strategies. The findings of this study are important for future economic policy decisions and especially for future discussions about further fiscal consolidation and social justice policy in the country.

## ***2 The Politics of Austerity***

### ***2.1 Introduction to Austerity Policies***

As practised by the UK government after 2010 austerity is the strategy of fiscal consolidation that includes spending cuts, increases in taxes and decreases in public expenditure.

The coalition government, which was made of the Conservative Party under David Cameron and the Liberal Democrats under Nick Clegg embraced these measures following the harsh fiscal shocks that resulted from the global financial crisis of 2008/2009 (Bremer, 2023). The main aim of austerity was to rein in the fiscal deficits since the national deficit had risen to as high as 10% of the GDP by 2010, among the highest in the developed world. It has been evaluated by Kokores (2023) that these policies were based on the understanding that public sector borrowing was the cause of the instability of the economy and that to regain market confidence and ensure sound economic growth it has to be reduced.

Studies, such as by Lee (2023) show that one of the major strategies of the UK's policy of austerity was a cut in the spending on the welfare, education and health sectors. For example, the Welfare Reform Act of 2012 put into place many changes and a benefits cap including the 'bedroom tax' which cut housing benefits for those with extra bedrooms. There was also another significant component; a two-year wage freeze for all public sector workers earning more than £21,000, and a subsequent annual pay increase limit of 1% until 2020 (Brid et al., 2022). Also, the government acted in a more active way to raise taxes; for example, there was a change in the VAT rate from 17.5% to 20% in 2011, aimed at raising the government's revenue by about £13 billion per year.

## 2.2 *Political Justification and Ideological Underpinnings*

The political rationale for austerity was grounded in the neoliberal mode of thinking that opposes state interference with the economy and presupposes that free markets are the most effective (Burton and Burton, 2022). The discourse of the Lib-Con coalition for the most part was to 'cut the deficit' – painting it as a sobering reality that needed to be addressed because of the reckless spending by the Labour Party. In addition to this, Masini (2022) has emphasised in

his study that UK's Chancellor George Osborne was especially concerned about high public debt claiming that it would cost the UK investor confidence, higher interest rates and an economic repeat of Greece during the same period.

Again, neoliberalism was the driving force of austerity since it called for a smaller state and growth led by the private sector. Moreover, it has been discussed in the research of Matthijs (2022) that the government's attitude was informed by a strong ethos of fiscal discipline whereby the minimisation of public debt was considered a sign of righteousness. This view was formalised in the Charter for Budget Responsibility enacted in 2011 which set the goal of eradicating the structural deficit by the year 2015 (Charles, 2022). The ideological aim of retrenchment was also reflected in the Public Bodies Act 2011, which enabled the removal or rationalisation of public bodies – thus reducing the state's presence in society even further.

David Cameron and George Osborne are said to have led the austerity process, as they invested their political capital in a highly unpopular program (Chen, 2023). They set the terms of the debate on austerity by suggesting that the only two options open to Britain were austerity and financial disaster. This narrative was supported by international organisations including the IMF and the OECD, which at the time promoted fiscal tightening as the way forward for growth and development. However, Moschella (2024) has asserted in this research that this approach was not without its critics, with many economists voicing their protests to the effect that austerity would prolong the duration of the recession by reducing aggregate demand and, therefore, slowing down economic growth.

### 2.3 *Implementation and Key Policies*

The post-crisis austerity measures were immediate and across the board, hitting many of the UK's industries. As posted by Muchhala and Guillem (2022) the welfare measures of the

Welfare Reform Act 2012 were fairly controversial during austerity. Universal credit which amalgamated several benefits into one payment and the benefit cap limiting the amount a household could receive in benefits were included in this legislation to reduce spending on social security by £18 billion in the financial year 2015 (Ededjo, 2023). These reforms were designed for employment and less state aid but impacted negatively on many low-income families.

Moreover, it has been suggested in the study of Myrodias (2024) that economic restraint reduced the funding of public services, especially in local government where it had its funding reduced by 37% in real terms in the period between 2010 and 2015. Libraries, youth centres and facilities for the elderly along with many other social services were shut down. The NHS was also under pressure, with real growth of 0.9% a year, far below the 4% that had been the norm. This led to long hours of waiting, a shortage of personnel and poor handling of patients (Elhefnawy, 2022). The government has only safeguarded foreign assistance and pensions; thus, passing austerity on other public services and exacerbating its impacts.

Tory's austerity reduced per-pupil funding by 8% between 2010 and 2019 (Frei-Herrmann, 2022). This was primarily because of the school expenditure freeze, and the increasing pension, national insurance, and National Living Wage costs. In addition to this, Nasir (2022) has emphasised in his study that these reductions led to increased class sizes, limited course choices, and the necessity of parents to fund even the fundamental costs.

It has been found out by Ó Gráda and O'Rourke (2022) that structural investment in the UK was also impaired by austerity. Net Investment in the public sector declined from 3.3% of the GDP 2009-10 to 1.5% of the GDP 2013-14 due to government policies of cutbacks. In the transport sector, for instance, spending was reduced on crucial projects such as the railways and road repairs. To compensate for these cuts, the government came up with the National

Infrastructure Plan to seek private funding for infrastructural development (Girón and Solorza, 2024). Critics opined that it was low on finance and was silent on the strategic plan to develop the UK's infrastructure in the coming decades.

#### 2.4 *Comparison with Other Countries*

Although the UK's response to austerity was not peculiar, different European countries adopted similar measures and reforms following the global financial crisis (Goodair, 2024). For example, Greece, Spain and Ireland had also embarked on austerity measures, sometimes as a condition for receiving a bailout from the IMF and the EU. However, Pearson and Watson (2023) have identified in their research that the difference between the two regions could be observed in the size and extent of these measures. But in Greece, austerity was far deeper with government expenditure slashed by 31% between 2009 and 2014, resulting in shrinkage of the economy and social unrest.

However, Poulson and Merrifield (2022) have discussed in their study that similar to the UK but unlike the severe austerity measures adopted in Greece Germany has embarked on fiscal consolidation while at the same time making prudent spending cuts alongside very strategic and selective investments in areas such as education, research and infrastructure which have been very crucial in boosting the growth of the economy.

In comparison with these countries, the UK's austerity was less severe, but it had certain social and economic effects. According to Rey-Araújo and Buendia (2022), the reduction of the deficit in the UK was mainly done through spending reductions and not through tax increases which were blamed for targeting the worst affected groups in society. However, due to more expansionary fiscal policy measures adopted by countries like the United States and Japan during this period, the focus was on stimulus measures to support the economic recovery, while the

UK's austerity policy was seen by some as a factor that slowed down its recovery from the recession, slower economic growth rate and higher unemployment rates (Guerra et al., 2022).

### **3 Economic Policy and Performance: 2010-2020**

#### *3.1 Overview of Economic Indicators Pre- and Post-Austerity*

This paper looks at the state of the economy of the United Kingdom before and after the austerity measures that were adopted in 2010 in an attempt to establish the relationship between fiscal consolidation and economic performance. Before 2010 the UK was in a post-crisis state following the global financial crisis of 2008 that caused a severe economic shrinkage (Huang, 2023). The UK's GDP reduced in 2009 by 4.2% which was one of the biggest declines among developed countries. Another researcher Saraceno (2022) has examined in his research that unemployment thereby increased to 8% in 2010, while the public debt had also gone up to over 60% of GDP. Inflation, mainly caused by the decline in the value of the pound and increased costs of commodities, ranged between 3.3%; the fiscal deficit increased to about 10% of the GDP.

Examining the performance of the various economic indicators of the UK in the post-austerity period, one can see a mixed picture. Thus, it has been anticipated in the study of Sowell (2023) that by 2015 it was 2.3% and it can be said that the rate of GDP growth has recovered from decline. However, this was an unbalanced growth led by consumption expenditure especially in the services sector while manufacturing and investment were relatively slow. Unemployment decreased over the years and finally reached 4.8% in 2016, however, the type of employment contracts also changed over the years with more part-time, temporary and zero-hours contracts raising worries about the quality of employment (Hjertaker and Tranøy, 2022).



However, public debt, with the measures adopted in the frame of austerity, increased further and reached 86.4% of the GDP in 2017. This can be explained by the slow expansion of tax revenues and the reduced pace of deficit decline, which reached 2.9% of the GDP in 2016, far below the government's initial plan (Ishker and Youssef, 2022). The inflation did not fluctuate a lot and the average inflation rate during this period was around 2% though it was higher sometimes, particularly after Brexit when the pound fell and import prices increased. It has been determined in the research of Sykes and Nurse (2022) that the structural adjustment measures that were meant to address fiscal unsustainability and rein in public debt did little, it is now clear, to support a recovery of the economy while entailing high social and political costs in the form of reduced investments in public services.

### *3.2 Impact on Public Services and Welfare*

Austerity's effects in the area of public services and welfare were severe with drastic reductions in spending which resulted in a noticeable decline in the standard and availability of such services. It has been found by Tan and Conran (2022) that the National Health Service (NHS), the UK's backbone of the welfare state, was under more pressure than ever before. Between 2010 and 2020, spending on the NHS rose, on average, by only 1.4% a year in real terms against a historical average of 4%. The available funding was limited and with growing demand, the waiting time to receive treatment also increased, the pressure on the hospital staff also grew, and the satisfaction rates of patients decreased (Ishker and Youssef, 2022). The Health and Social Care Act 2012, which was meant to decentralise the NHS and bring in more competition, only made the situation worse, causing fragmentation of services and increased costs.

Furthermore, this statement has been supported by Taskinsoy (2022) that education was not exempted either; cuts made to the education budget resulted in a decline in per-pupil spending by a nominal value of 8% from 2010 to 2020. A similar funding crunch meant that schools were forced to purchase fewer resources, more students per class, and fewer extracurricular activities that also impacted future educational attainments. The scrapping of the maintenance grants which was followed by the introduction of the tuition fees for higher education, which was increased to £9,000 per year in 2012, also widened the inequalities with students from poorer backgrounds most affected (Katz, 2022).

Welfare services were also most affected by austerity measures that characterised most countries in the period under review. Changes commenced by the Welfare Reform Act 2012 are extensive; some of them are Universal Credit, which amalgamated six means-tested benefits (Kentikelenis and Stubbs, 2023). However, it has been argued by Tzannatos (2022) that what the government claimed would be the case about UC being that it would streamline the welfare system and encourage people to work, was far from the truth since the system resulted in delayed payments, increased use of food banks, and high levels of financial vulnerability among the intended beneficiaries.

### *3.3 Social and Economic Inequality*

Based on the austerity policies, social and economic inequalities in the UK increased significantly, and the worst affected were the communities in the lower scale of society. It has been highlighted in the research of Vizard et al. (2023) that inequality in income distribution was relatively high and remained approximately the same as at the beginning of the year with the Gini coefficient at the level of 34%. According to the IFS, the pre-tax income of the richest 10%

of households increased by 11% between 2010 and 2020, while that of the poorest 10% regressed mainly because of reduced welfare benefits and a decline in wages (Benczes, 2022).

Austerity also intensified spatial inequalities, especially between prosperous South East England and the struggling North. Studies, such as by Wojczewski (2023) show that the reduction in local authority budgets was substantial, averaging 27% in real terms over the period 2010 to 2015, and was particularly felt in the North where the regions relied more on public sector employment and spending. The concomitant decrease in public services and manufacturing jobs translated to higher levels of unemployment and less growth in the economy; they felt excluded from the economy (Bortun, 2023).

The effects of austerity are deemed to be worse in the case of selected communities as the case studies show (Bremer, 2023). For example, in Blackpool, one of the most deprived areas in England, the erosion of the welfare state, cutbacks on public services, and unemployment in the area made the population suffer from health deterioration, poor mental health, drug dependency, and short life spans. However, Kober-Smith (2022) has asserted in this research that in the regions such as London and South East with more developed private sector and higher ability to resist the cutting of public sector the impact of austerity was less severe.

### *3.4 Long-Term Economic Growth and Productivity*

The effect of austerity on the UK's GDP and productivity, in the long run, has been widely discussed. As posted by Kokores (2023) that opponents believe that austerity hurt the pace of the UK's recovery from the financial crisis by lowering government spending and eroding confidence. UK productivity growth over the decade 2010-2020 was the lowest in the G7, at an average of 0.3% per year against the pre-crisis trend of 2% (Brid et al., 2022). This was

christened the ‘productivity puzzle’ and it was accused of emanating from under-investment in infrastructure, innovation and skills, all of which fell victim to austerity measures.

Moreover, it has been discussed in the research of Lee (2023) that the reduction of public sector investment especially in areas of infrastructure had adverse effects on how dynamic the economy would be. For instance, the deferring of several large-scale infrastructural projects including the electrification of principal railway lines was condemned as a barrier to integration and development. Lack of funding for education and skills development also exacerbated skills deficiency that restrained chances of productivity enhancement and innovation in well-established economic segments (Burton and Burton, 2022).

In addition, austerity tightened the fiscal deficit at the expense of growth and thus a slow and comparatively poor economic recovery relative to other developed countries. Thus, it has been found out by Masini (2022) that while countries such as the United States and Germany were following a more expansionary fiscal strategy, and had a better post-crisis growth performance, the UK’s commitment to austerity meant a longer time for the economy to return to pre-crisis output and employment levels. The OECD observed in the 2017 UK Economic Survey that the country’s growth advantage had been forever cut by austerity, implying that the living standards and economic stability of the country were set to deteriorate for the worse (Charles, 2022).

#### **4 *The Concept of a ‘Lost Decade’***

##### **4.1 *Definition and Historical Context***

The ‘lost decade’ in economic terms means a long phase of economic downturn or even decline in which a country does not come out of a financial crisis or a recession and the effects are deeply felt in the economy and the society. It has been determined in the research of Matthijs

(2022) that a lost decade means a situation when there is no improvement in the Gross Domestic Product, high rates of unemployment, high inflation rates, and deteriorating standards of living. The most widely known example of a lost decade is Japan's experience in the 1990s after its bubble burst in 1991. Japan's economy remained slow for over a decade with an average annual growth rate of Gross Domestic Product at 1.14% in the period 1991 to 2000 (Chen, 2023). As for the outcomes, these were deflation, the crash of assets' prices, and the growth of public debt, which has remained a problem to this day.

Another example is the Latin American debt crisis in the 1980s in which countries such as Mexico, Brazil and Argentina were hit with severe economic problems after the debt-led growth of the 1970s (Ededjo, 2023). The measures of adjustment, structural adjustment and debt repayment measures that followed resulted in a decade of stagnation, social unrest and poverty. In addition to this, it has also been claimed by Moschella (2024) that these are the same cases where the term 'lost decade' encompasses not only the economic crisis but the socio-economic consequences as well such as socio-economic disparity and the deteriorating social contract between citizens and governments and between citizens and financial institutions.

#### *4.2 Evaluating the UK's Economic Performance*

Thus, to assess whether the economic performance of the UK during the decade 2010-2020 was a 'lost decade,' the appropriate economic indicators and their trends have to be considered. It has been found by Muchhala and Guillem (2022) that the decade was started by the Global Financial Crisis of 2008 which left the UK in a severe recession. In 2010, the coalition administration adopted measures to reduce the budget deficit to stabilise the economy. However, the long-term effects of these strategies are not clearly defined.

UK GDP growth was 2.5% on average from 1997 to 2007, but after the 2010 recession up to 2020, it was 1.7% (Elhefnawy, 2022). After the recession, the economic growth was sluggish and the growth rate varied significantly across regions. For instance, London and the South East expanded their economy at a faster rate than did the North and Midlands. Public spending cuts which characterised austerity regimes were cited for exacerbating spatial inequality and stunting economic growth.

In contrary to this, Myrodiias (2024) has argued in his study that the unemployment of the UK has dropped from 8% in 2010 to 3.8% in 2020, which is the lowest since the seventies. This headline statistic masks other labour market issues such as precarious employment, informal employment, and job insecurity such as working without guaranteed hours, including zero-hours contracts. In its 2020 report, the Resolution Foundation said there were 2.8 million workers with precarious employment status in 2020, up from 1.8 million in 2010 (Frei-Herrmann, 2022). This trend of unpredictability has been felt in economic security and living quality which has been impacted by this trend towards less steady work.

Real pay stagnated during the same period and the average inflation rate was 2% for the decade. Real wages in the UK had barely risen from their pre-recession levels by the end of 2020, so the 2010s was the worst decade for pay growth since the early 1820s (Girón and Solorza, 2024). According to the survey, the living standards of many families declined because of low income, high household debt and living expenses, especially housing.

However, it has been argued by Nasir (2022) that while fighting the public debt, which was one of the austerity goals, it reached 85.4% of GDP in 2020. Although the government tried to reduce the budget deficit, slow economic growth and the need for more expenditures after the Brexit of 2016 maintained high public debt. The Office for Budget Responsibility (OBR)

estimated that the government spending cuts and tax rises reduced GDP by 1.5% by 2013/14, and may have hindered the economic recovery (Goodair, 2024).

#### 4.3 *Counterarguments and Alternative Perspectives*

However, there are different ways through which one can make a different perspective to view the 2010s where people can see different benefits, or it is not as bad a situation as it appears to be (Guerra et al., 2022). One of them is that the UK's economy was saved from a much worse outcome of austerity measures, seen in Greece and Spain where austerity measures led to double-digit unemployment, deep recessions and social unrest. In this respect, Ó Gráda and O'Rourke (2022) have discussed in their study that the economic performance of the UK, albeit not outstanding, might be viewed as a rather successful one of post-crisis recovery.

Supporters of the austerity, which was carried from 2010, claim that it was needed to balance the budget and prevent a sovereign debt crisis. According to Pearson and Watson (2023), it is based on the decrease of the budget deficit from 10 % of the GDP in 2010 to 2.9% in 2016. In addition, the UK's labour market was stable, with the unemployment rate declining to historical lows by the end of the decade thus an indication that the economy had retained the ability to create employment opportunities (Huang, 2023).

The second argument is that the claimed problems in the UK in the years of the 2010s were largely outside the government's control: the global economy, and Brexit (Hjertaker and Tranøy, 2022). The political unpredictability especially after the Brexit referendum in 2016 affected investment and confidence in the economy and this may have slowed down the growth. It has been recommended in the study of Poulson and Merrifield (2022) that the deceleration in productivity growth that was observed on the global level and impacted many developed

countries contributed to the UK's economic problems and indicated that internal policies could not be the only reason for the stagnation.

#### *4.4 Expert Opinions and Academic Debates*

The debate on the definition of the 'lost decade' in the context of the UK has been one of the popular discussions among scholars. It has been anticipated in the study of Rey-Araújo and Buendia (2022) that several economists and scholars have opined that the decade was lost in the sense that the UK could have used the time to correct some of the structural problems in the economy. The UK Institute for Fiscal Studies (IFS) has been especially vocal about the government's policy arguing that austerity increased inequality and made the UK vulnerable to future shocks (Ishker and Youssef, 2022). The IFS gave the decade the dreadful label of the 'lost decade of living standards,' with millions of households being worse off than before the financial crisis.

Indeed, some critics argue that the term 'lost decade' is misleading and does not capture the picture of the situation in the UK economy properly (Katz, 2022). Similarly, the Organisation for Economic Co-operation and Development (OECD) in a report in 2019 noted that despite the low productivity growth, the UK had achieved a lot in areas like employment and the budget deficit. It has been anticipated in the study of Saraceno (2022) that the OECD also observed that the flexible labour market of the UK has enabled it to deal with some of the economic issues more than some of the European countries.

However, it has been argued by Sowels (2023) that it also engages the political domain, challenging the interpretations of austerity measures' aftereffects. The main conservative politicians have usually supported the processes of austerity, stating that they were needed to restore the fiscal balance and prevent a debt crisis. On the other hand, critics from the Labour



Party and other opposition parties have described austerity as a counterproductive experiment that presided over needless pain in the economy and society (Kentikelenis and Stubbs, 2023).

## **5 Case Studies and Empirical Evidence**

### **5.1 Case Study 1: Public Health and the NHS**

The National Health Service (NHS) of the United Kingdom has been one of the organisations that have suffered the most from the austerity measures that began their implementation in 2010 (Knudsen, 2023). The largest component of the British welfare state – the National Health Service – witnessed severe fiscal constraints primarily because of constant funding reductions. It has been determined in the research of Sykes and Nurse (2022) that between 2010 and 2020, the term growth of the NHS was 1.4% per annum against a historical average of 3.7%. Due to this shortcoming in funding, the quality of services has been affected, and this has been accompanied by a decay in the health status of the populace, thus the so-called ‘crisis in public health’.

It has been found by Tan and Conran (2022) that a major effect that has been identified with austerity in the context of the NHS is that of consistent underinvestment in critical areas. The Health and Social Care Act 2012 aimed to re-establish the NHS by encouraging competition and fragmentation instead, it was argued, it amplified inefficiency and administrative overheads. Research conducted by the King’s Fund has also revealed that the fragmentation of services has resulted in more extended time taken before patients can be seen by a healthcare provider, less access to health services and work pressure on healthcare professionals (Benczes, 2022). By 2019, the number of patients waiting more than 18 weeks for treatment increased by 60%, and the number of A&E departments which did not achieve the four-hour waiting time target doubled between 2010 and 2018.

The harm done to health outcomes by austerity has been severe. In a BMJ-published study, it was estimated that austerity-related cuts in health and social care were linked to an extra 120,000 deaths between 2010 and 2017 (Bortun, 2023). The study linked the downsizing of social care services that essentially deprived many seniors and other frail or disabled people of the help they required to live healthy lives and avoid premature death. Also, Taskinsoy (2022) has asserted in this research that the NHS workforce has not been spared; the problem of shortages of staff and high levels of stress and burnout have been prevalent. Furthermore, by the year 2020, the NHS had a workforce deficit of over 100,000 vacancies including the shortage in nursing and general practice staff which added to the quality of care.

### *5.2 Case Study 2: Education Sector*

Education has not been spared either and the UK has witnessed a grave downturn in the sector with major cuts in the funding for primary, secondary and tertiary education. As posted by Tzannatos (2022) austerity measures meant that per-pupil spending was cut by 8% in real terms over the period from 2010-2020, the IFS found. These cuts have been devastating and have led to the decline of the quality of education and the future of students especially those in needy schools (Bremer, 2023).

In primary and secondary education, schools have been in a dilemma as to how to solve some of the challenges as a result of poor funding. As per Vizard et al. (2023), some of the impacts experienced in schools include staff layoffs, reduction in several activities that are offered by schools, and stringent rationing of several crucial resources like books, and computers. In 2018, the National Audit Office reported that ninety-one per cent of the schools in England had faced cuts in funding, which meant that class sizes had increased and the assistance available to children with special educational needs had been cut (Brid et al., 2022).

There has been a marked effect on educational achievements, mainly the gap between the children from rich and poor families. According to the Education Policy Institute's report published in 2020, the disadvantage gap had increased for the first time in a decade, disadvantaged pupils are 18 months behind their peers by the time they sit for GCSEs (Burton and Burton, 2022).

The other area that has not been spared by the austerity measures is higher education, especially after the introduction of fees where they have raised from £3,000 to £9,000 per year in 2012 (Charles, 2022). This change of policy and reduction of funding to universities has put a lot of financial burden on the students and institutions. Studies, such as by Wojczewski (2023) show that the graduate endowment has increased also, with a student now leaving university with an average of over £50,000 in debts. This has brought controversy on the accessibility of colleges and universities especially to learners from humble backgrounds. Also, universities have experienced a reduction in research and teaching grants from the government, and many universities have shifted to charging students more and admitting more international students, hence increasing inequality in the system.

### 5.3 Case Study 3: Welfare and Social Services

The cuts have been most significantly felt in the welfare and social sectors; hence the high levels of poverty and suffering among the vulnerable groups in the UK. It has been evaluated by Kober-Smith (2022) that the Welfare Reform Act 2012 put in place measures which were meant to reduce people's reliance on welfare benefits and at the same time slice the welfare budget. These measures were Universal Credit, the benefit cap, and the much-hated 'bedroom tax' which cut housing benefits for social renters who were deemed to have too many bedrooms (Chen, 2023).

The implementation of UC which combined six benefits into a single payment has been problematic, resulting in late payments and increased levels of rent arrears and food banks. Moreover, it has been discussed in the research of Kokores (2023) that Trussell Trust claimed that there was increased usage of food banks for 52% in areas where UC was implemented fully, pointing to the fact that the financial burden was taking a toll on the claimants. Also, the benefit cap rules that restrict the overall amount of benefits that households can claim, have impacted the larger families and those in high rent-bearing areas to higher levels of poverty and homelessness. Child poverty had increased to 30% by 2019, the highest since 1990, and two-thirds of these children's families relied on working incomes, proving the insufficiency of welfare assistance during the period of austerity (Ededjo, 2023).

Another policy that has had an impact is the so-called 'bedroom tax', where a 2015 report by the Department for Work and Pensions found that 546,000 households had been affected by the policy, and have been unable to find smaller accommodation (Elhefnawy, 2022). This has resulted in higher cases of rent default and people being ejected from their homes, hence deepening the housing problem. It has been found out by Lee (2023) that a legal challenge to the bedroom tax was brought to a High Court in 2014 in the case of R (on the application of MA) v Secretary of State for Work and Pensions, as the policy discriminated against disabled people, but the Supreme Court supported the measure and therefore the judiciary's capacity in reducing the effects of austerity measures is limited.

#### *5.4 Case Study 4: Regional Economic Disparities*

There are also long-standing regional economic splits where the South East is much more affluent than the poorer regions of Northern England and the Midlands which have suffered under the austerity measures (Frei-Herrmann, 2022). In addition to this, it has also been claimed

by Masini (2022) that the polarisation between the North and the South, which has always been a feature of the economic geography of the UK, has been deepened by the effects of the austerity measures, where reductions in public spending have been greater in the North than in the South.

In addition to this, one of the main causes of these regional differences is funding, especially from the local government; many councils in the North have had their budgets slashed (Girón and Solorza, 2024). Local authority spending, as a whole, declined by 26% in real terms in the North East over the period 2010-2019, while it declined only by 9% in the South East. It has been determined in the research of Matthijs (2022) that this has affected the delivery of public services especially in the Northern councils where many councils have been easily compelled to reduce provisions of social care, libraries, and youth services. On the social aspect, the effects have been devastating, as the closure of public places has caused the loss of jobs among the locals and social detachment.

Moreover, it has been suggested in the study of Moschella (2024) that the inequalities mentioned were the reasons for the government's Northern Powerhouse strategy which was started in 2014 to invest in infrastructure and decentralise decision-making to local councils in the North. Nonetheless, critics have pointed out that the initiative has been underfunded and does not have the required scale to offset the impact of austerity. The House of Commons Public Accounts Committee in a report in 2019 accused the government of not keeping its promises saying that the North is still behind the South in the areas of economic growth, employment and productivity (Goodair, 2024).

## **6 Conclusion**

This paper has reviewed the politics of austerity that was practiced in the UK between the years 2010 and 2020 giving focus on the effects of this process on economic outcomes, public

services, social justice and space. This included a package of severe budget cuts which interfered with the spending in health care, education, and social services to decrease the budget deficit and consolidate the fiscal balance. As will be seen in the empirical evidence, these policies led to a slow pace of economic recovery, a decline in productivity and further social and regional disparities. This period however is not a full-blown 'lost decade' but does contain many of the characteristics of one especially where living standards were static, public services eroded and poverty increased.

The experience of the 2010–2020 period shows that, without considering the balance between growth and development and the social impact of fiscal consolidation efforts, it is possible to end up in the worst of all worlds. The future economic policies should include the enhancement of spending in public domains which include services, infrastructural developments and education to help boost the economy and at the same time reduce inequalities. This was evident in the experience of the past decade, and it is high time that a more sustainable approach is adopted that integrates prudentialism with targeted investments in risky geographies and people.

The austerity measures have left a significant impact on the UK's fiscal structure have caused further polarisation of the society and eroded the basic fabric of public services. As the UK seeks to bounce back from the calamities that hit it in the 2010s Brexit and the Covid-19 pandemic it has to implement a more equitable and growth-oriented polity. It remains only to stress that, to construct a more sustainable and fair economy for the UK, it is necessary to overcome the structural problems that austerity has deepened.

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