

Resolution Foundation

Essential Guide to

# Squeezed Britain



The annual audit of low to middle income households

## *Squeezed Britain: the annual audit*

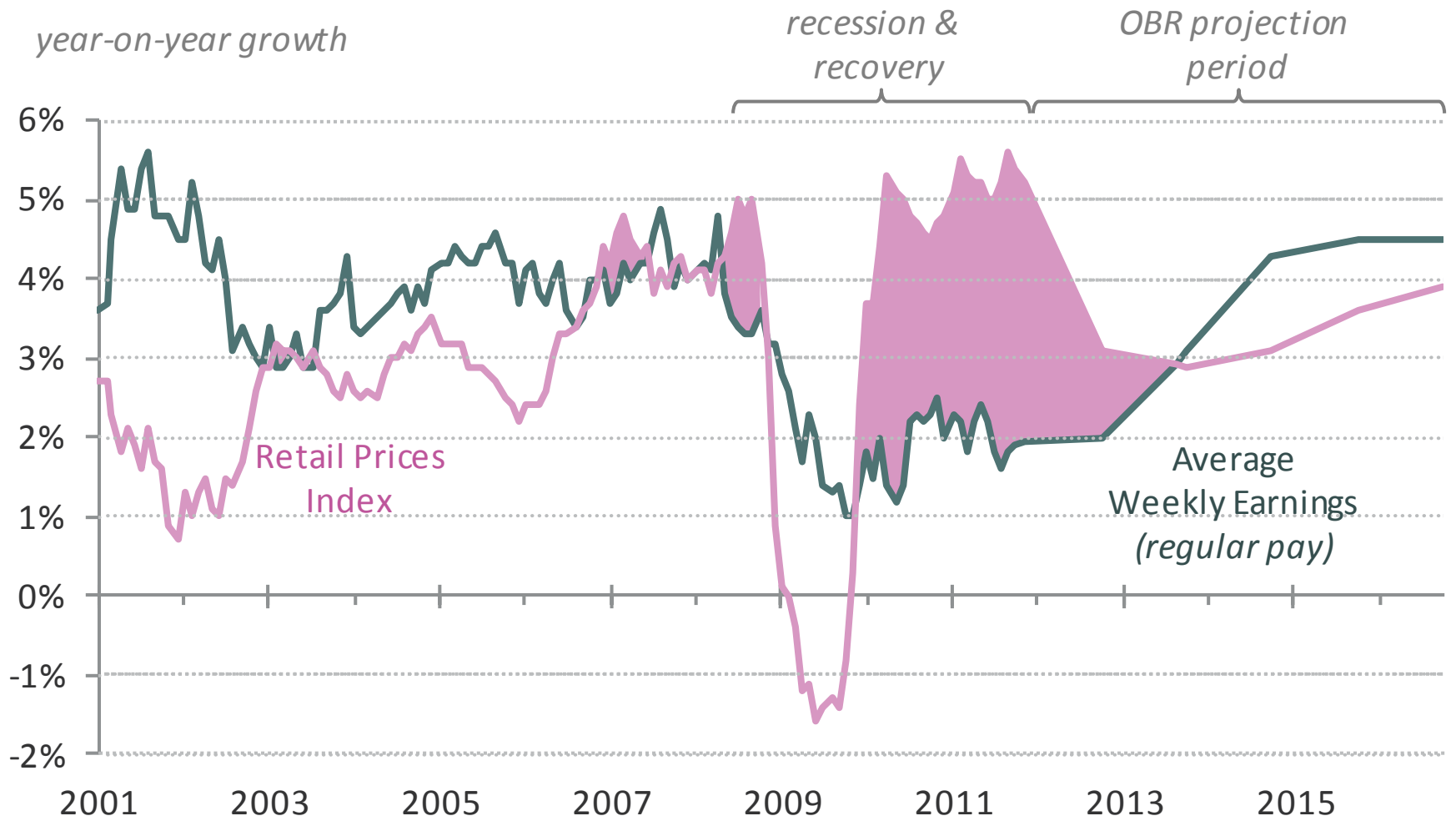
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1. The squeeze on earnings
2. The squeeze on incomes
3. Life on a low to middle income
4. The squeeze continues

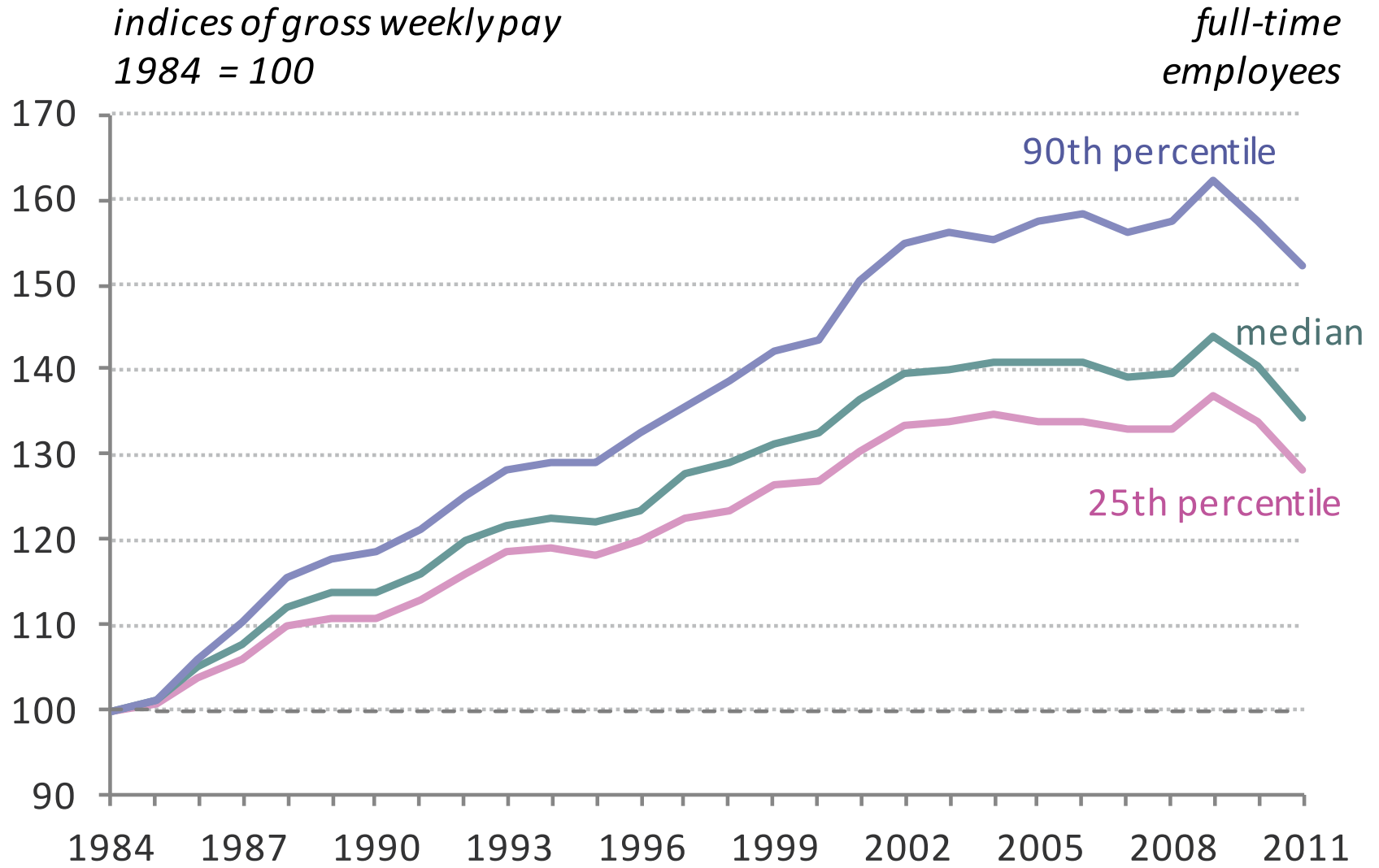
# The squeeze on earnings



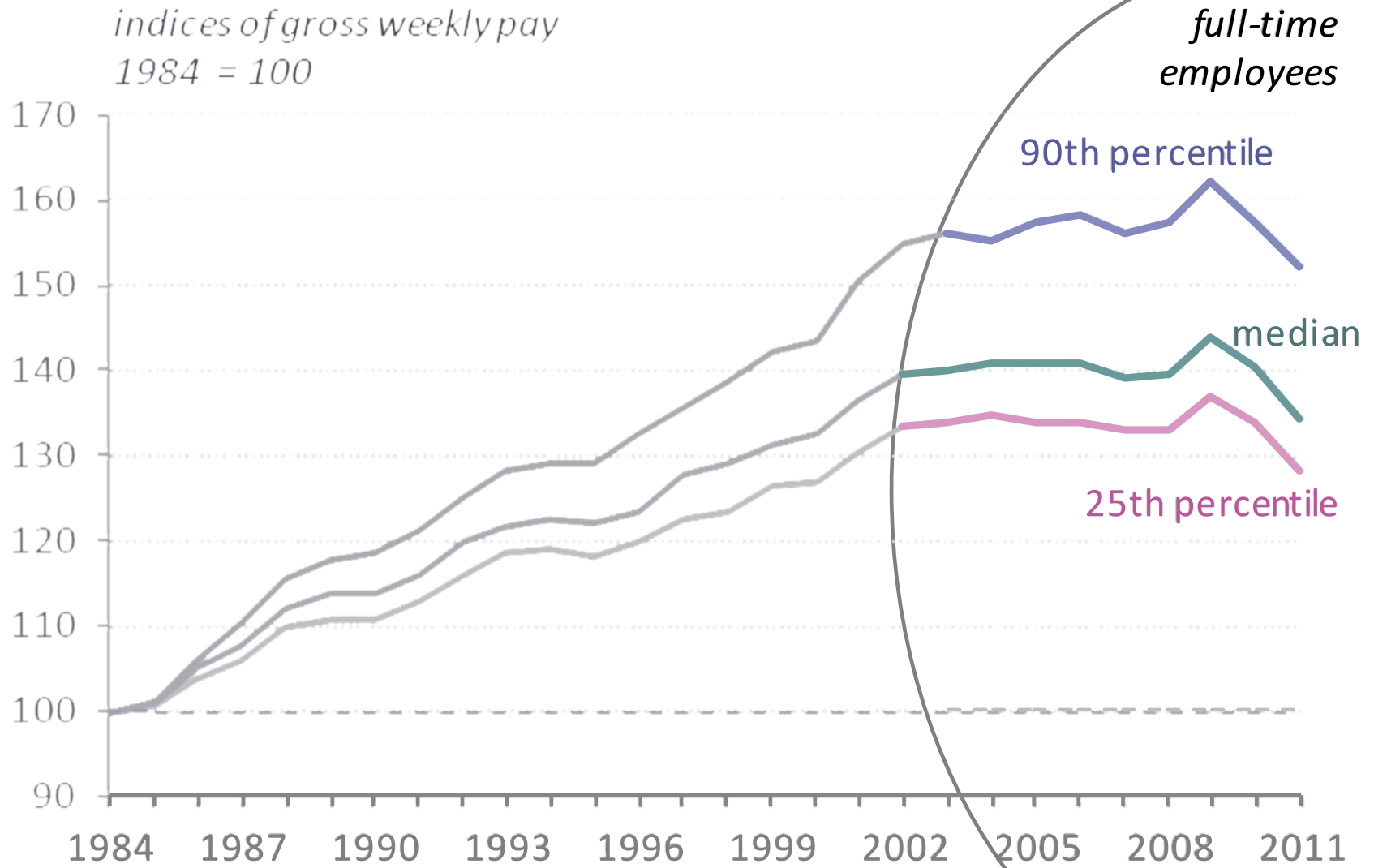
# The squeeze on earnings: a product of the crisis



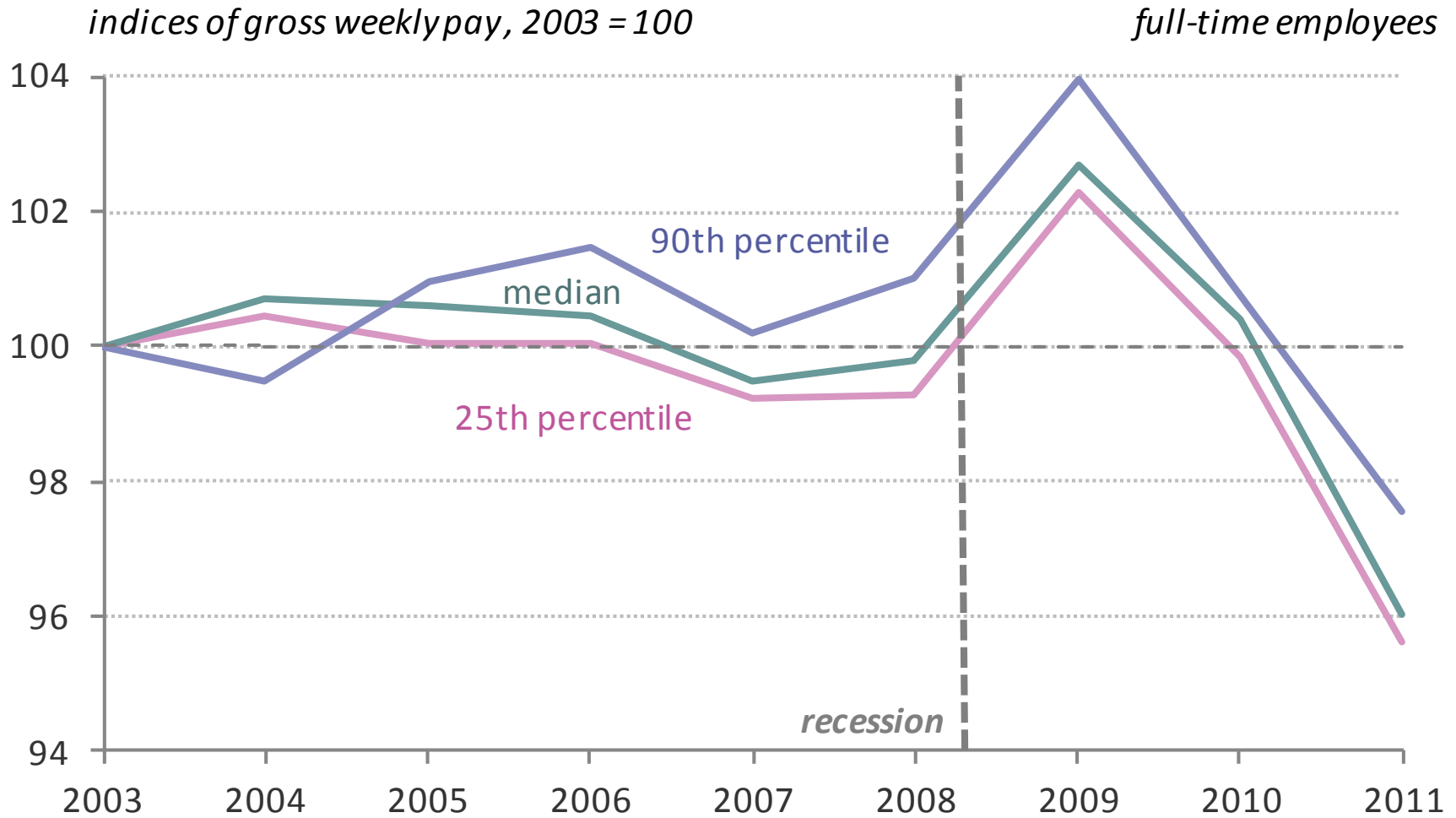
# The squeeze on earnings: a widening pay gap



# *The squeeze on earnings: a widening pay gap*



# The squeeze on earnings: pre-recession stagnation



## *The squeeze on earnings: conclusions*

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- Crisis-fuelled squeeze on living standards is broad and severe, but likely to be temporary
- Relative and absolute declines in wages at the median and below predate downturn
- How does this play out at the household level and who is most affected?

# The squeeze on incomes



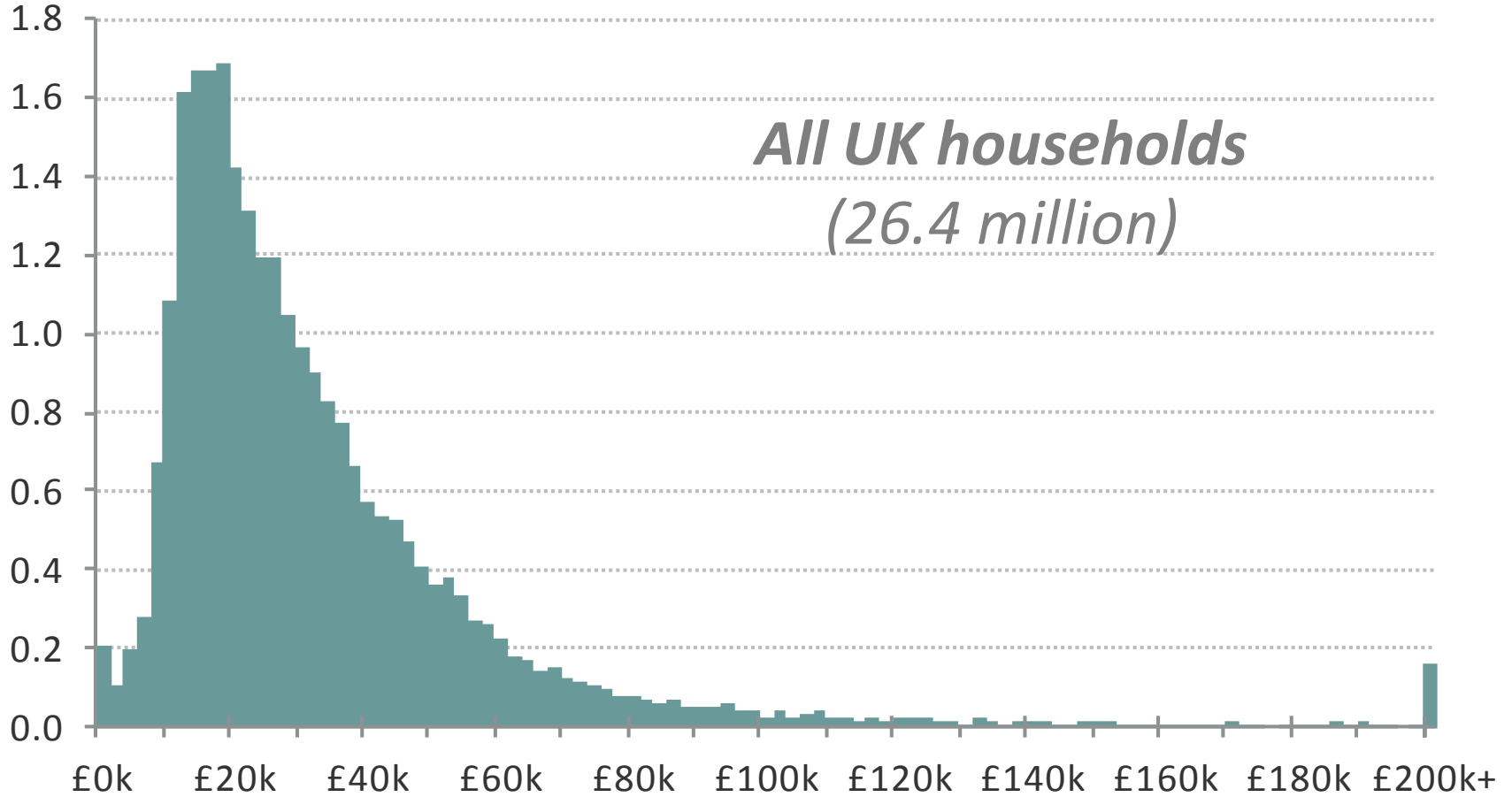
## *The squeeze on incomes*

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- Defining the low to middle income group
- A picture of the group
- What does the squeeze look like?

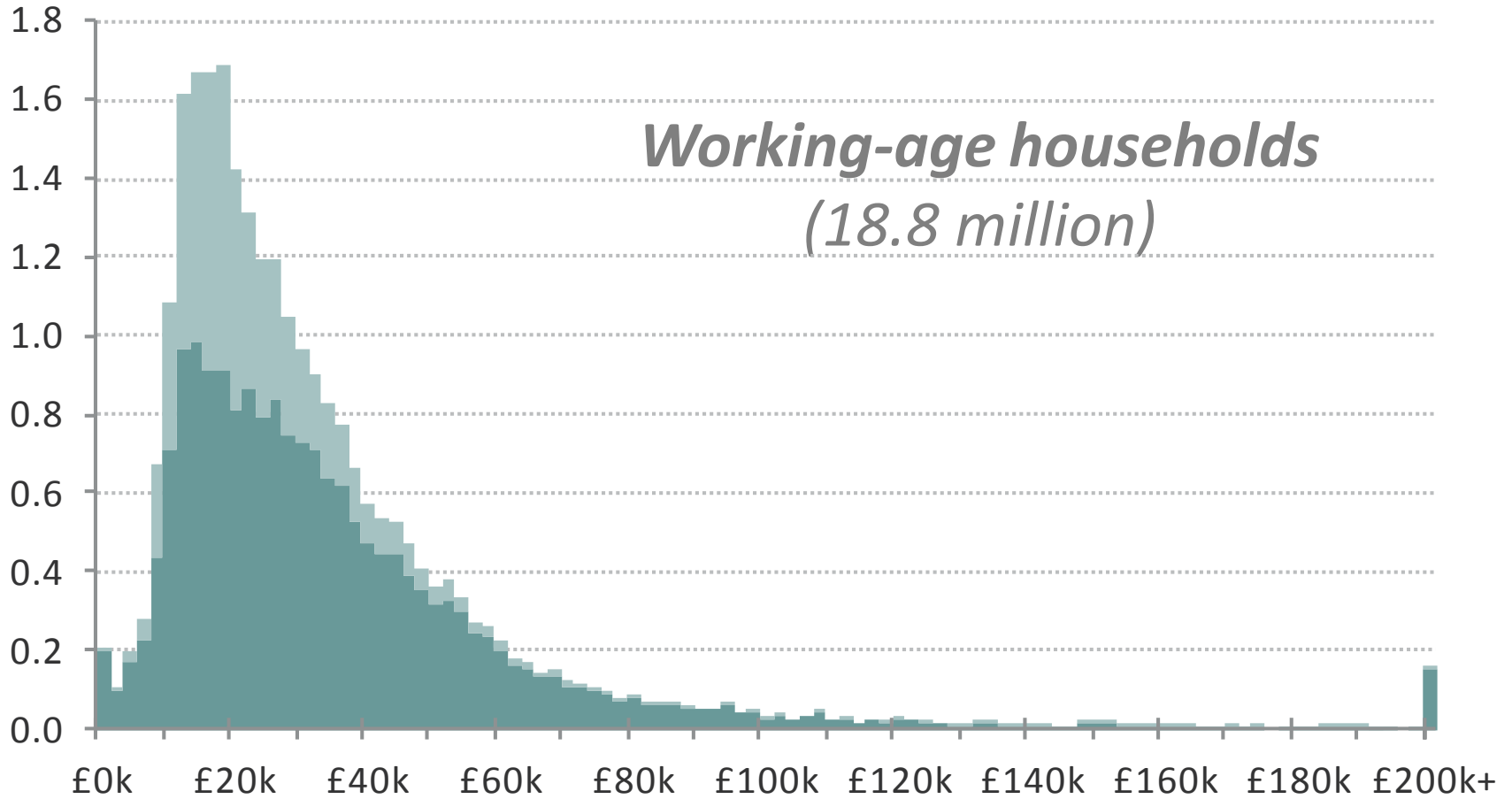
# The squeeze on incomes: defining low to middle

millions of households per £2,000 equivalised annual income band



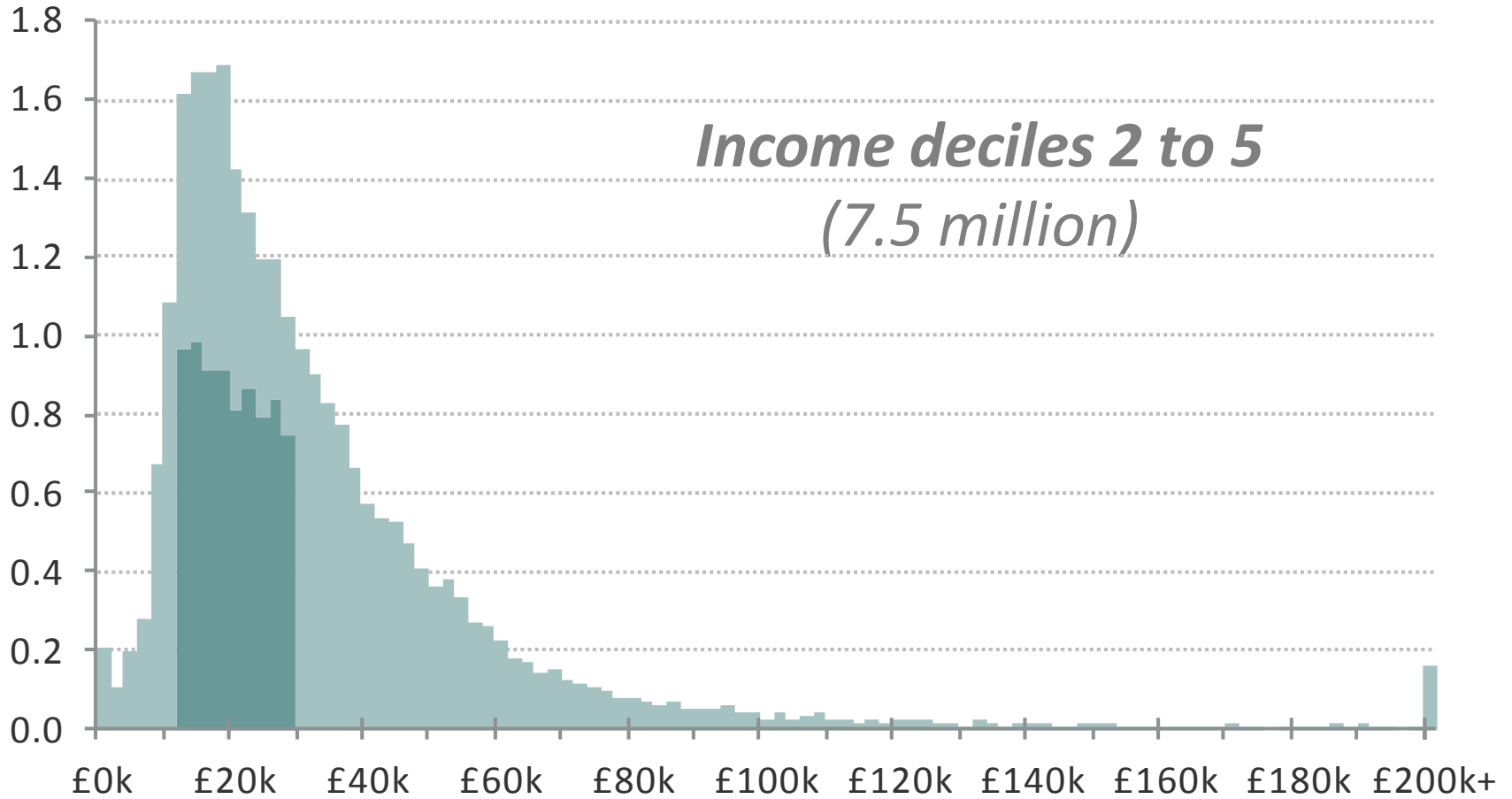
# The squeeze on incomes: defining low to middle

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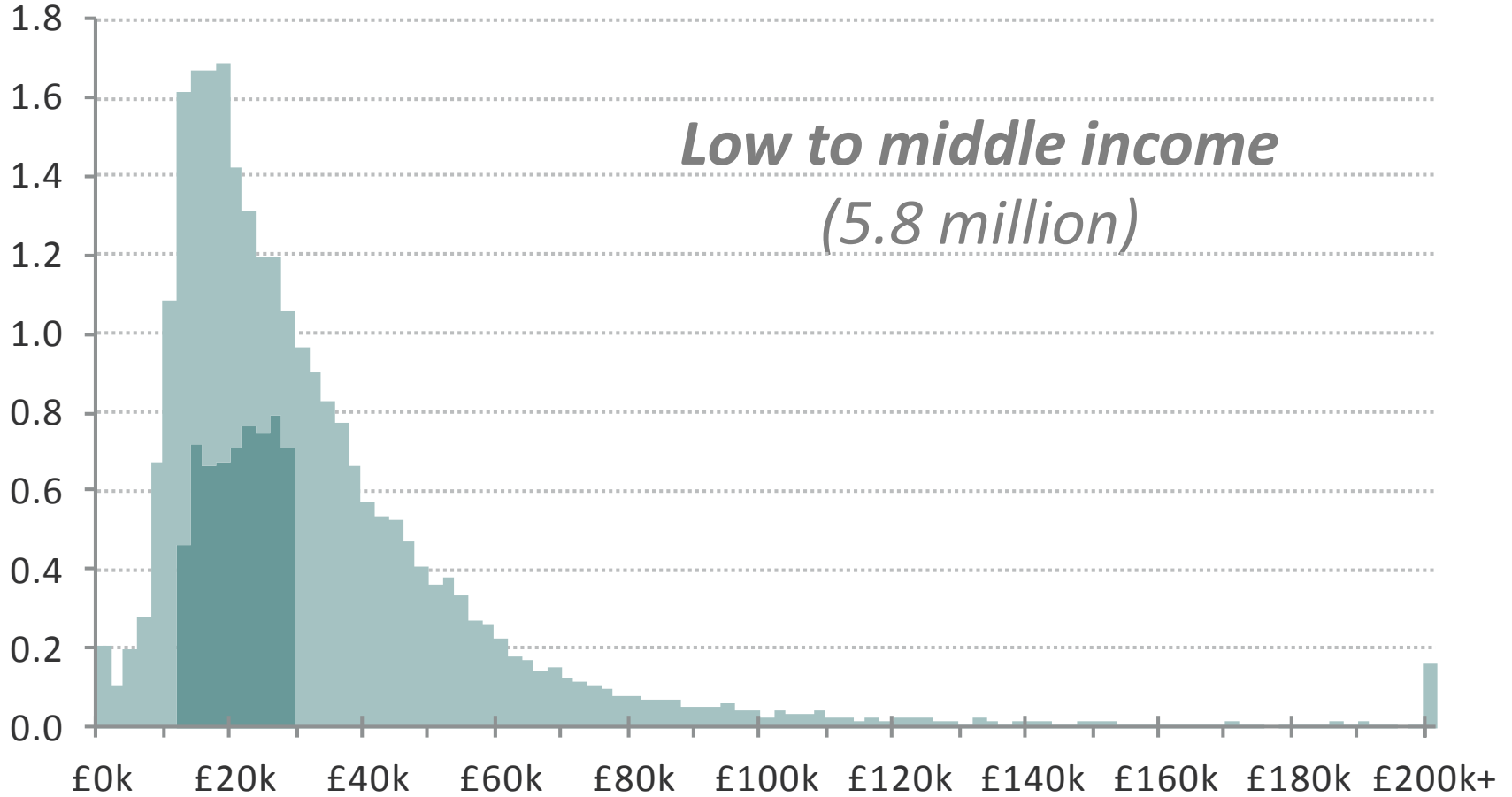
# The squeeze on incomes: defining low to middle

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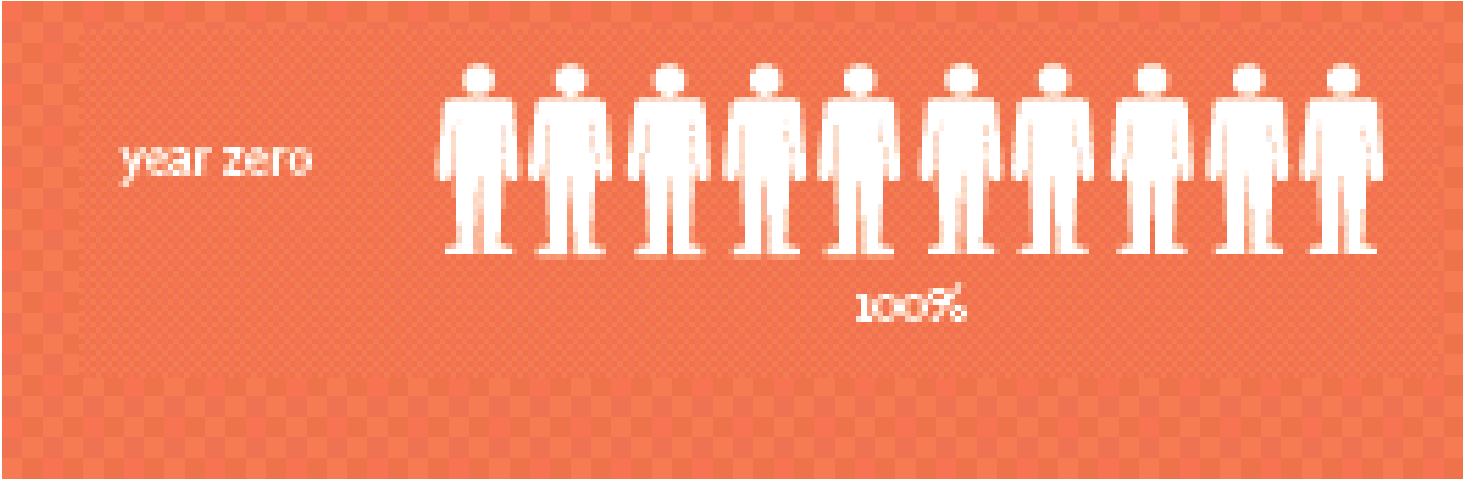
# The squeeze on incomes: defining low to middle

millions of households per £2,000 equivalised annual income band



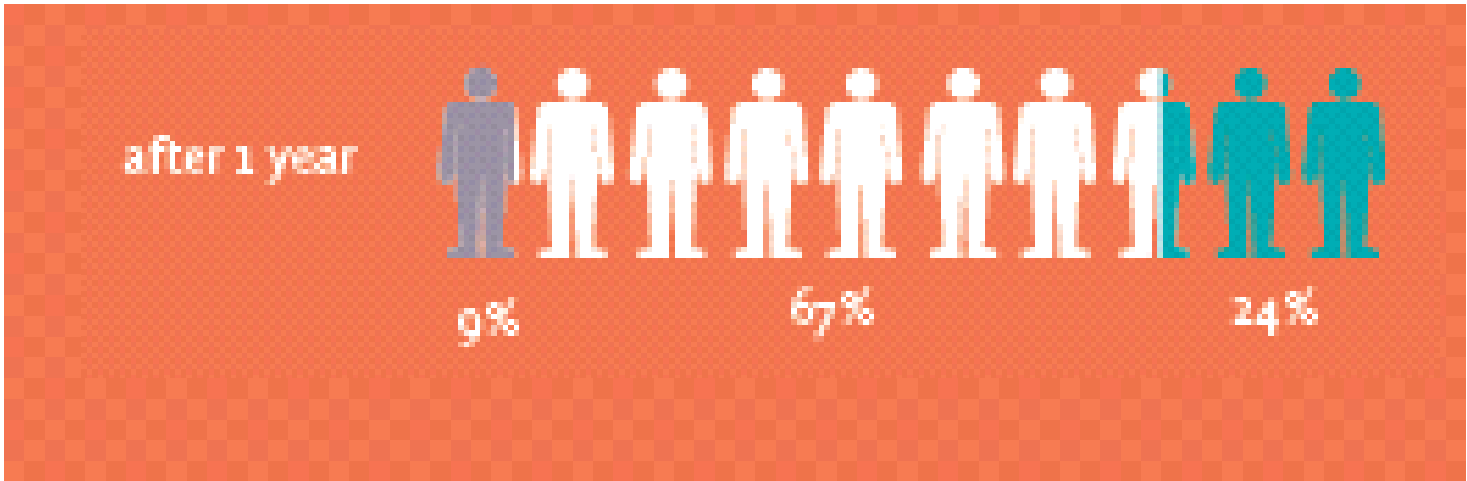
# The squeeze on incomes: movements over time

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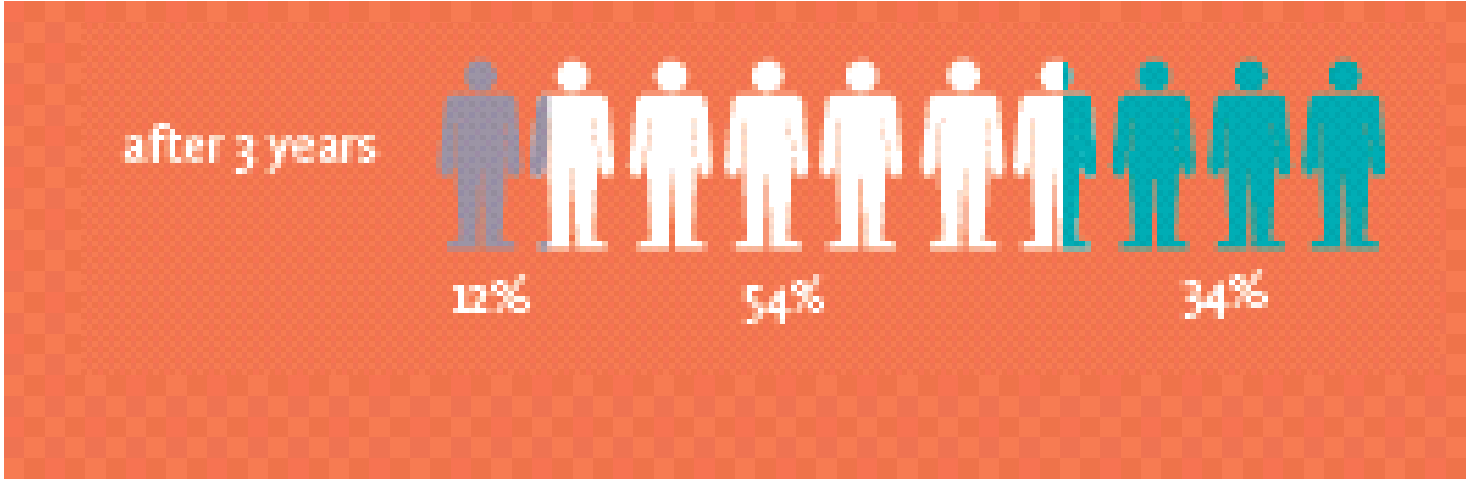
# The squeeze on incomes: movements over time

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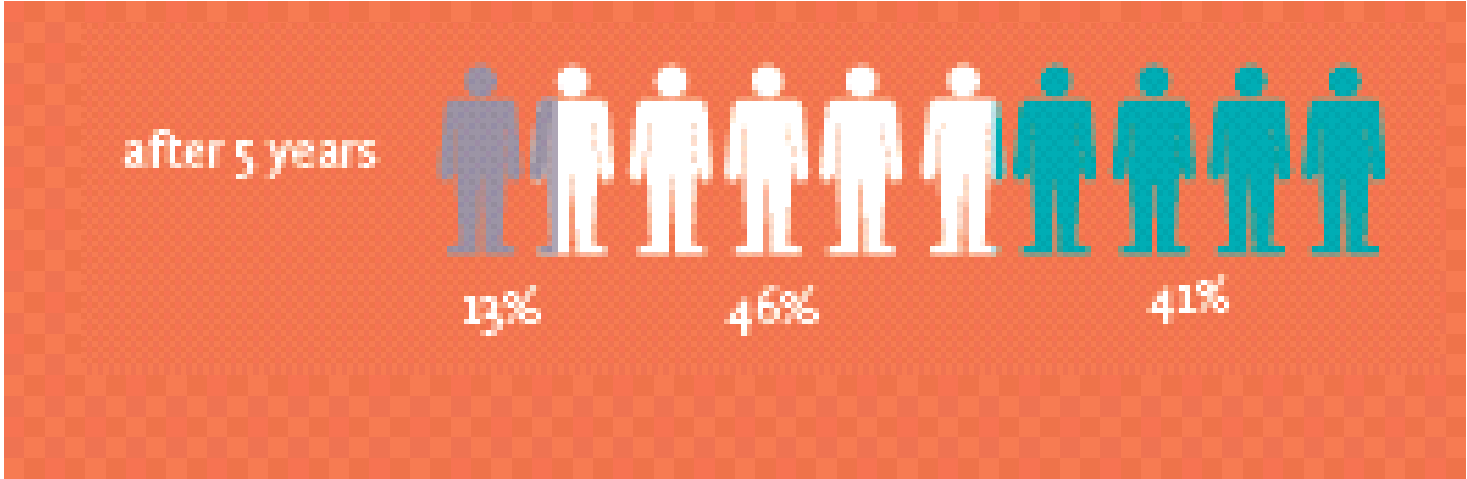
# The squeeze on incomes: movements over time

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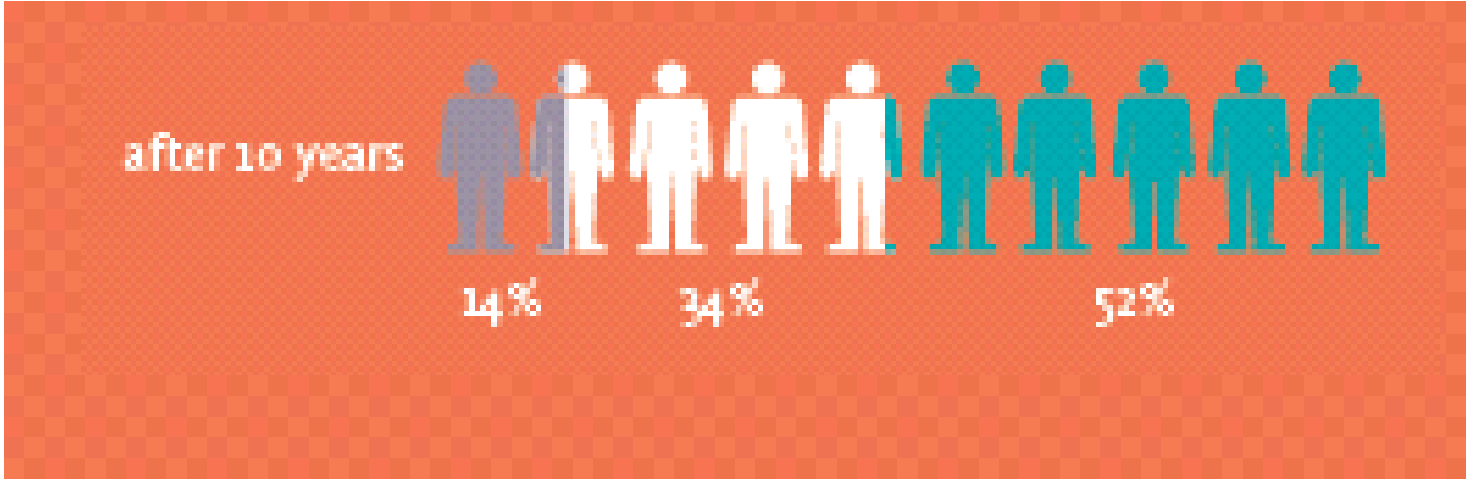
# The squeeze on incomes: movements over time

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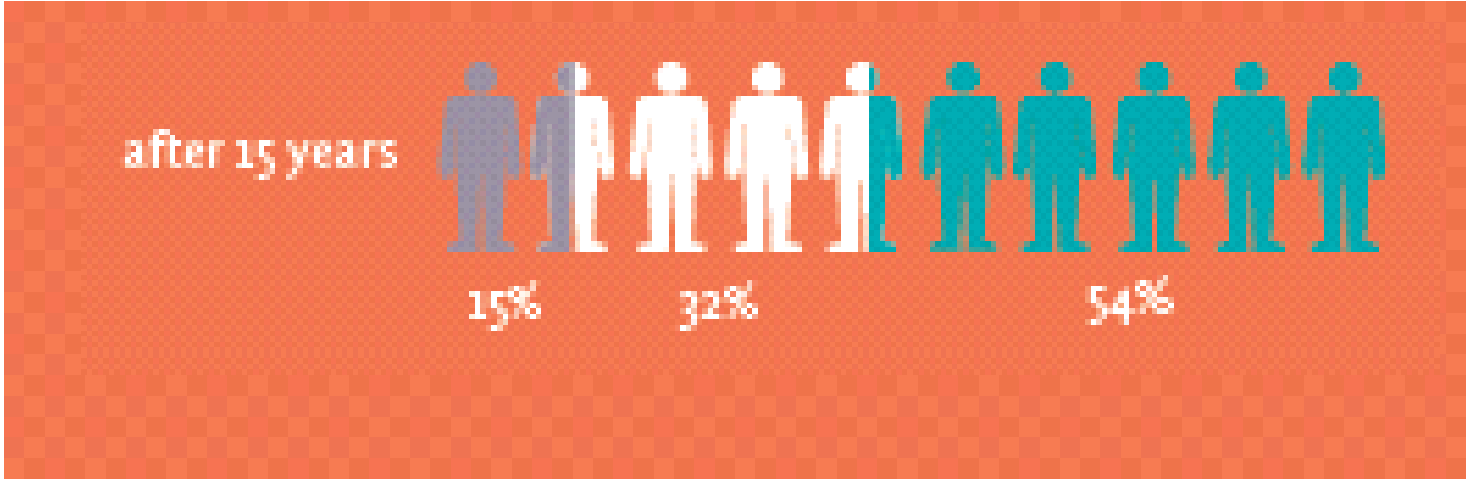
# The squeeze on incomes: movements over time

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# The squeeze on incomes: movements over time

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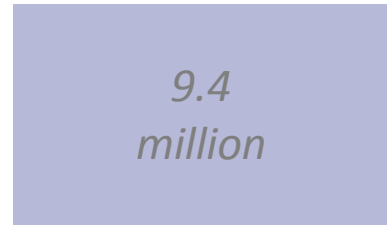
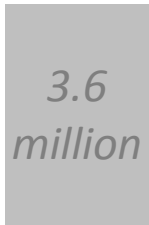
# *The squeeze on incomes: households and adults*

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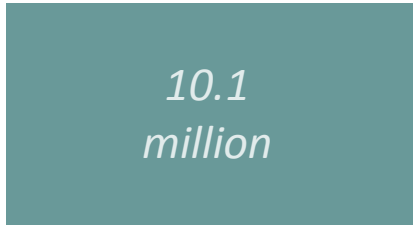
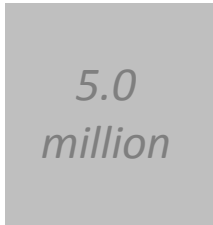
*Benefit-reliant*

*Low to middle income*

*Higher income*



*Households*



*Adults*

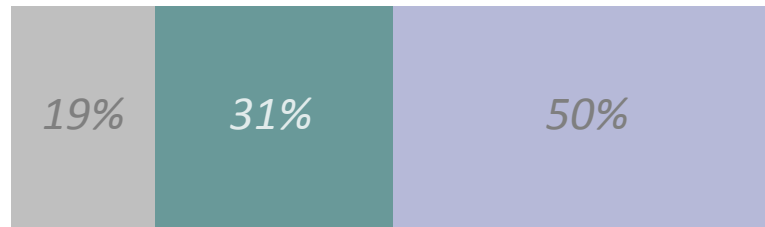
# *The squeeze on incomes: households and adults*

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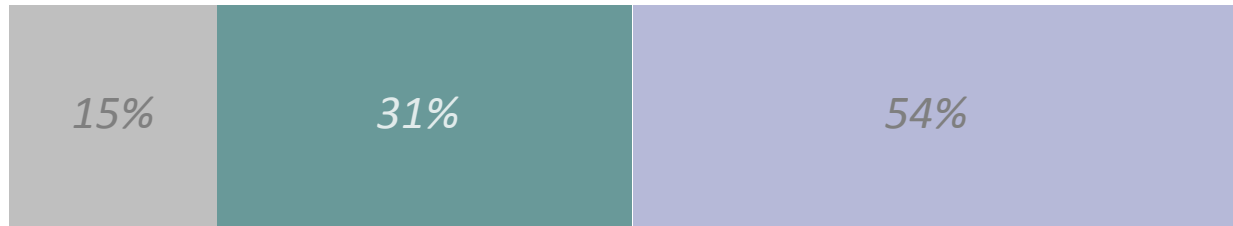
*Benefit-  
reliant*

*Low to middle  
income*

*Higher  
income*



*Households*



*Adults*

# *The squeeze on incomes: low to middle income jobs*

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*All LMI jobs*



# *The squeeze on incomes: low to middle income jobs*

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*Retail*



# *The squeeze on incomes: low to middle income jobs*

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*Health & social work*



# *The squeeze on incomes: low to middle income jobs*

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*Manufacturing*



# *The squeeze on incomes: low to middle income jobs*

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*Construction*

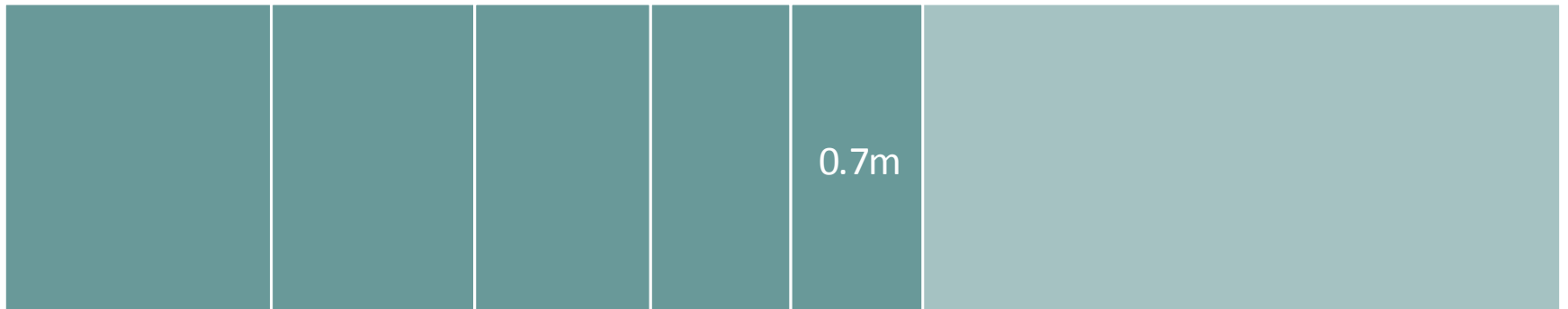


0.7m

# *The squeeze on incomes: low to middle income jobs*

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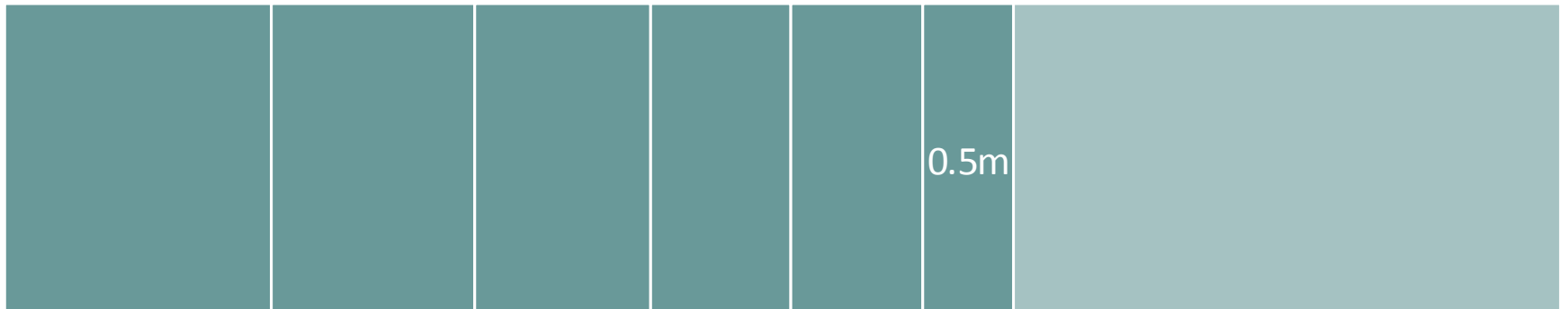
*Education*



# *The squeeze on incomes: low to middle income jobs*

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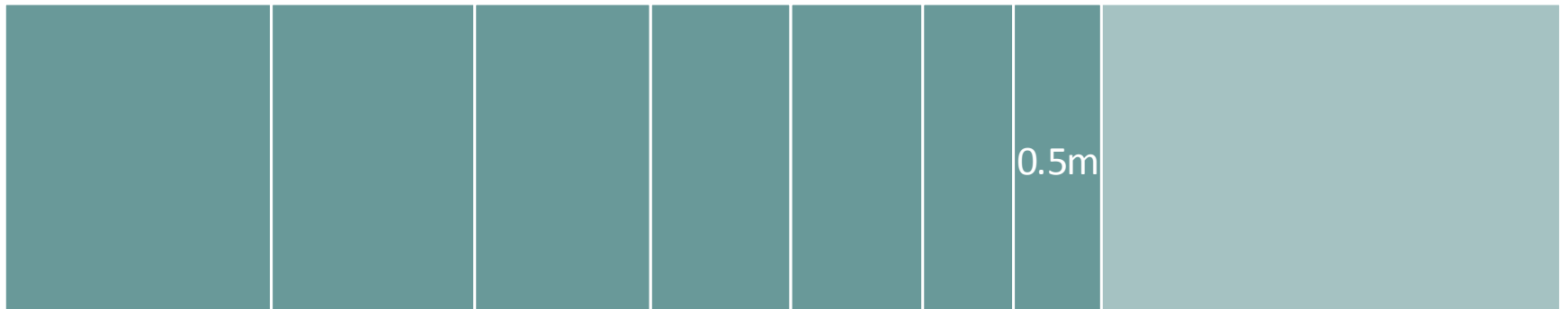
*Admin. & support services (e.g. cleaners, maintenance)*



# *The squeeze on incomes: low to middle income jobs*

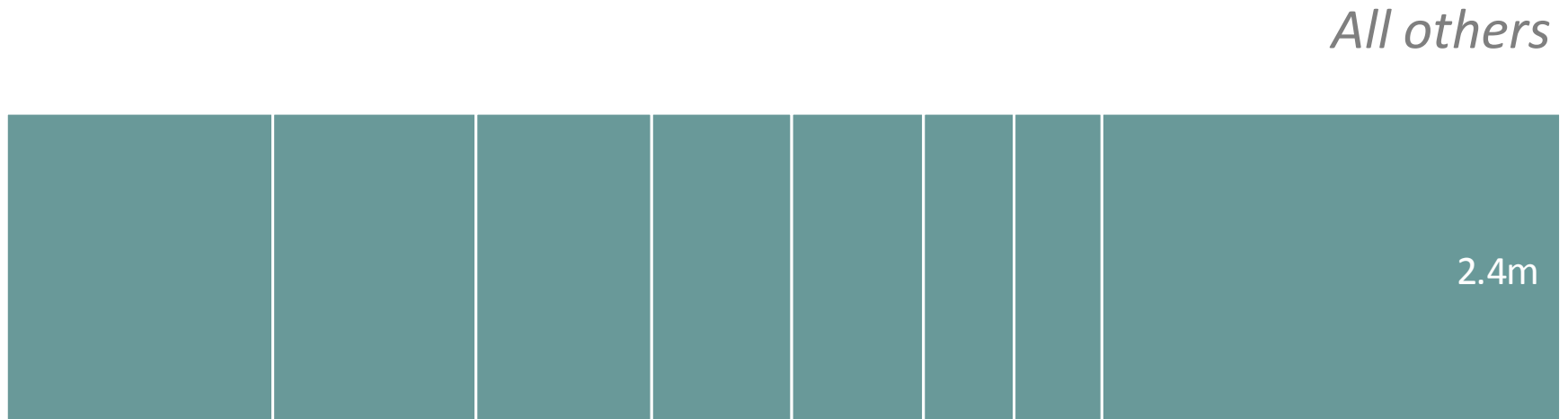
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*Hotels & restaurants*



# *The squeeze on incomes: low to middle income jobs*

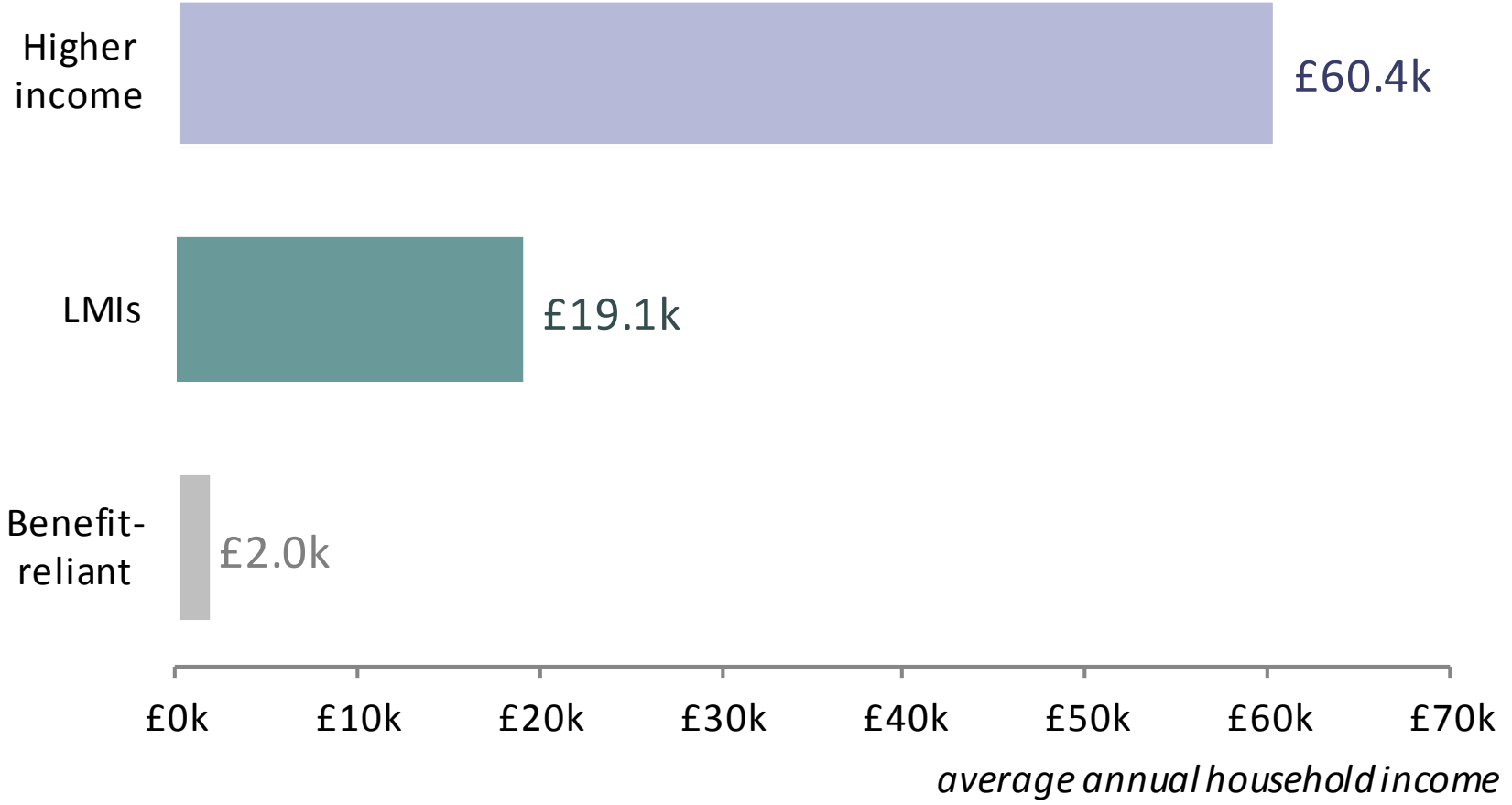
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# *The squeeze on incomes: the composition of income*

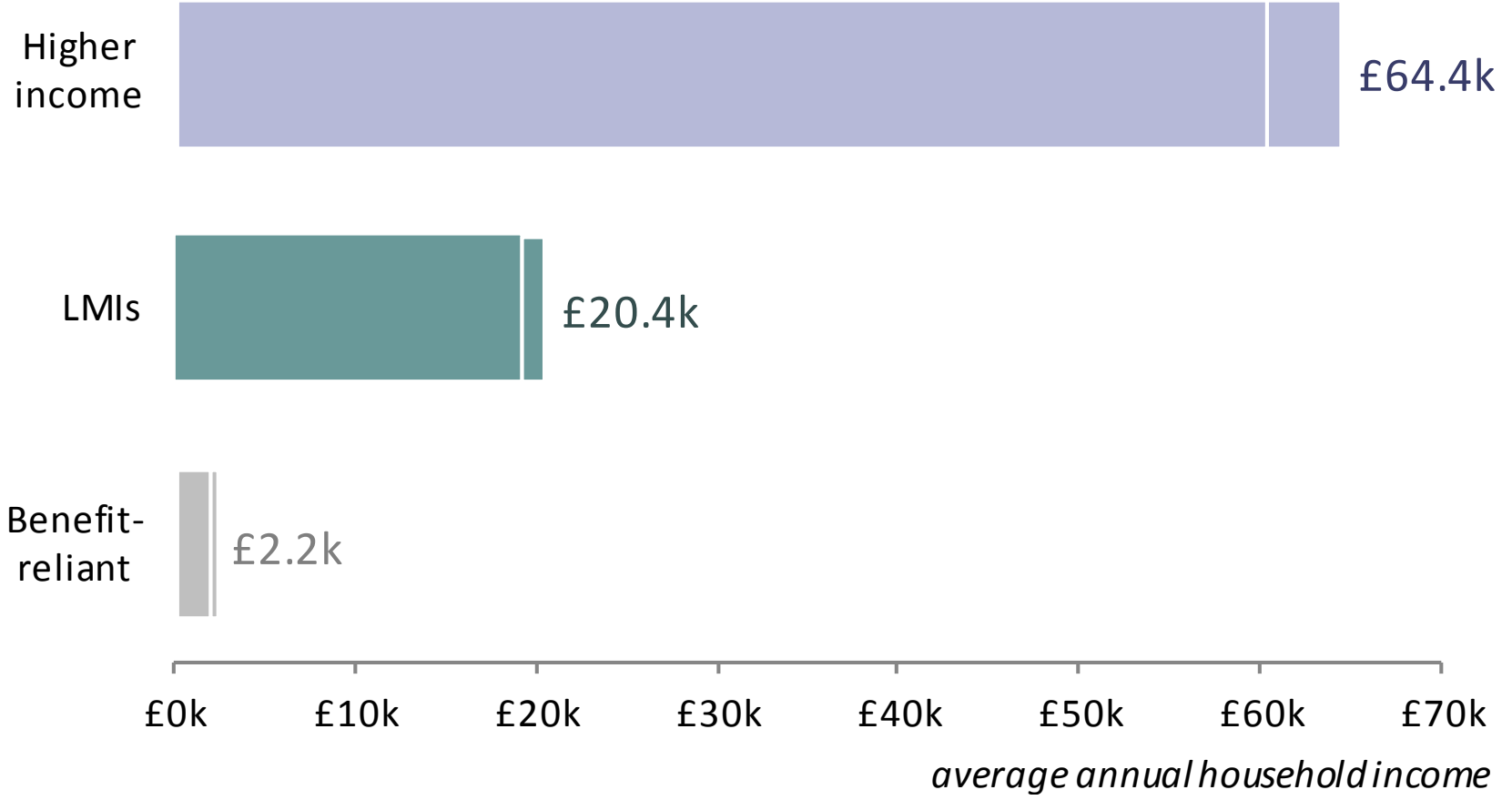
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*Household earnings (before tax)*



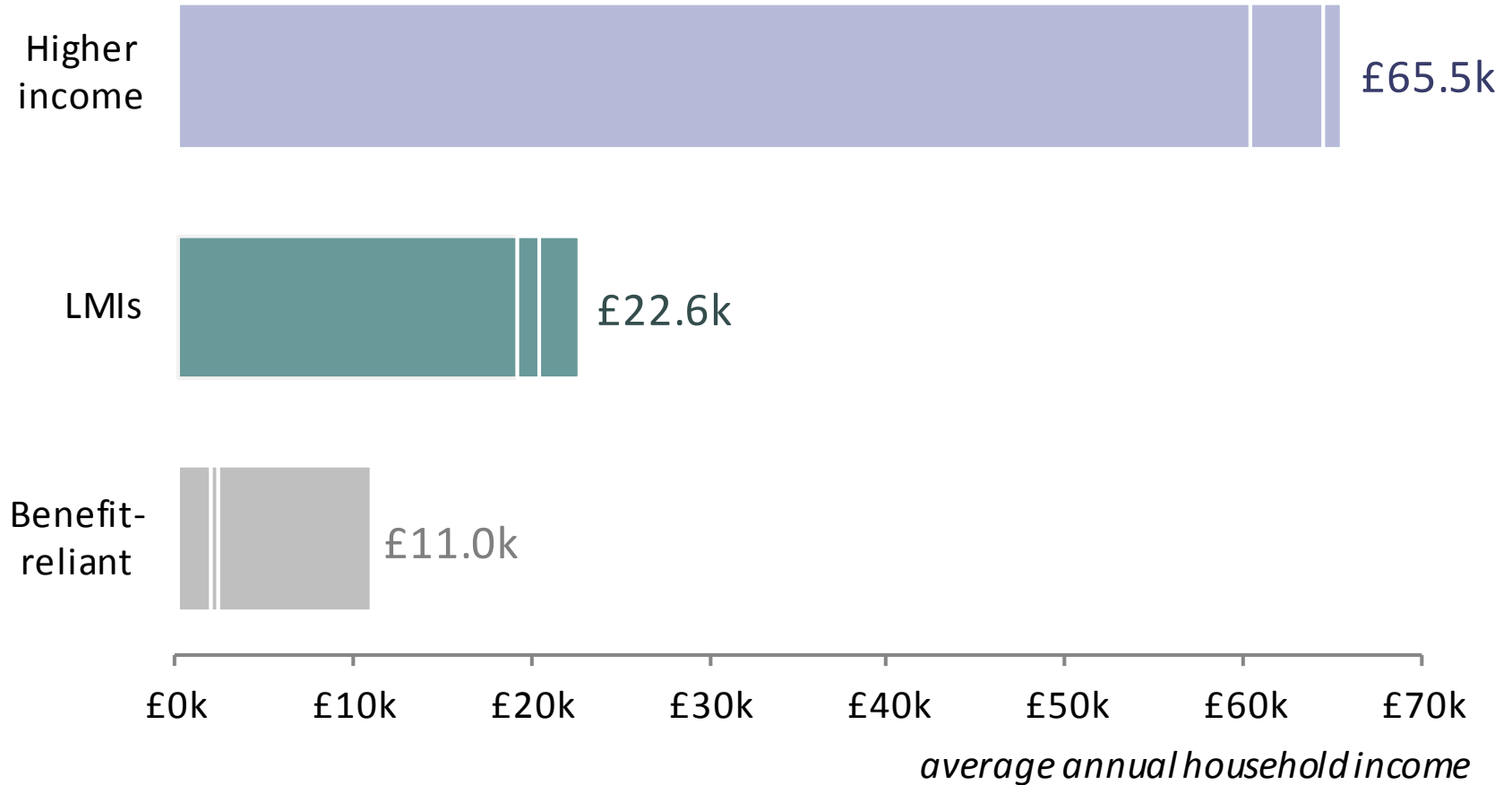
# *The squeeze on incomes: the composition of income*

*plus other non-benefit income*



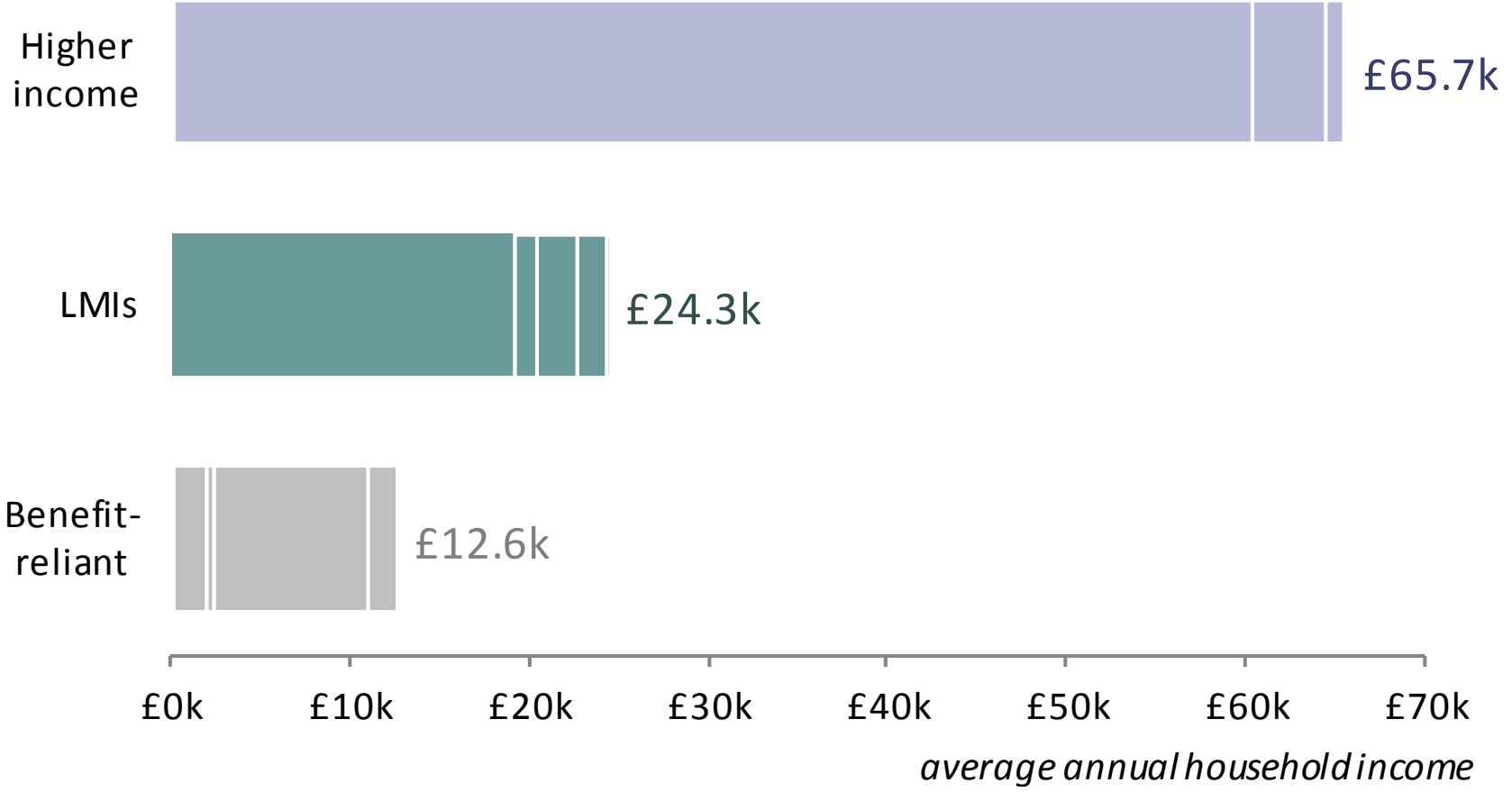
# *The squeeze on incomes: the composition of income*

*plus benefits*



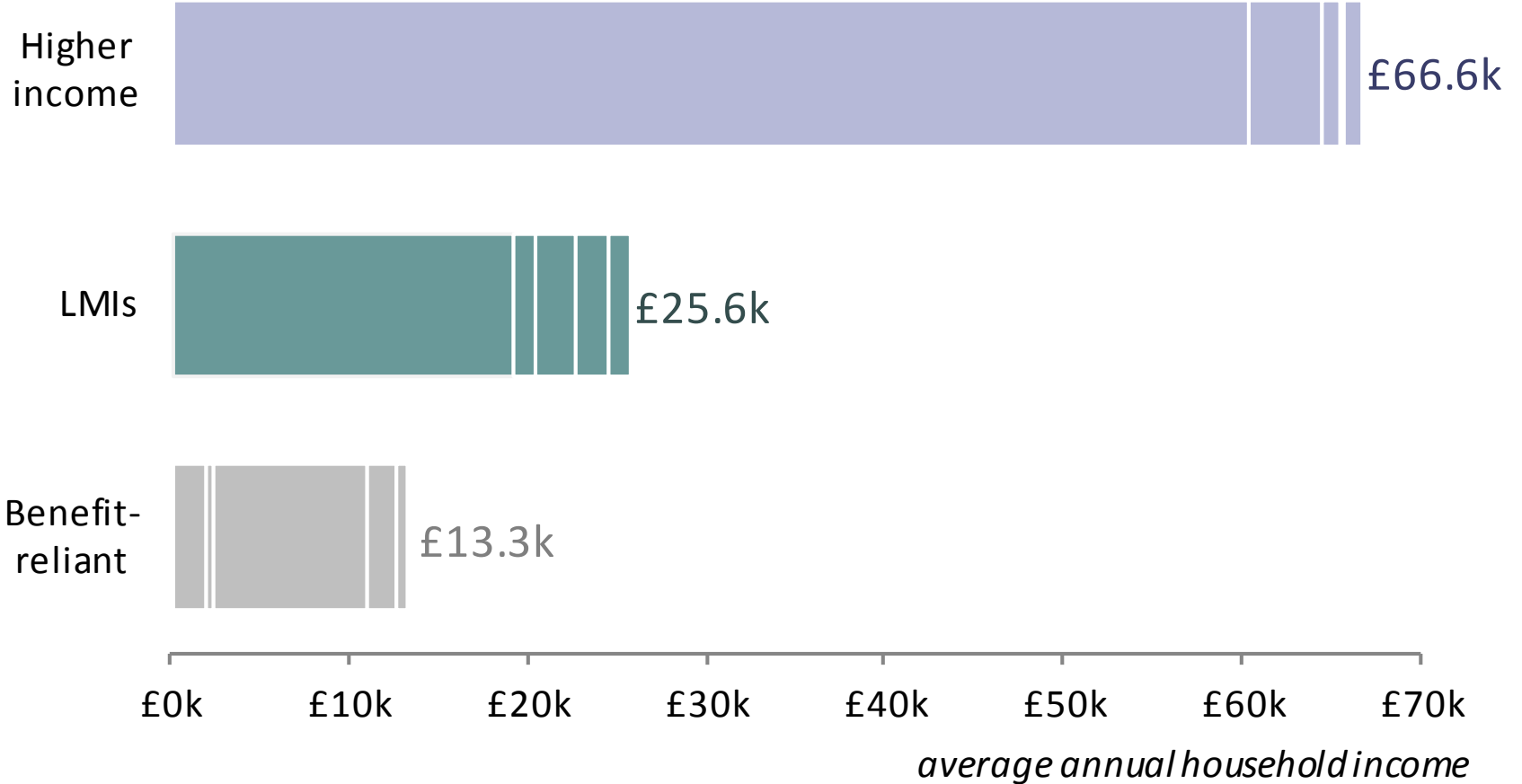
# *The squeeze on incomes: the composition of income*

*plus tax credits*



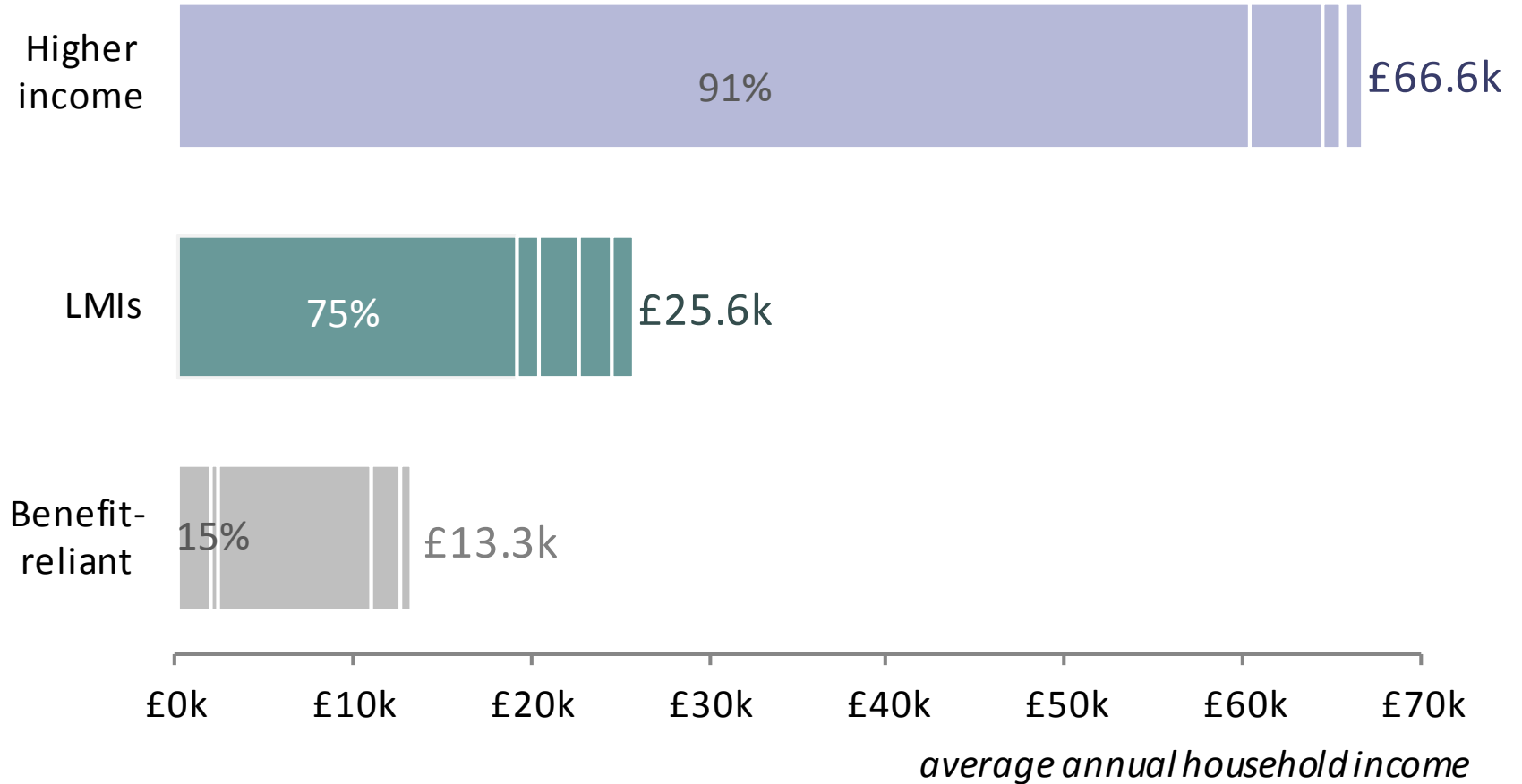
# The squeeze on incomes: the composition of income

Household income (before tax)



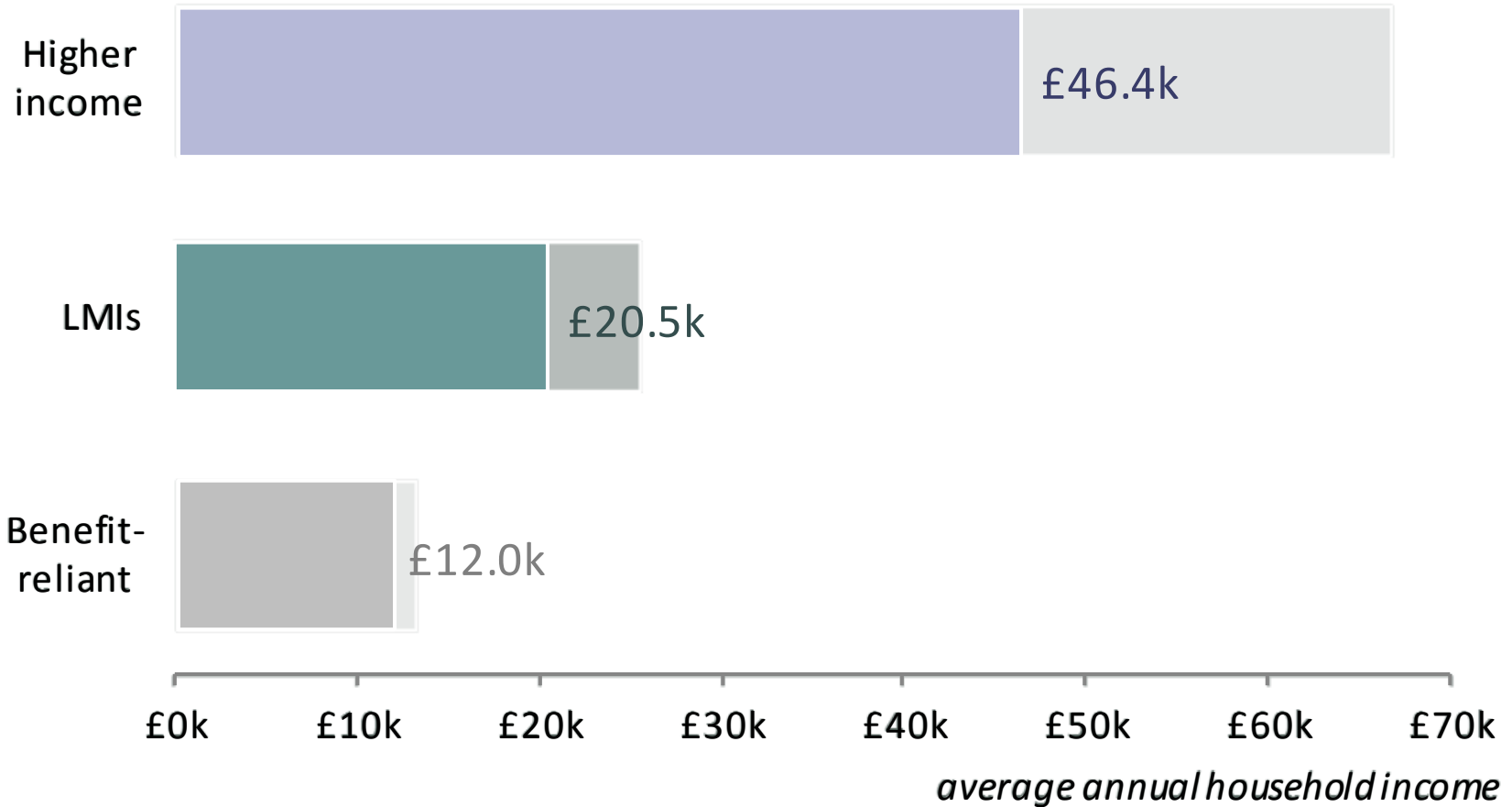
# The squeeze on incomes: the composition of income

Household income (before tax)



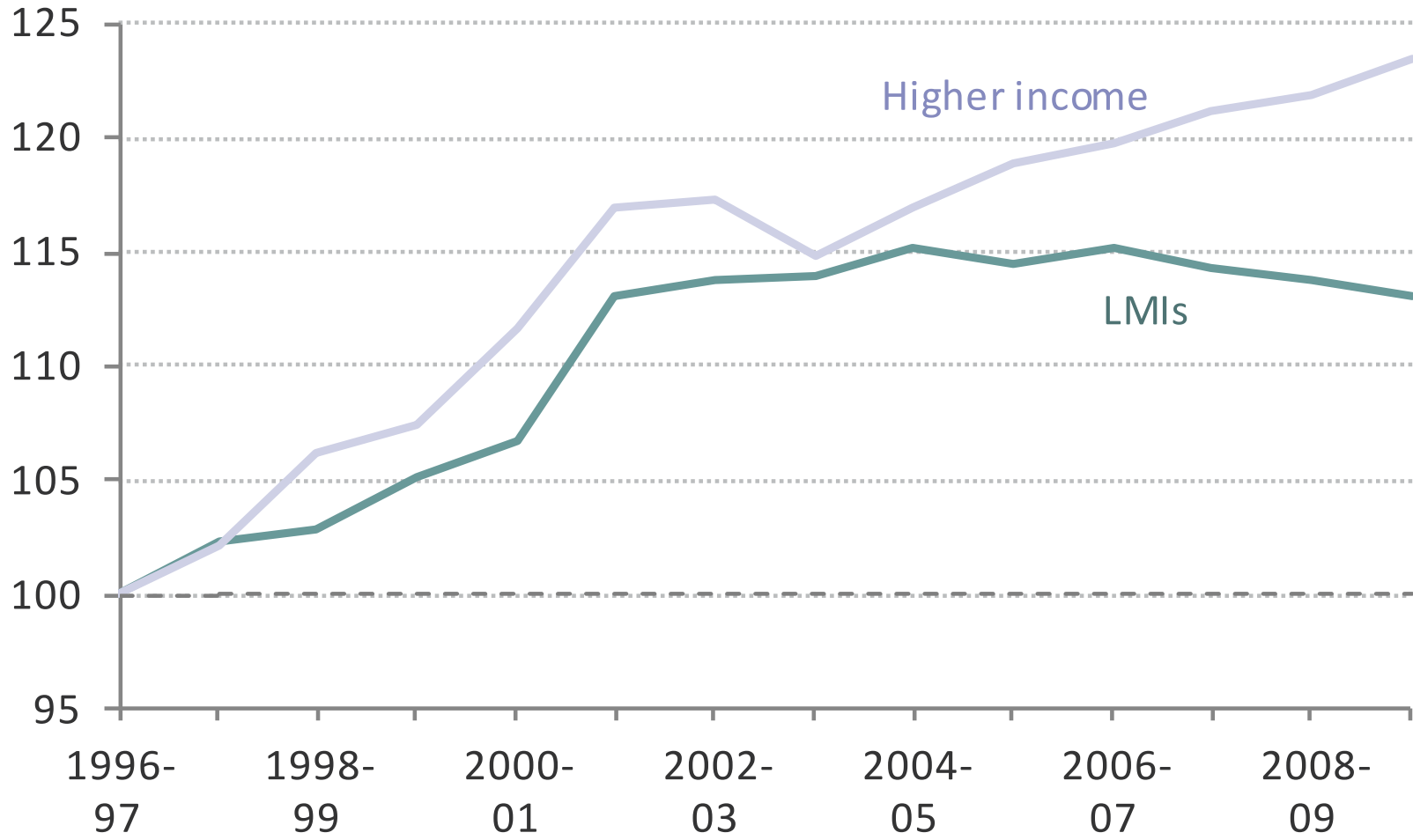
# *The squeeze on incomes: the composition of income*

*Household income (after tax)*

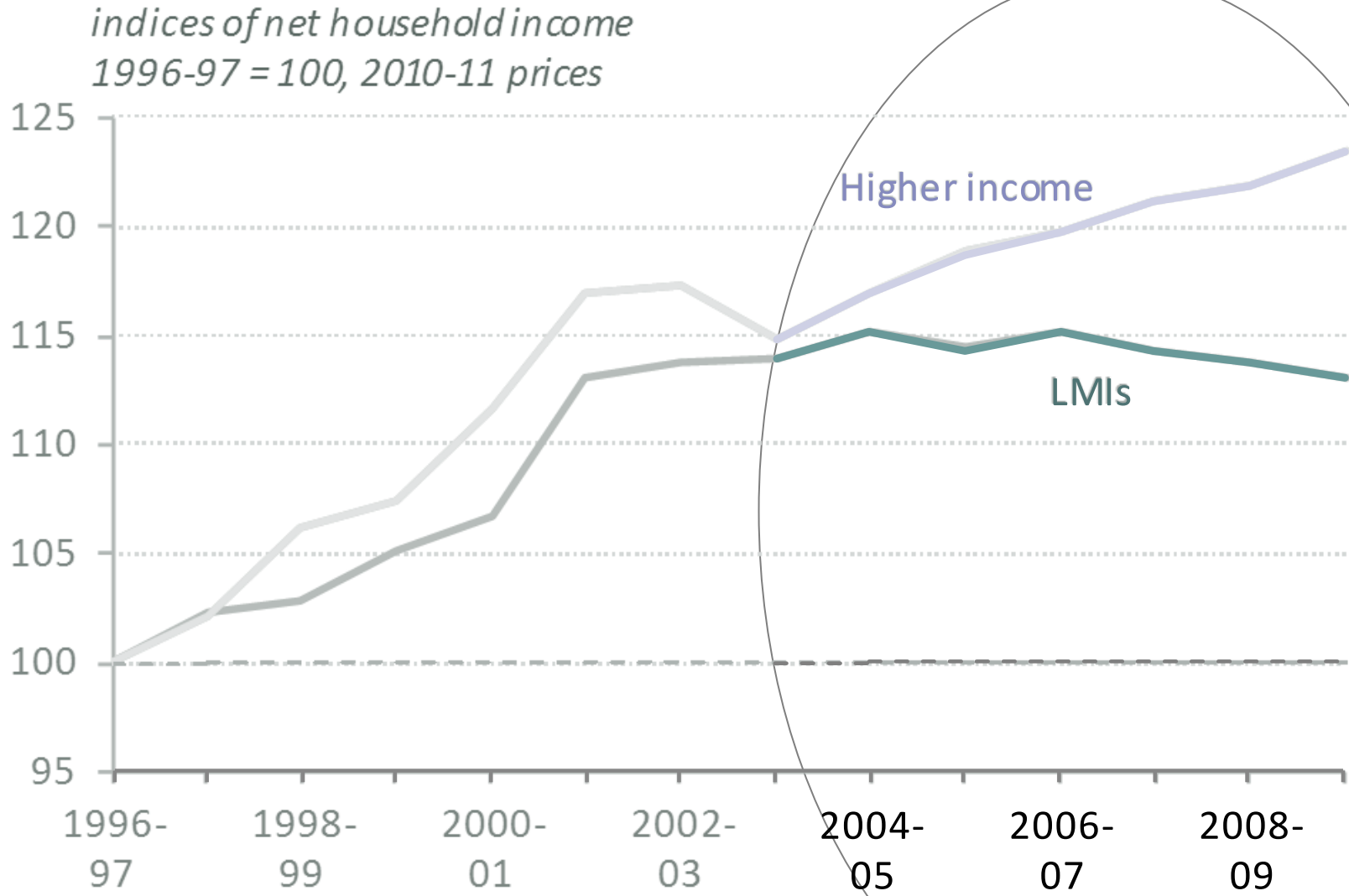


# The squeeze on incomes: a growing income gap

indices of net household income  
1996-97 = 100, 2010-11 prices

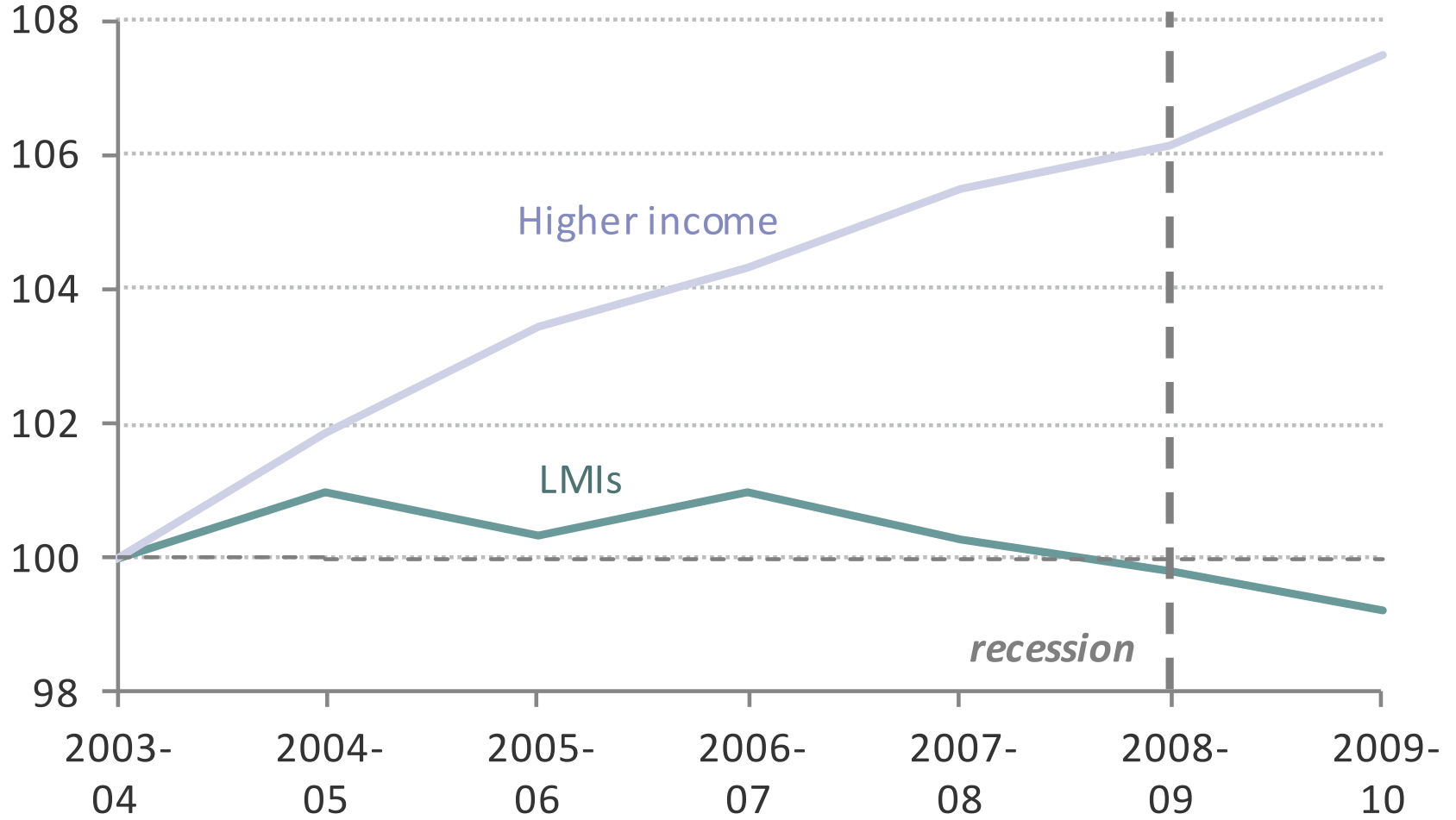


# The squeeze on incomes: a growing income gap



# The squeeze on incomes: pre-recession stagnation

indices of net household income  
2003-04 = 100, 2010-11 prices



# *The squeeze on incomes: what happened?*

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Losses 02-03 to 08-09

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Gains 02-03 to 08-09

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+£143

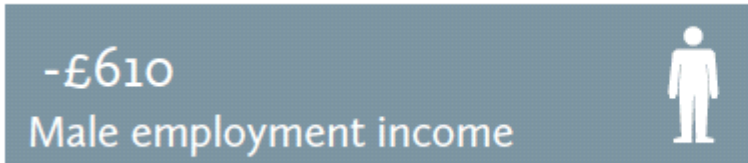
Total net  
income growth

# The squeeze on incomes: what happened?

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Losses 02-03 to 08-09

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Gains 02-03 to 08-09

---



# The squeeze on incomes: what happened?

---

Losses 02-03 to 08-09

---

Gains 02-03 to 08-09

---



+£581

Tax credits



+£135 Benefits

# The squeeze on incomes: what happened?

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Losses 02-03 to 08-09

---

Gains 02-03 to 08-09

---

Employment tax -£181

Deductions -£126

Other  
(inc. pensions & investments) -£30

+£25 Household composition

# *The squeeze on incomes: the importance of tax credits*



## *The squeeze on incomes: conclusions*

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- LMI household incomes flat pre-recession
- Gains in female earnings more than wiped out by losses in male earnings
- Incomes would have fallen in the absence of significant increases in tax credit payments

## *The squeeze on incomes: conclusions*

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- Recession hit hard, but came on top of an existing problem
- How has the decade-long squeeze affected LMI households?

# Life on a low to middle income



## *Life on a low to middle income*

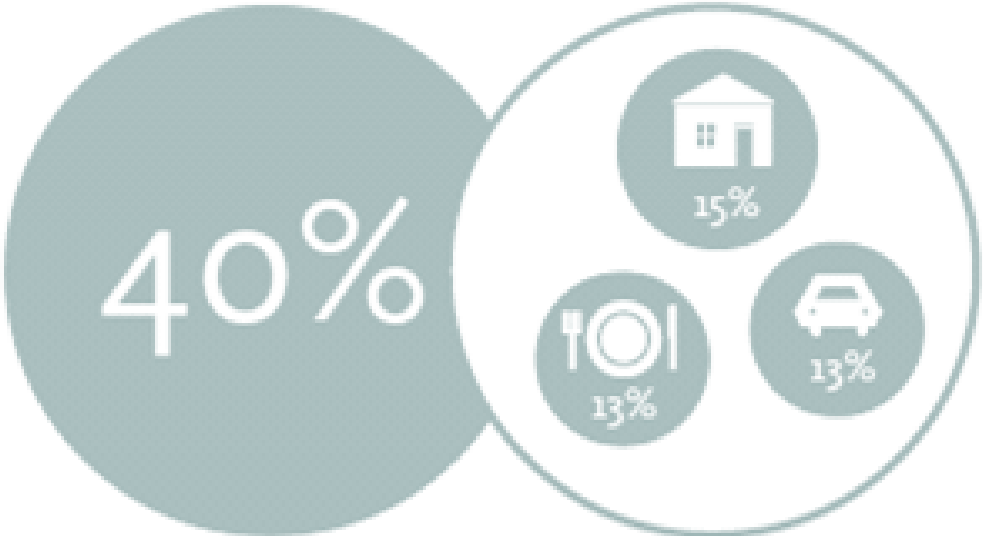
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- Spending and cost of living pressures
- Safety nets
- Bills and debts
- Access to homeownership
- Sustainability of homeownership

# Life on a low to middle income: spending pressures

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Low to middle income households

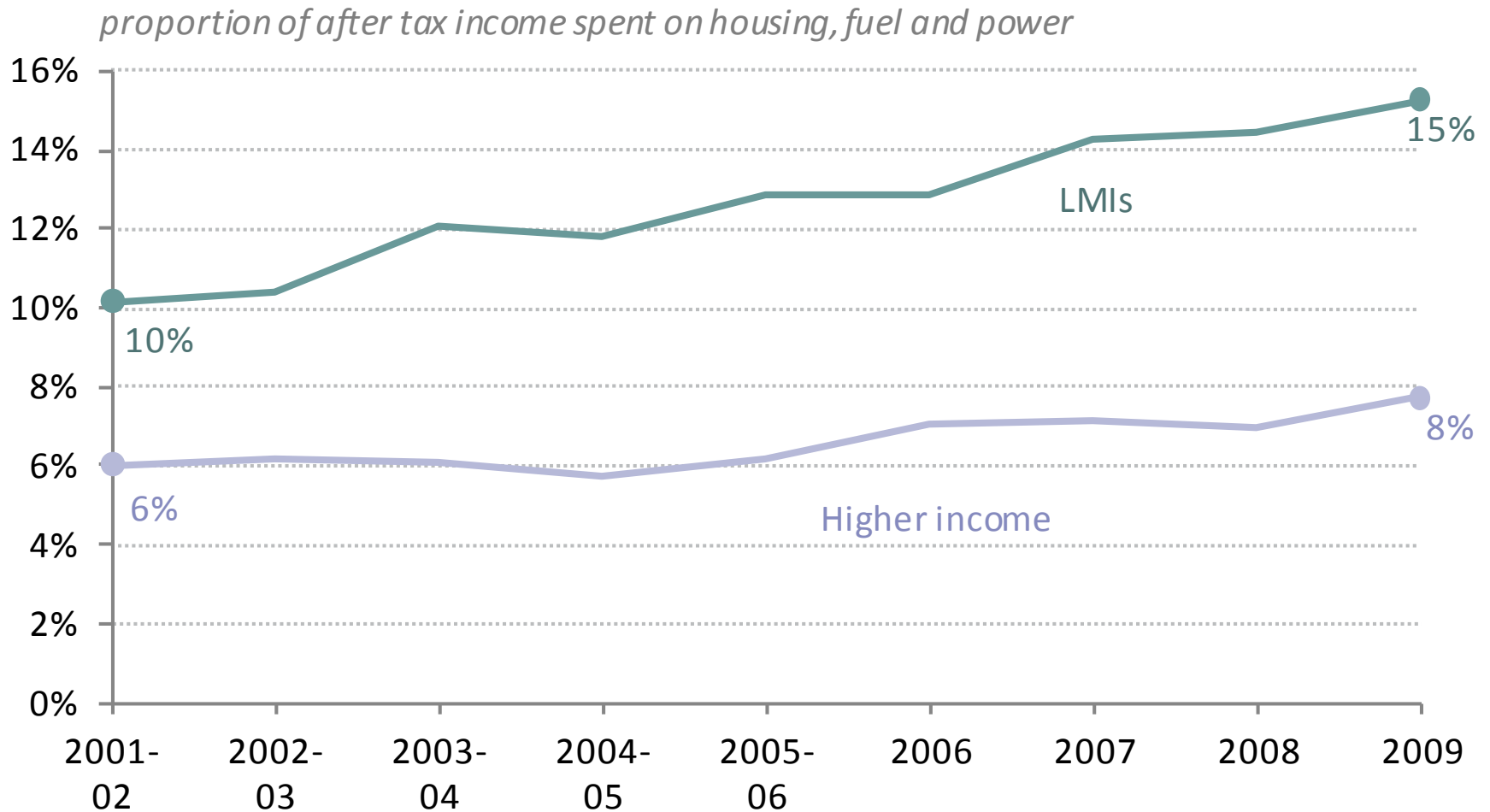


Higher Income households



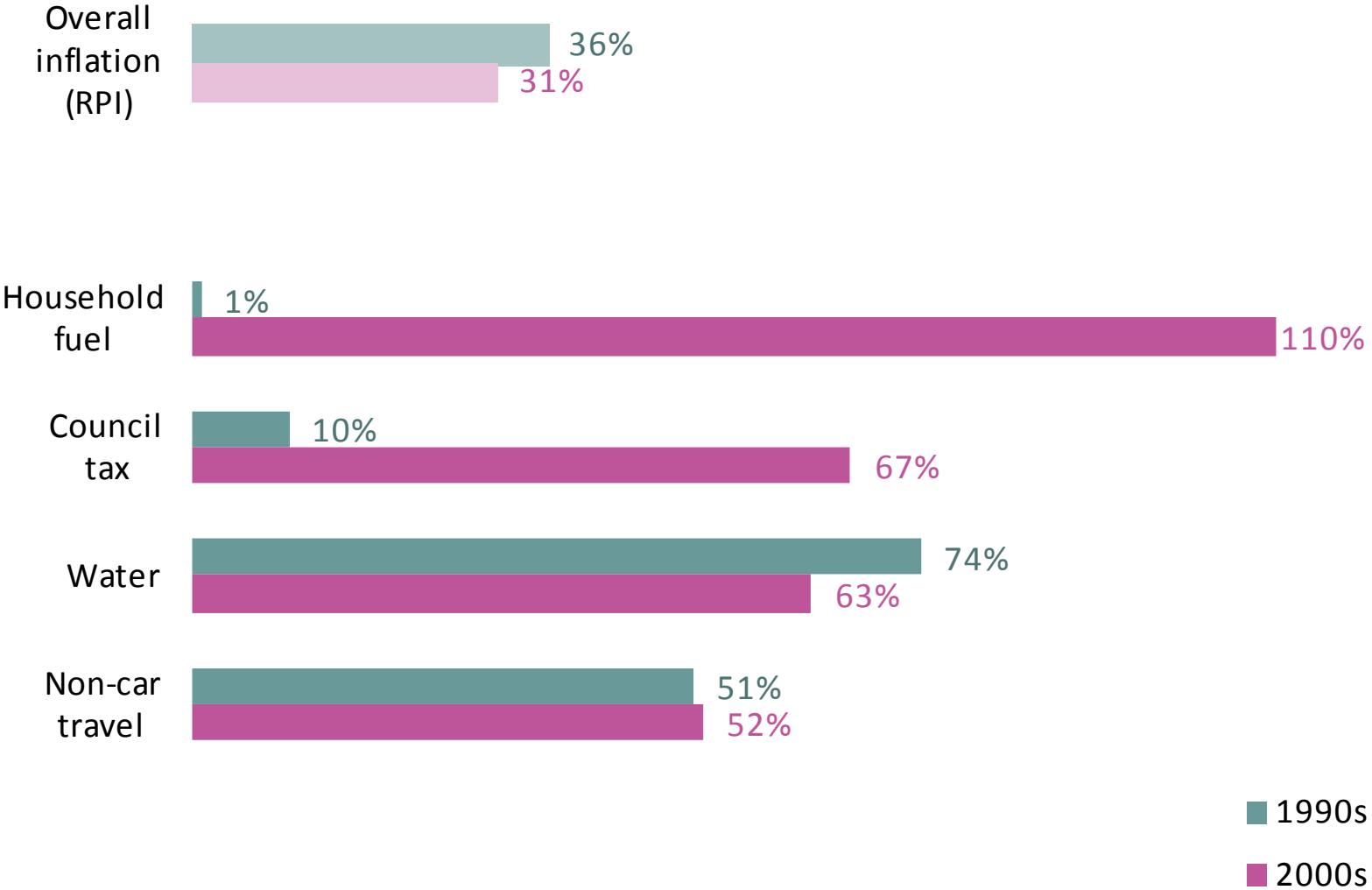
-  Housing and fuel
-  Food and drink
-  Transport

# Life on a low to middle income: spending pressures

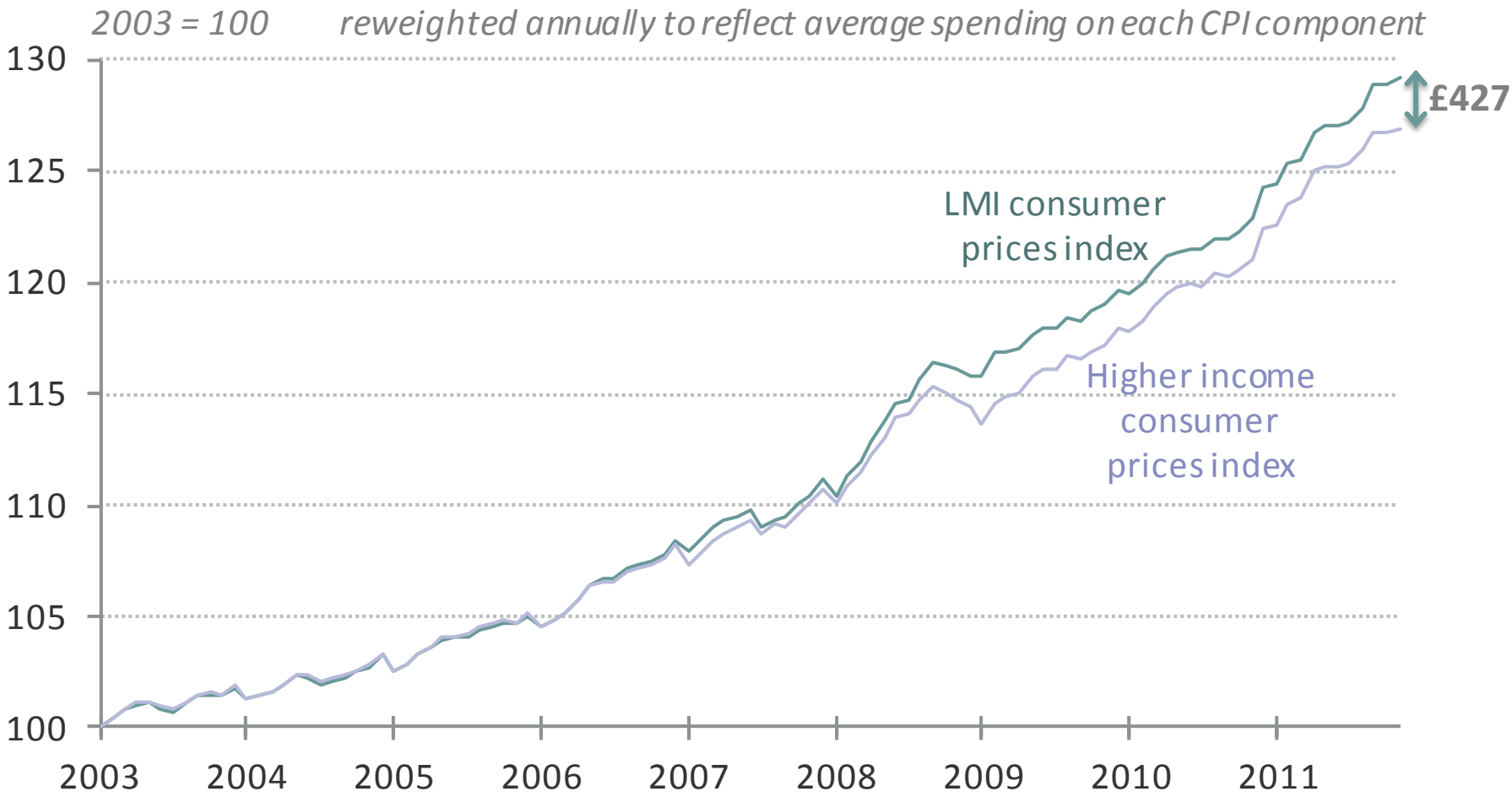


# Life on a low to middle income: spending pressures

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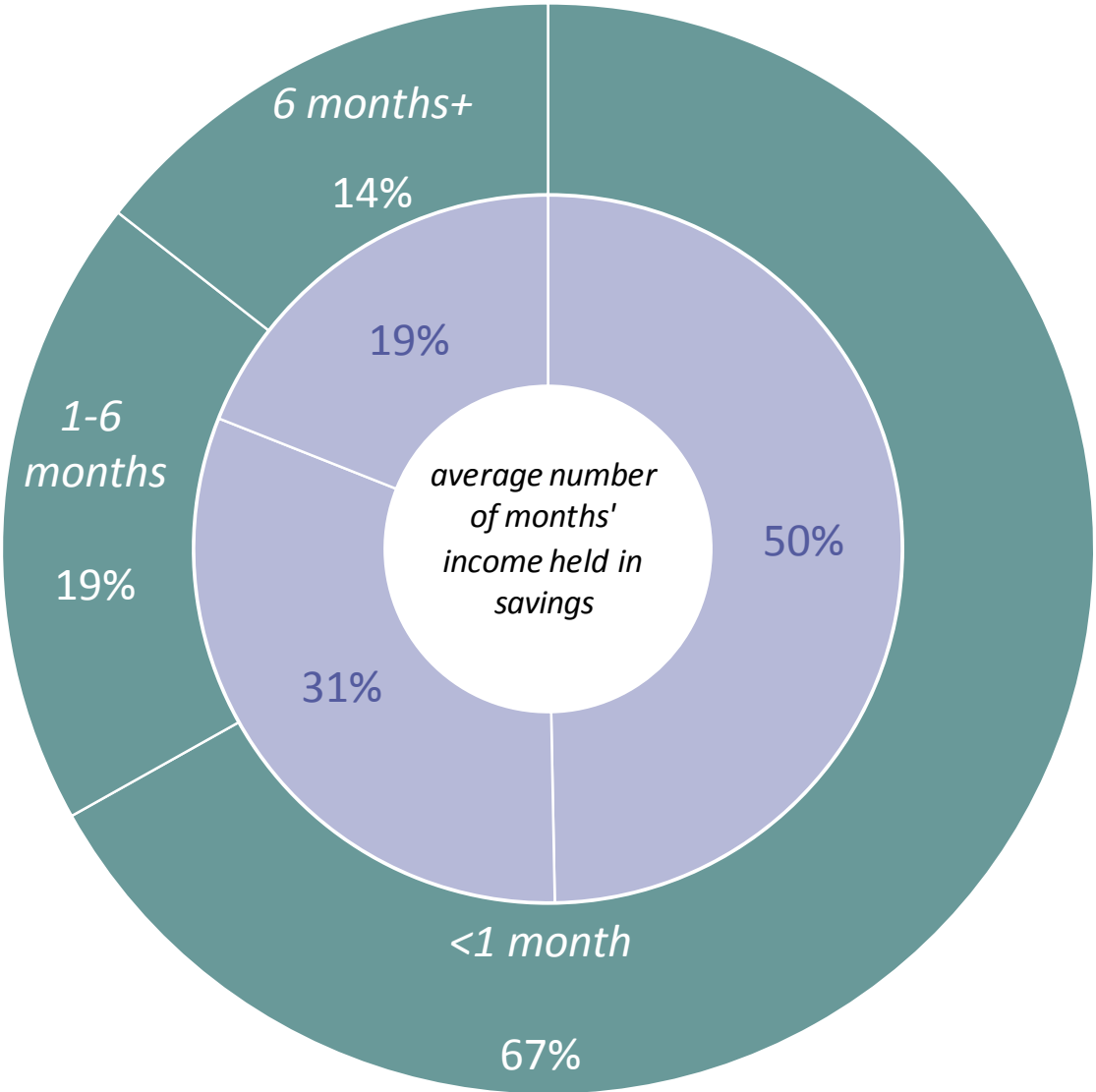


# Life on a low to middle income: spending pressures

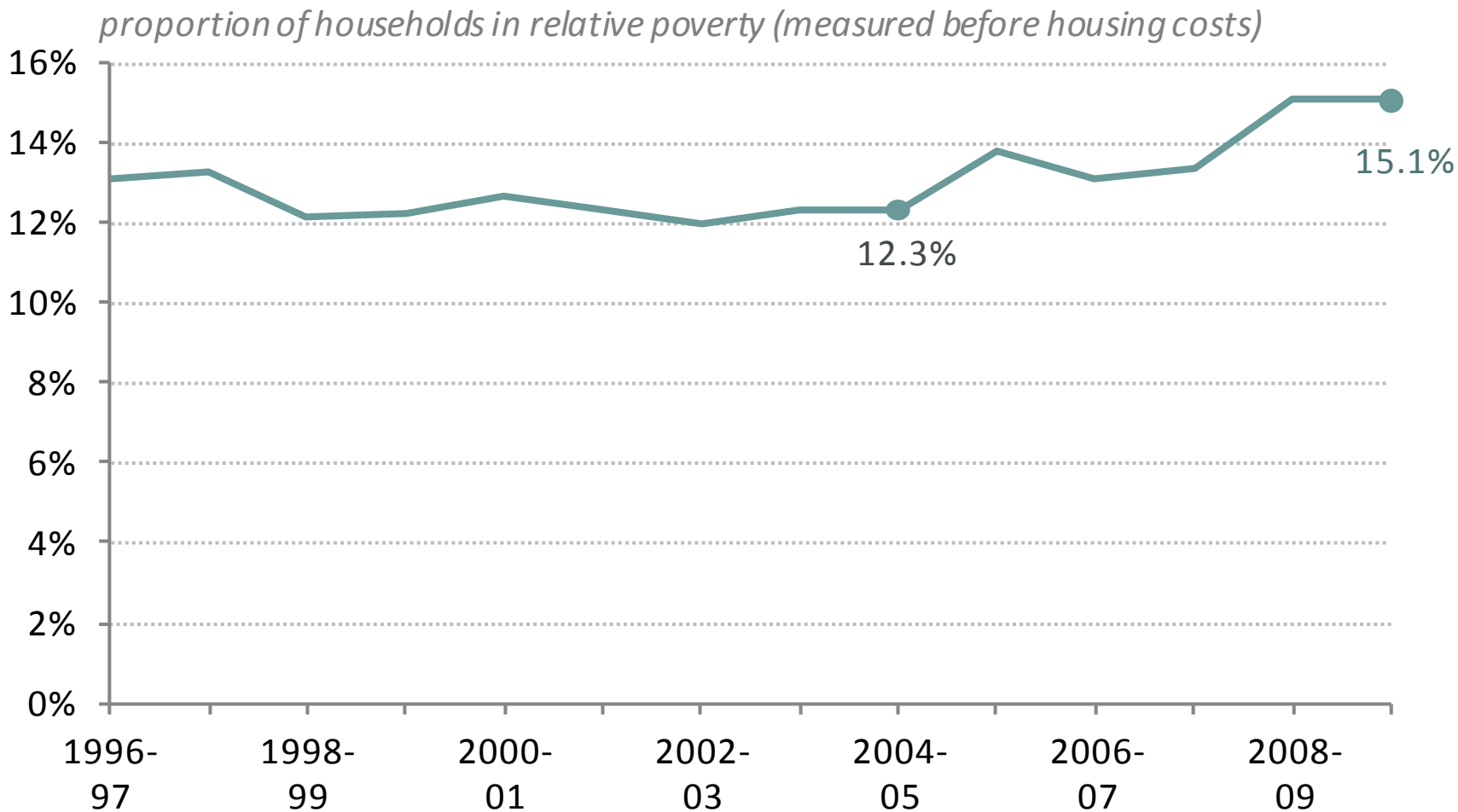


# *Life on a low to middle income: safety nets*

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# Life on a low to middle income: poverty & deprivation

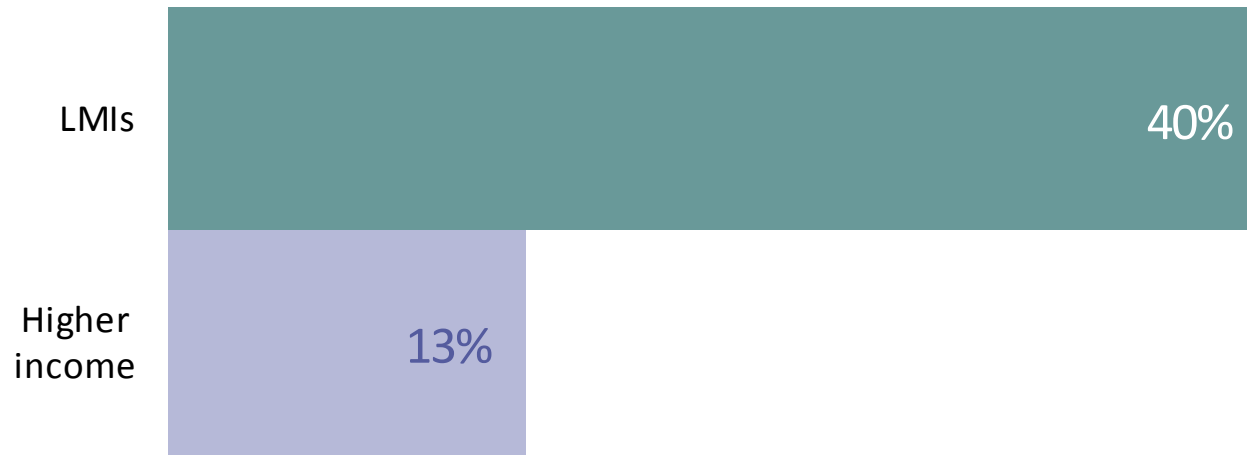


# *Life on a low to middle income: poverty & deprivation*

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*Proportion who would like, but cannot afford...*

*...to replace any worn out furniture*



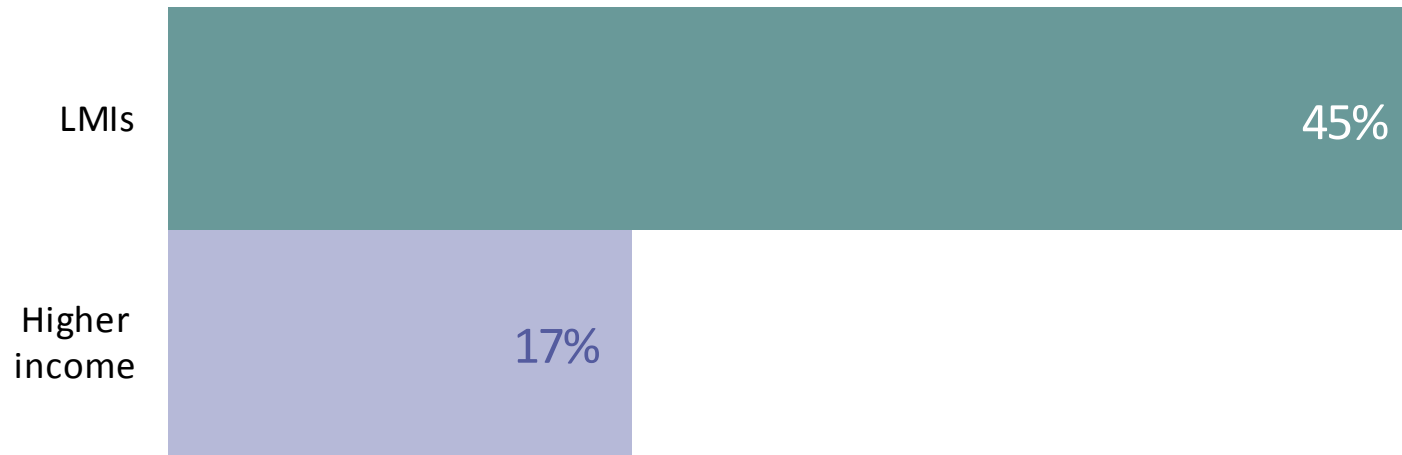
*from the day-to-day...*

# *Life on a low to middle income: poverty & deprivation*

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*Proportion who would like, but cannot afford...*

*...to holiday away from home at least once a year*

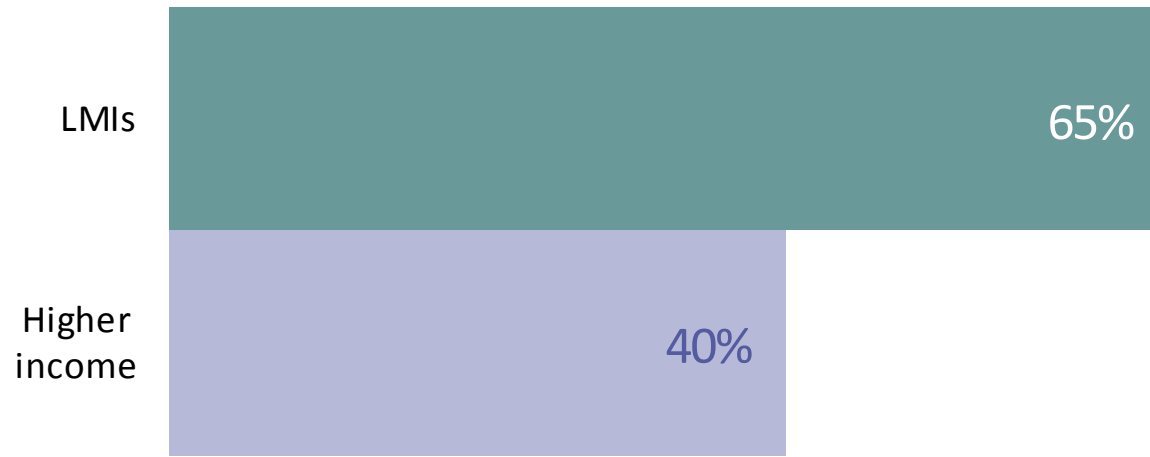


*to the more aspirational*

# *Life on a low to middle income: safety nets*

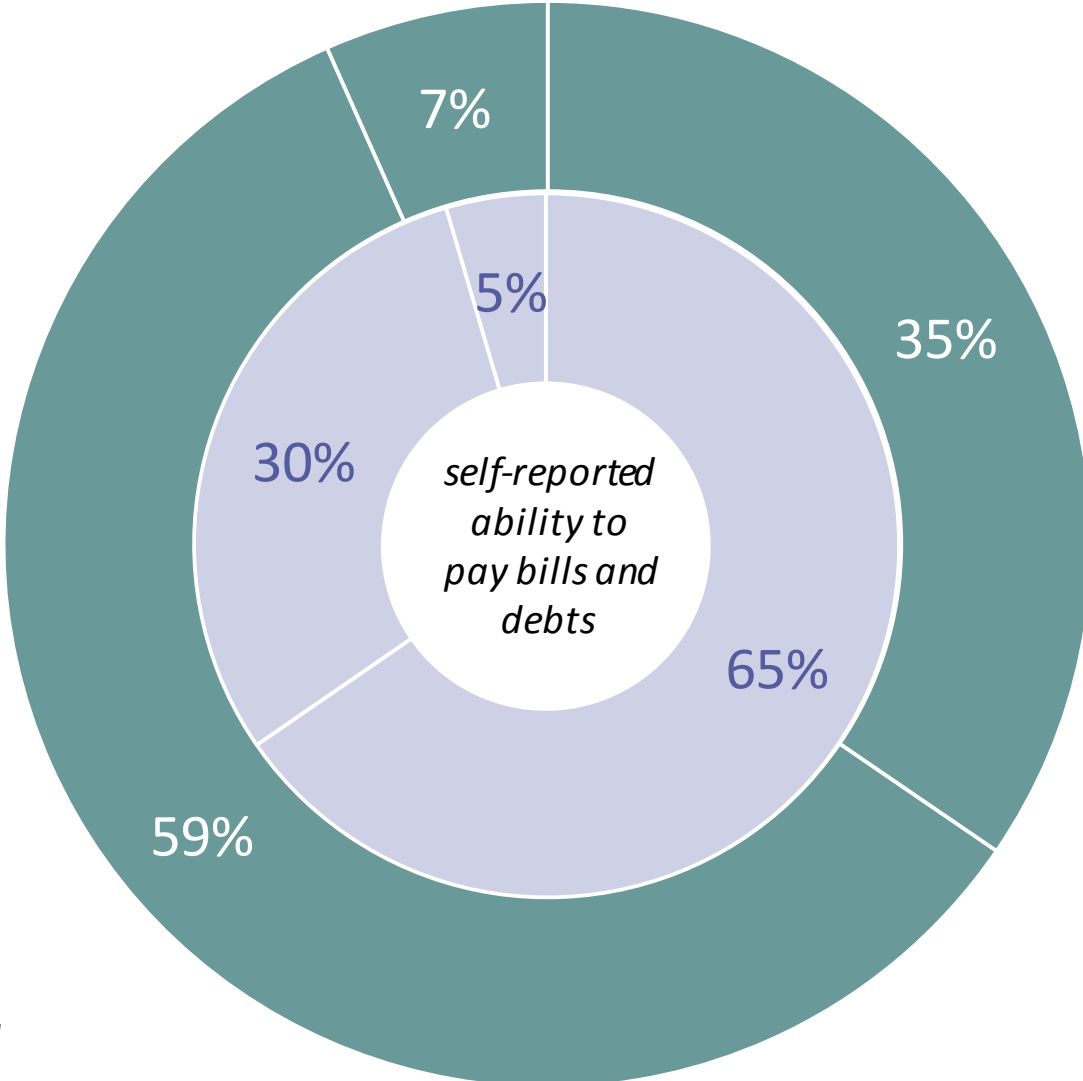
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*proportion of adults with no/frozen pension*



*Life on a low to middle income: bills and debts*

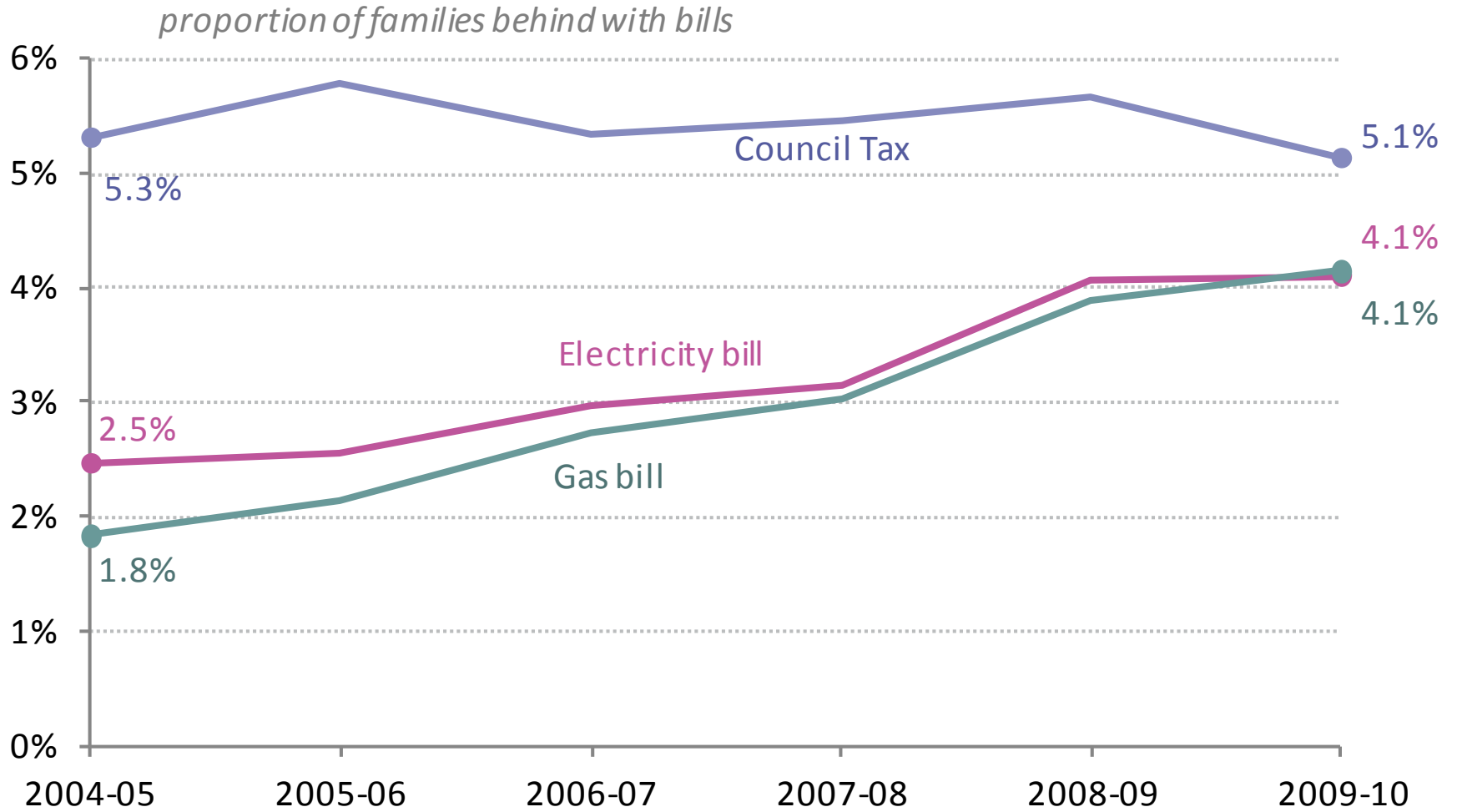
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*Fallen behind*

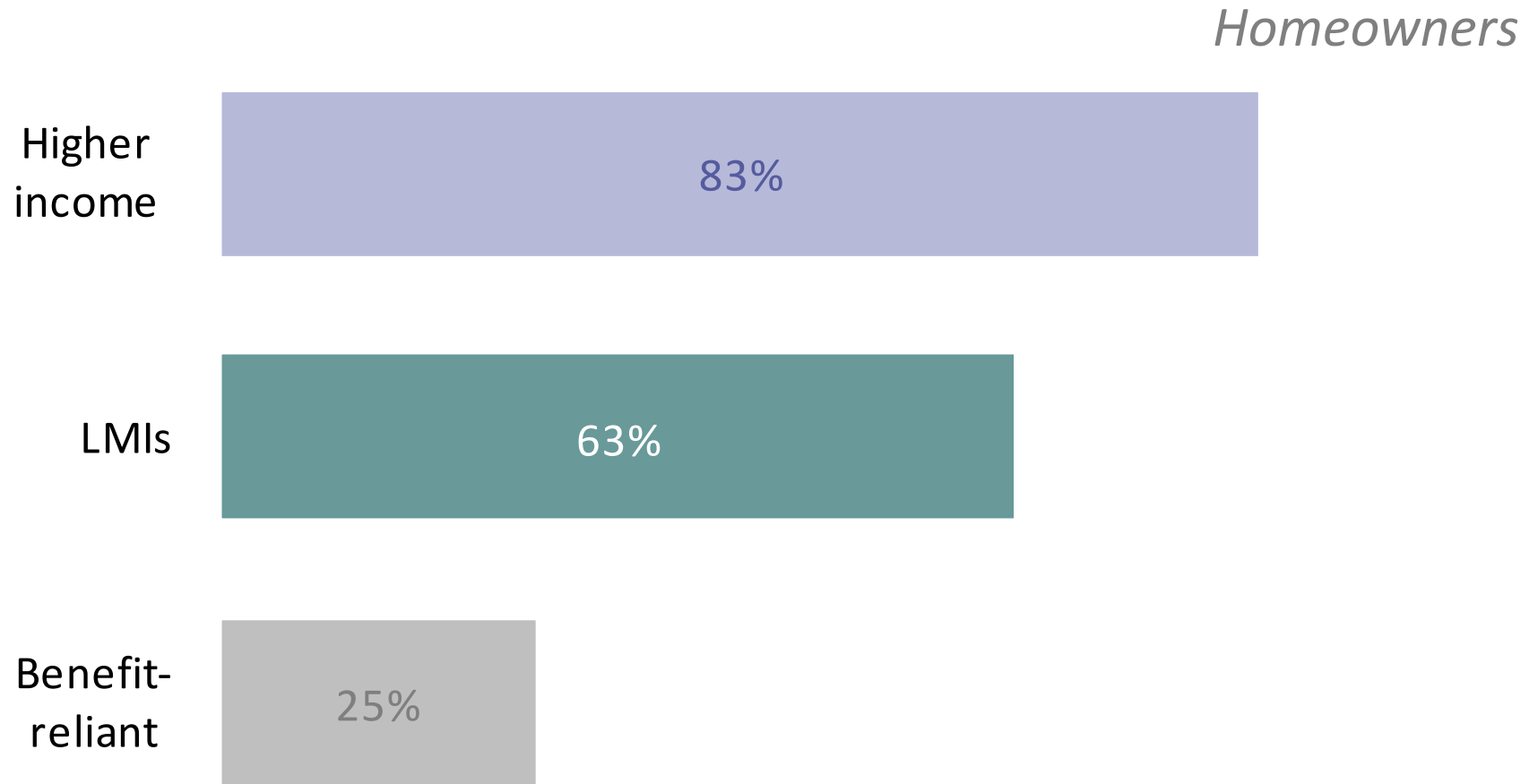
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# Life on a low to middle income: bills and debts



# *Life on a low to middle income: housing tenure*

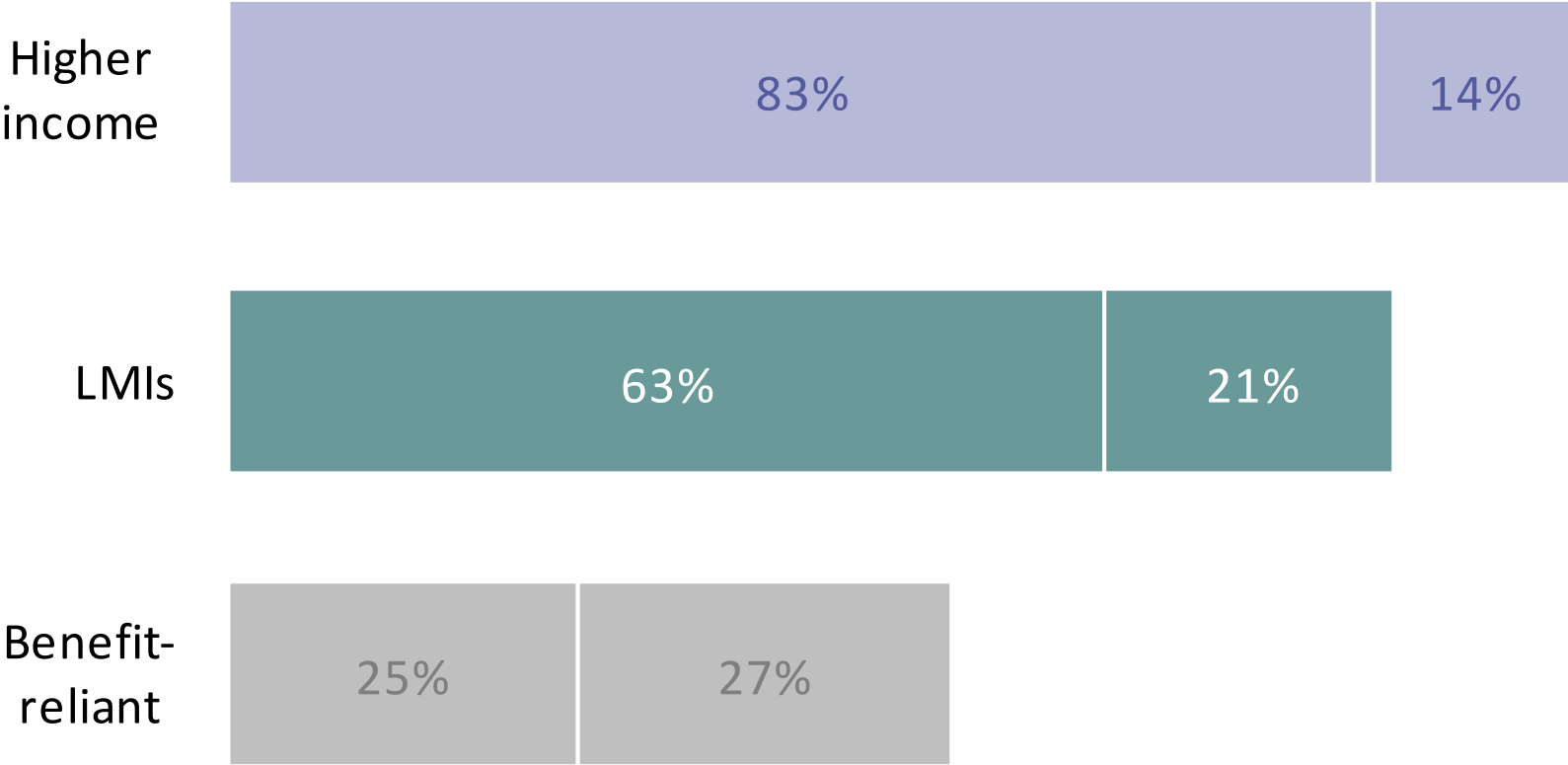
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# Life on a low to middle income: housing tenure

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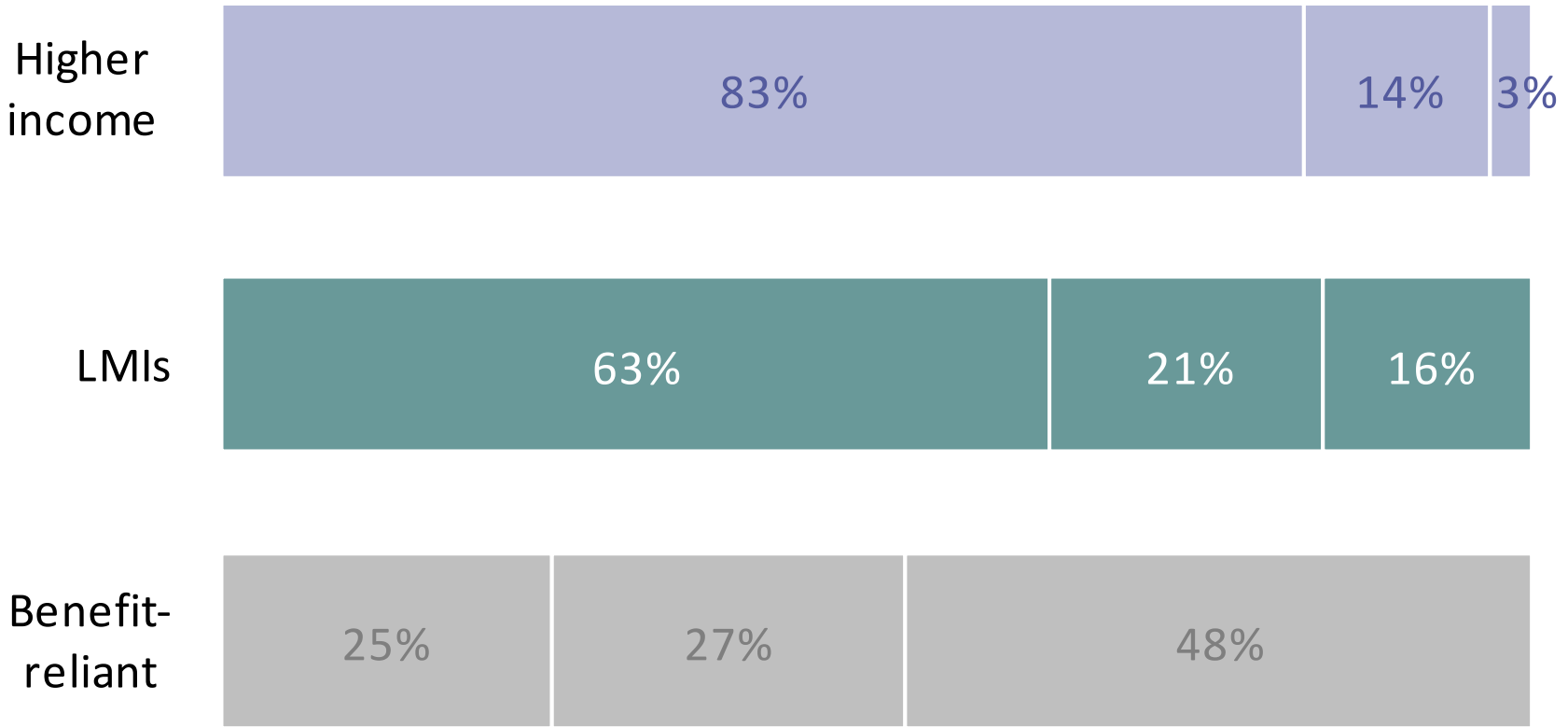
*Private renting*



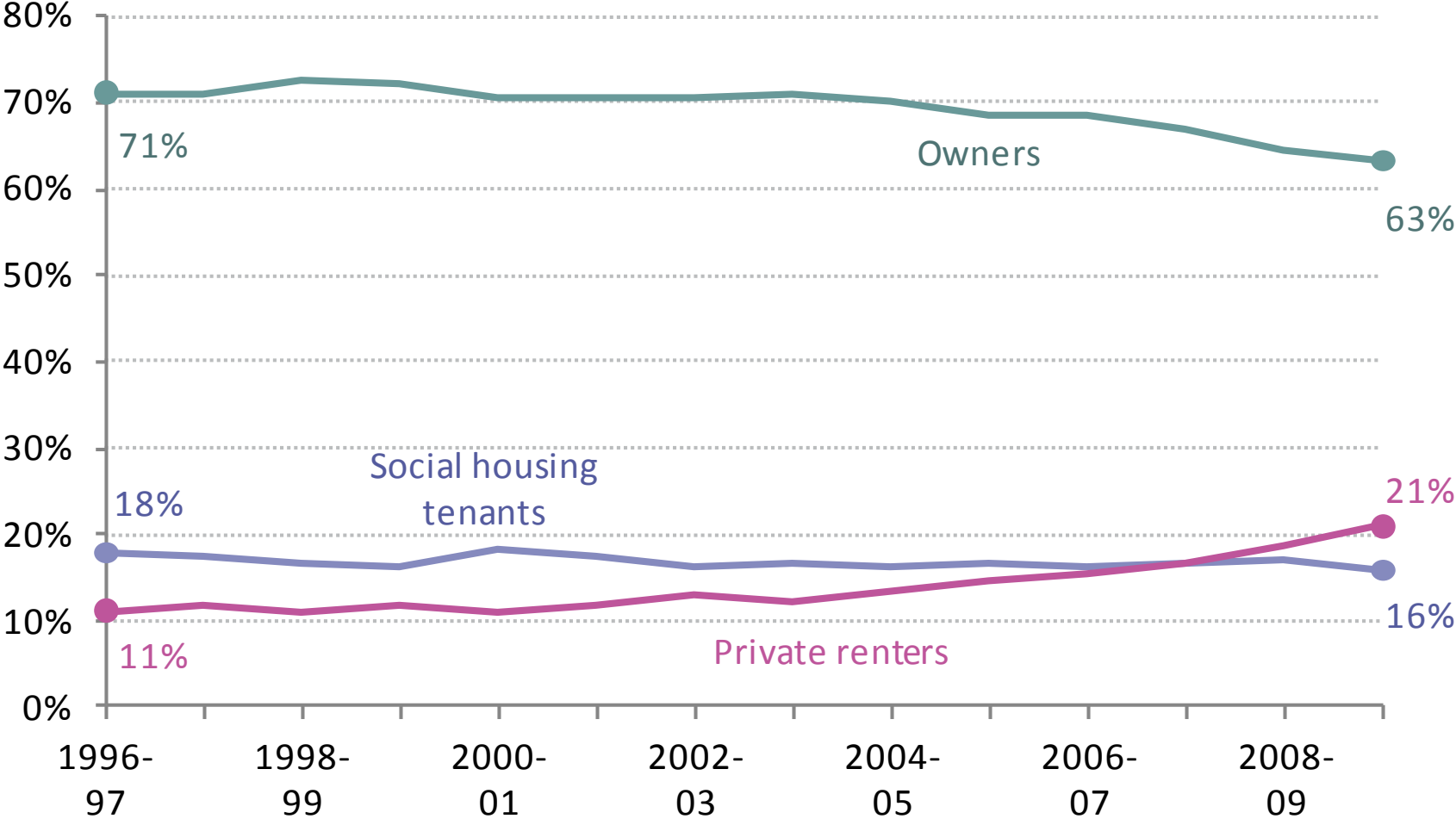
# Life on a low to middle income: housing tenure

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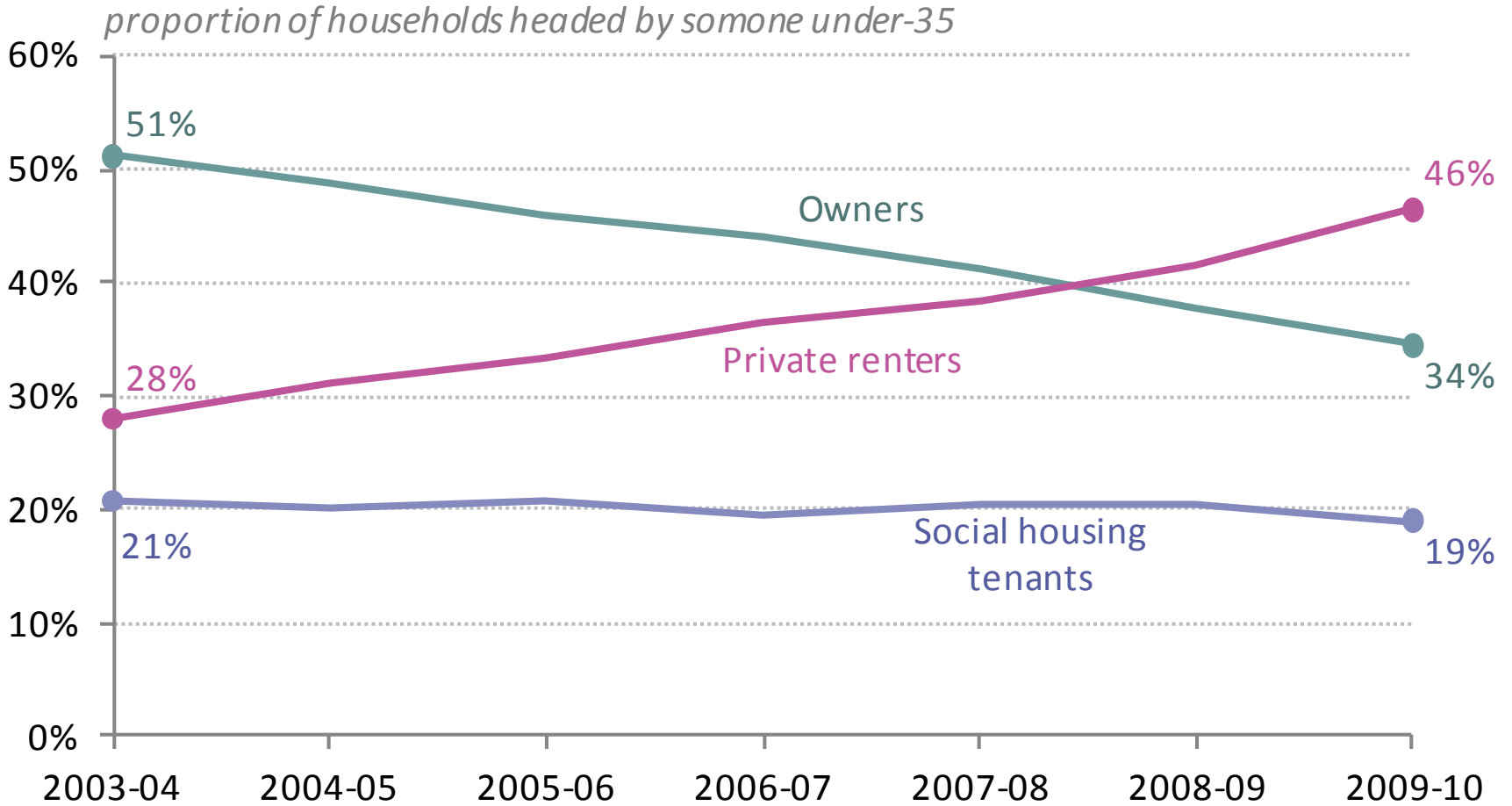
*Social housing*



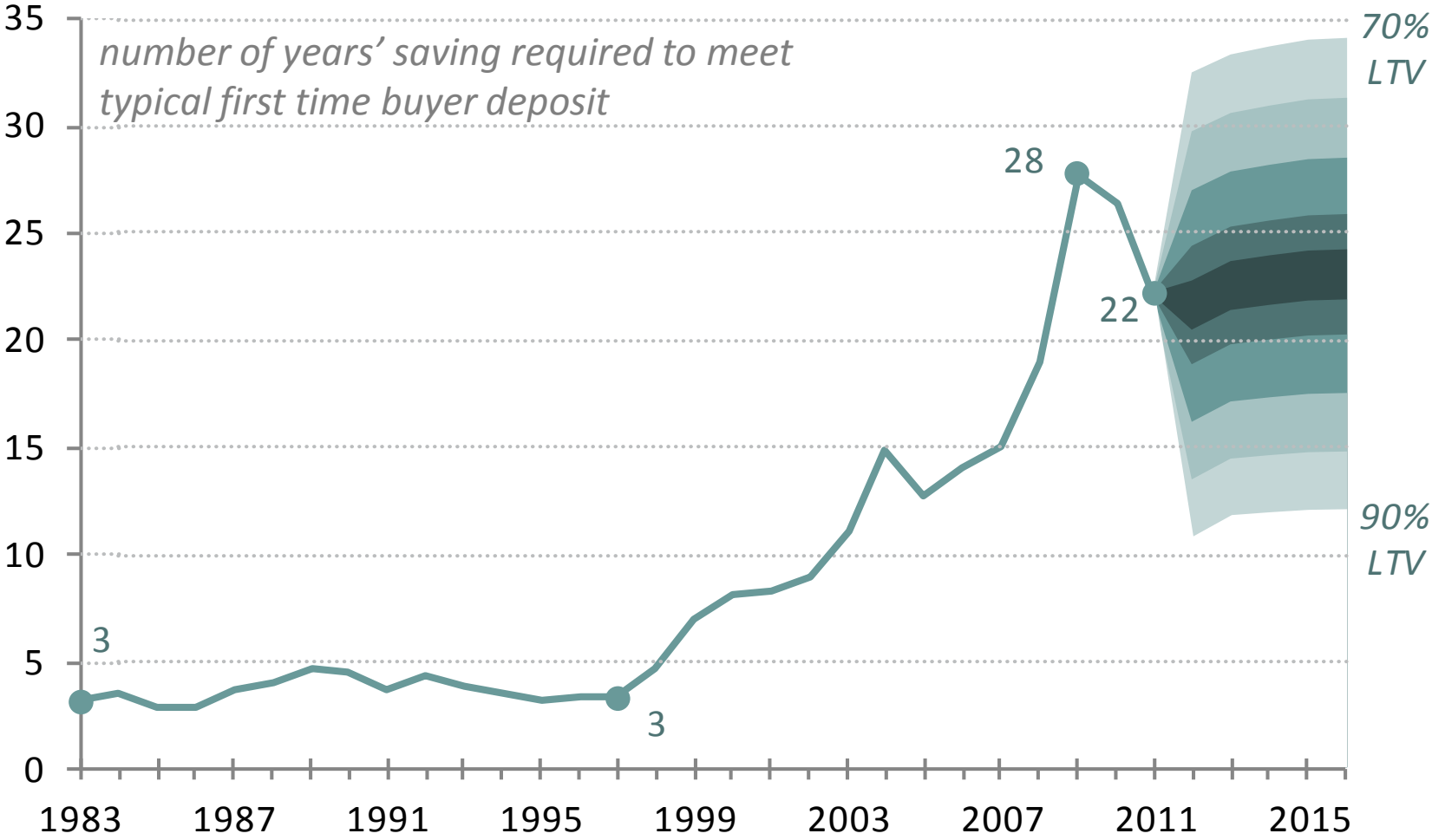
# Life on a low to middle income: shift to renting



# Life on a low to middle income: shift to renting



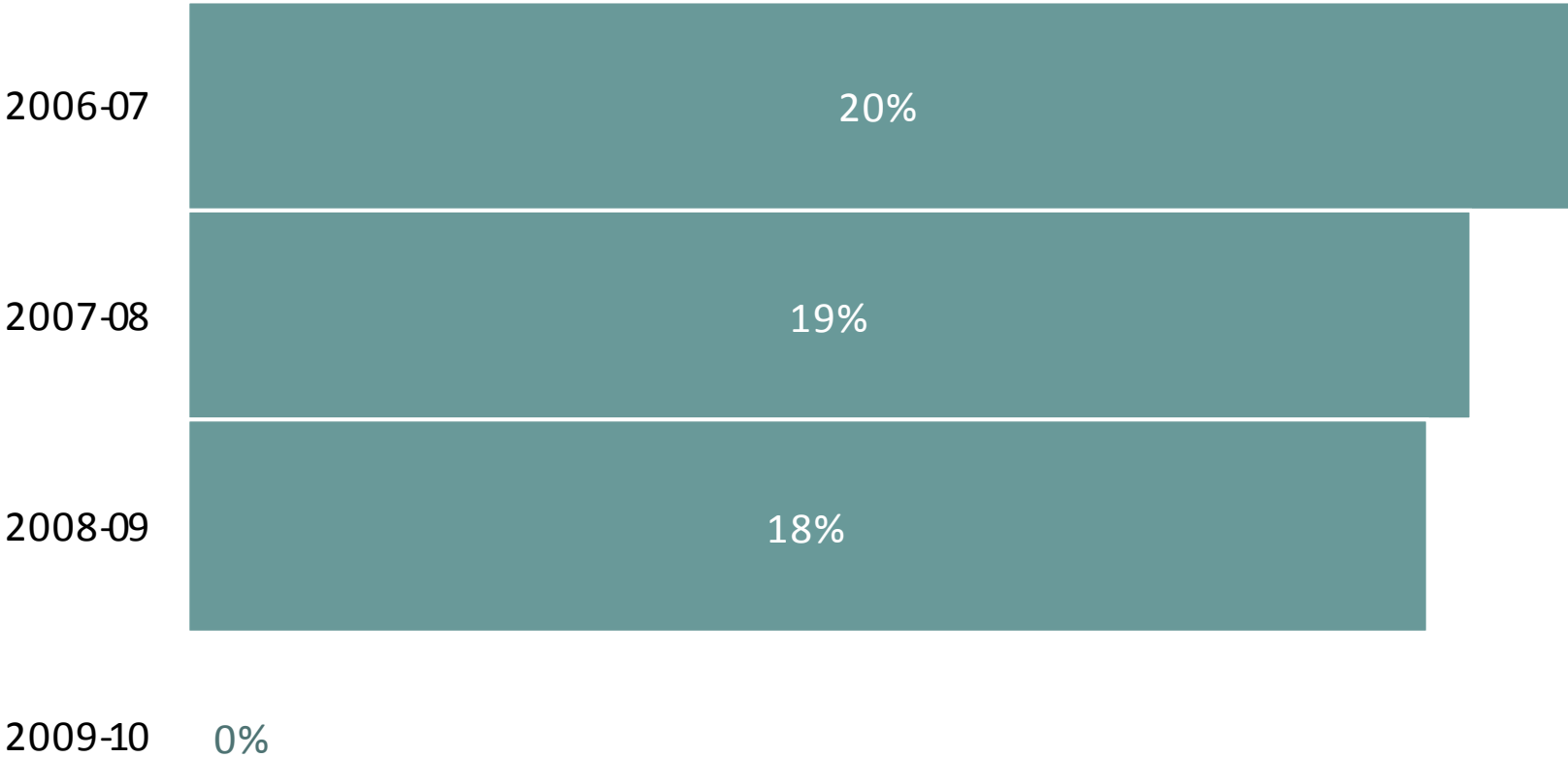
# Life on a low to middle income: access to ownership



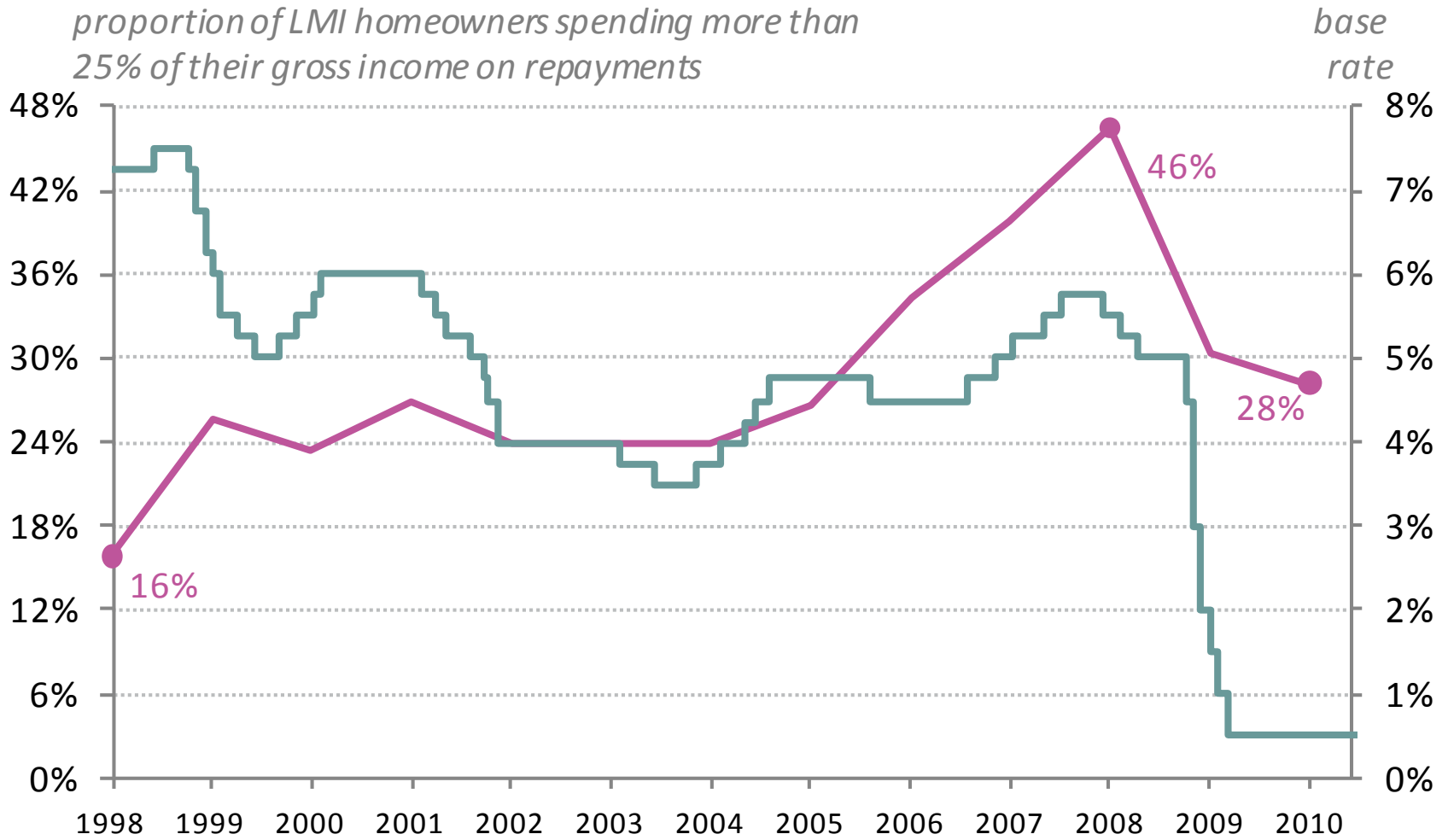
# *Life on a low to middle income: access to ownership*

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*proportion of first time buyers relying on 100% mortgage*



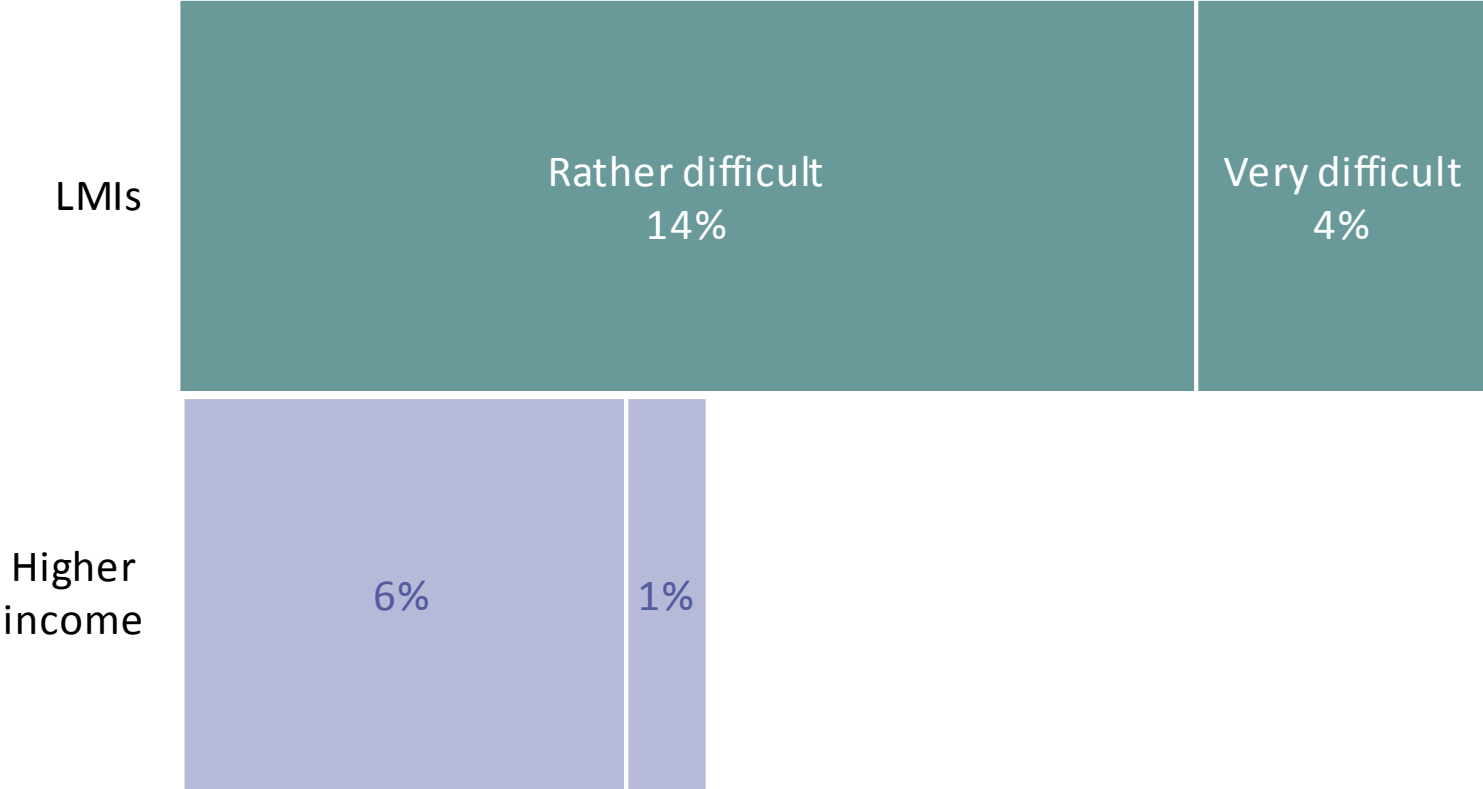
# Life on a low to middle income: mortgage burden



# Life on a low to middle income: mortgage burden

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*proportion of all mortgagors having difficulty keeping up with repayments*



# *Life on a low to middle income: housing satisfaction*

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*Proportion in tenure disagreeing with assessment that current tenure is 'good' option*



## *Life on a low to middle income: conclusions*

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- Live at the edge of their means, with increases in the cost of essentials hitting them particularly hard
  - Struggling to get by and lack safety nets to fall back on, with inadequate long and short term savings
  - Previously attainable aspirations moving out of reach, with home owning looking increasingly unlikely
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## *Life on a low to middle income: conclusions*

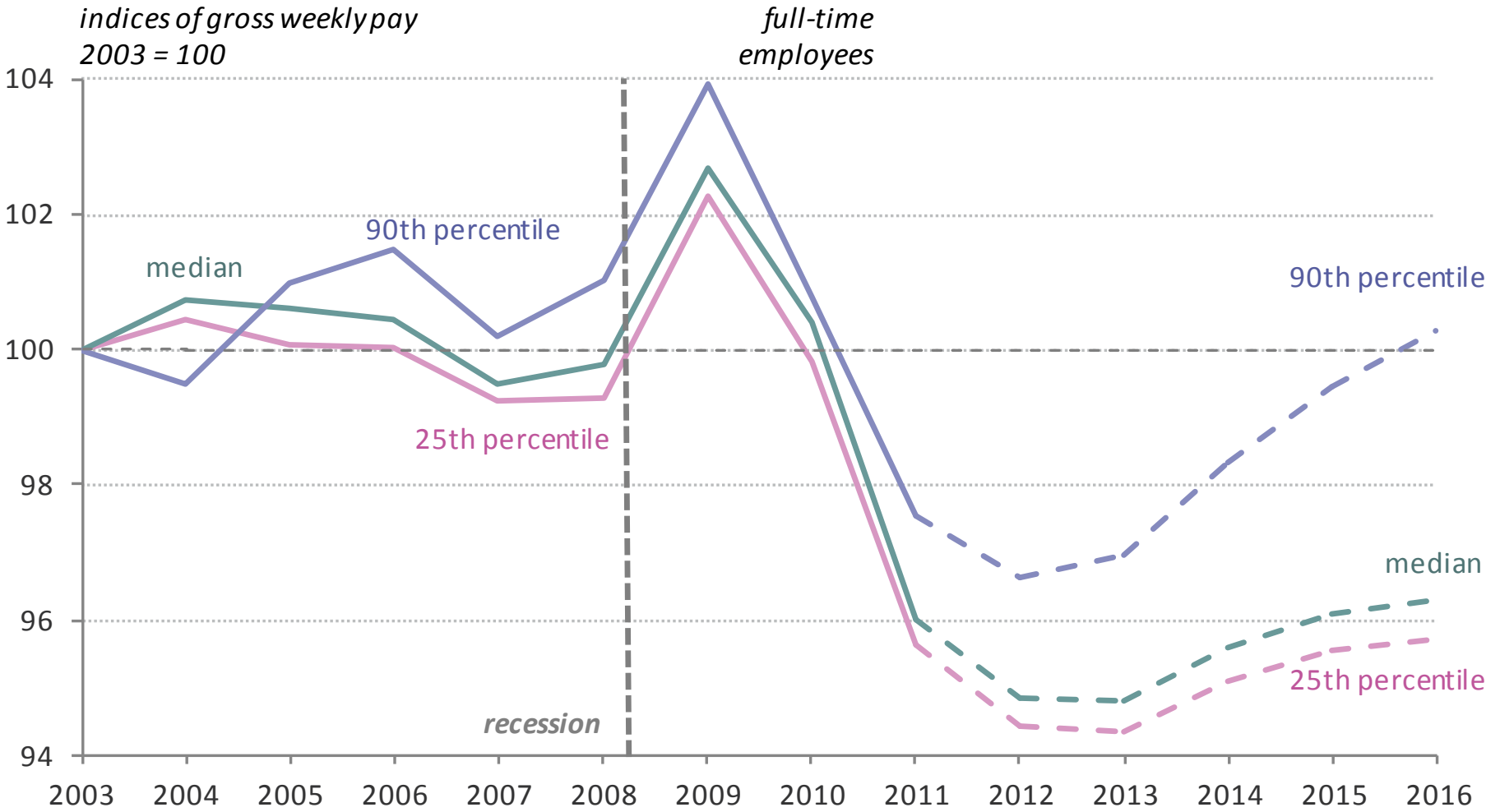
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- For those who *are* on the housing ladder, mortgage repayments frequently represent a burden despite the historically low base rate
- Pressures were growing even before the start of recession
- So what does the future hold?

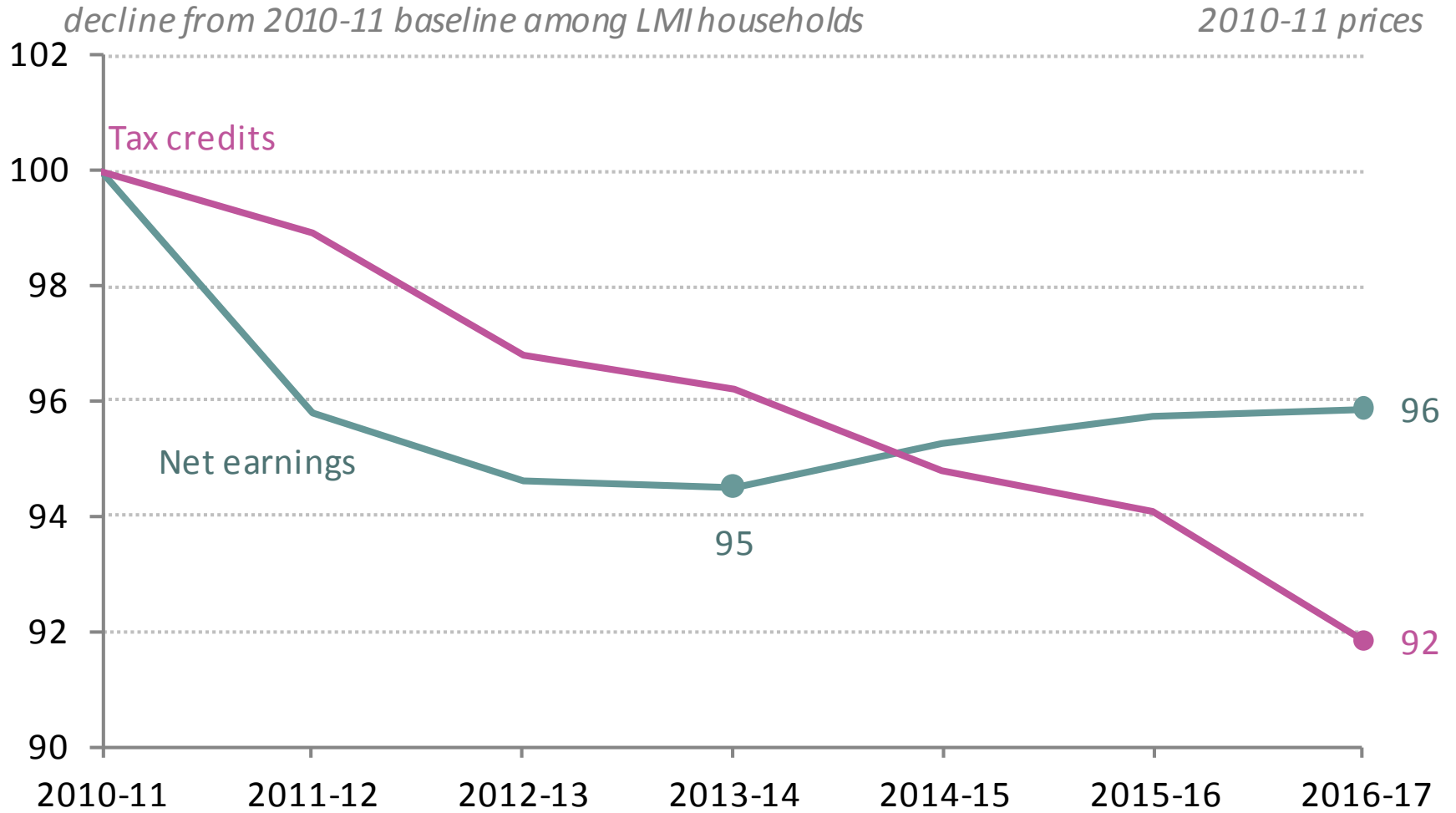
# The squeeze continues



# The squeeze continues: earnings projections

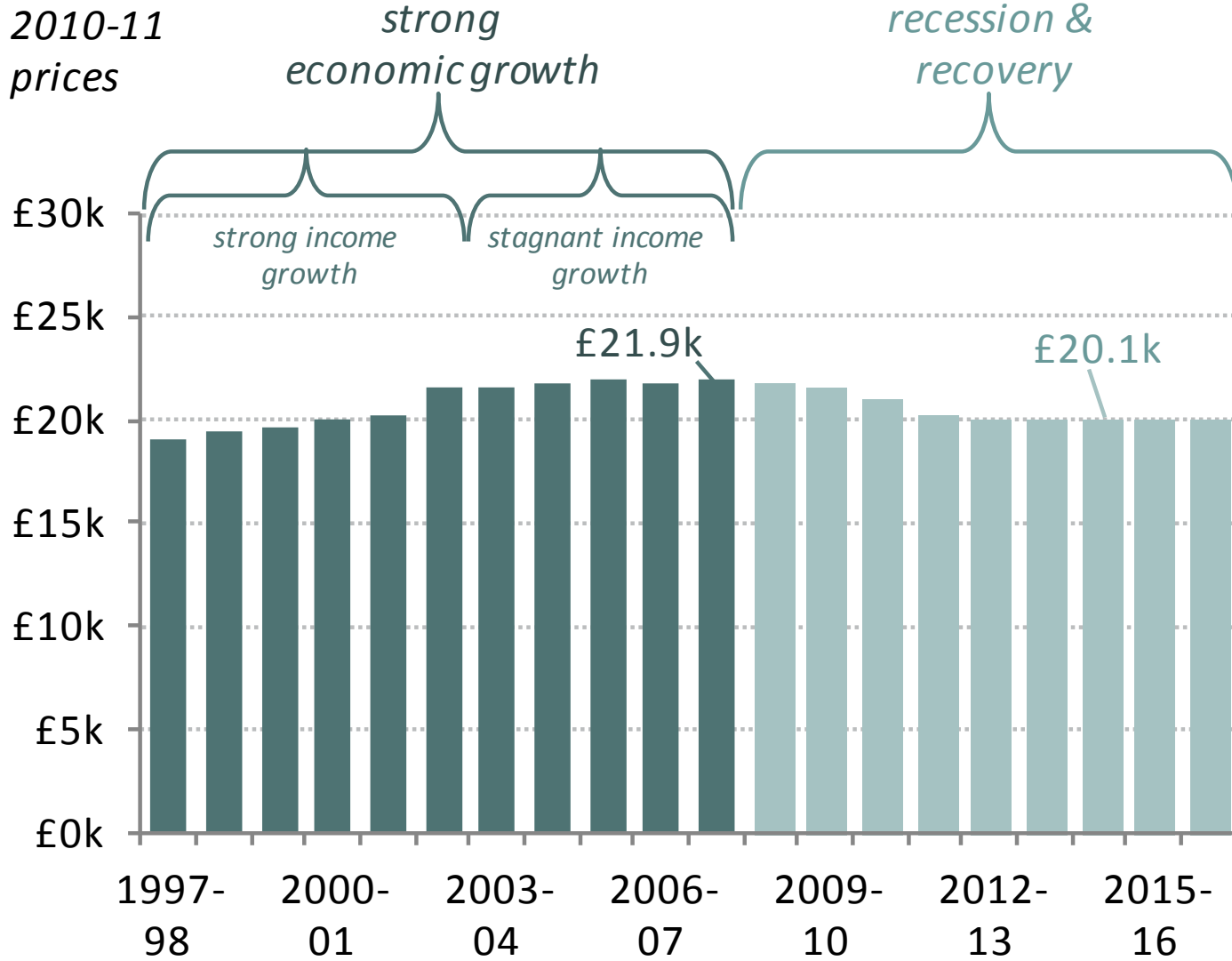


# The squeeze continues: the growing tax credit impact

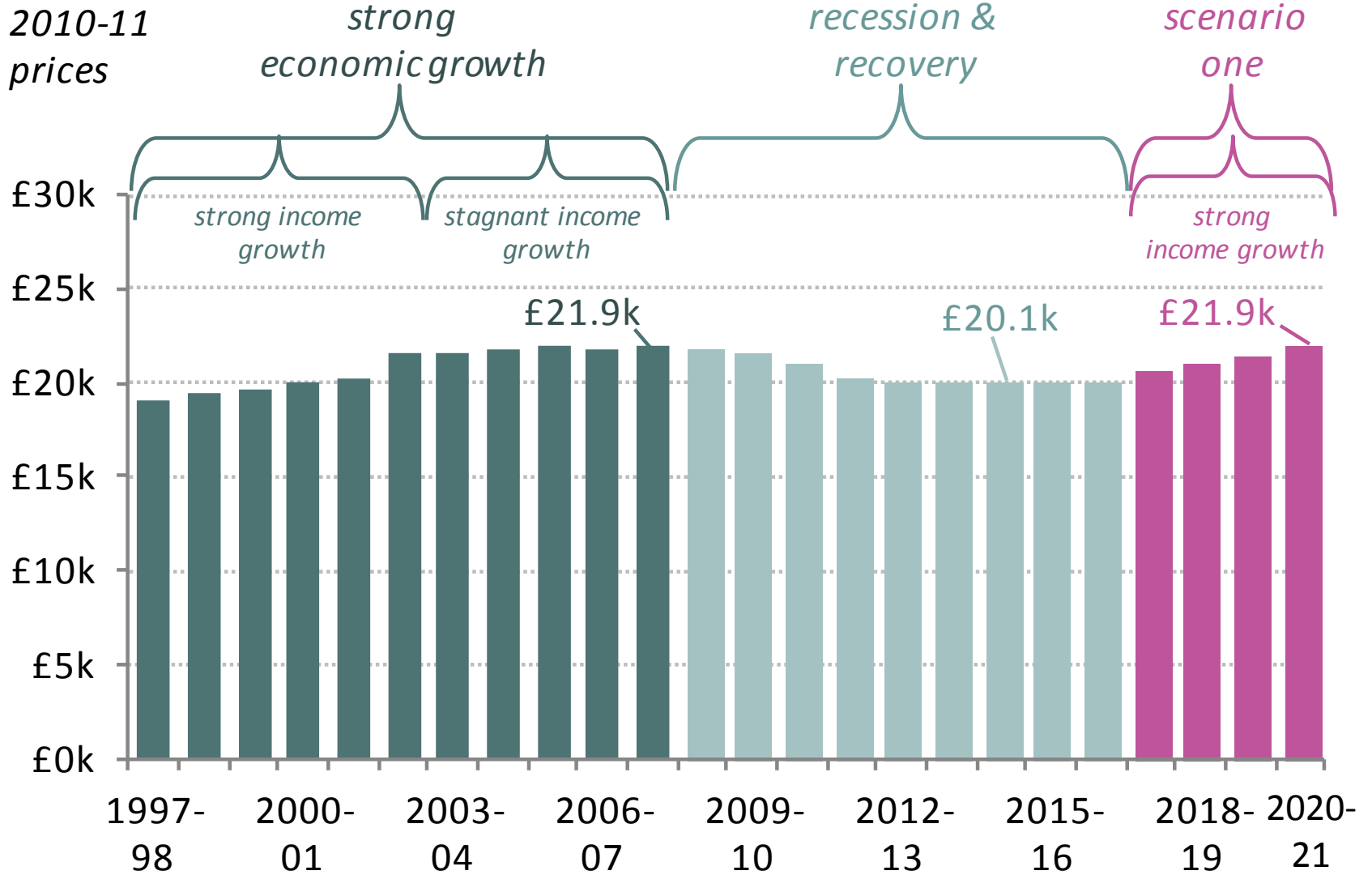


# The squeeze continues: income projections

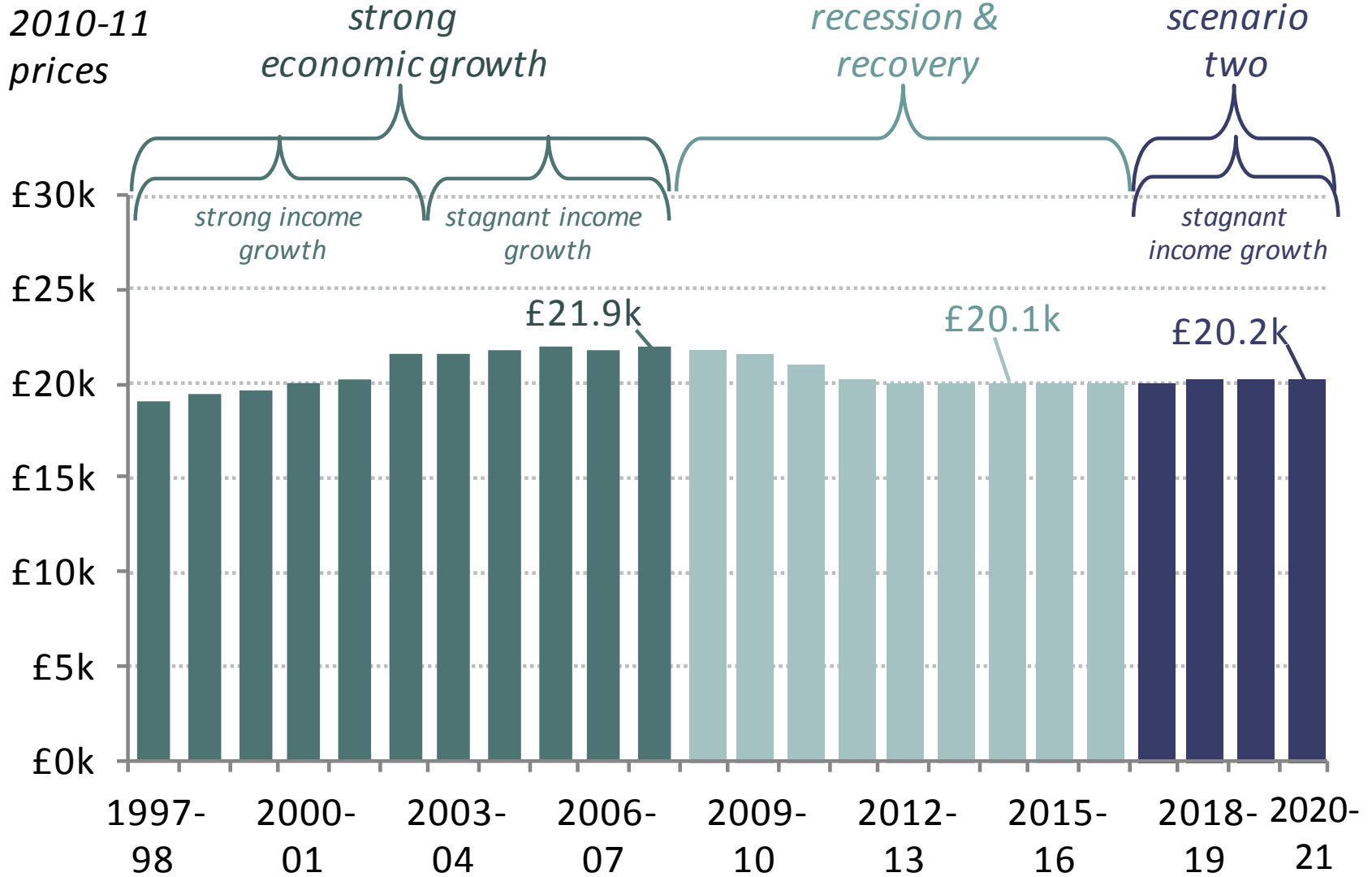
2010-11  
prices



# The squeeze continues: income projections



# The squeeze continues: income projections



## *The squeeze continues: conclusions*

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- Under both scenarios, LMI living standards gap between gets bigger
- ‘Stagnant income growth’ scenario would result in *absolute* declines for LMIs
- Return to economic growth alone is not enough
- The squeeze on living standards set to stay high on the agenda for many years to come

To find out if you're part of  
Squeezed Britain go to  
[www.livingstandards.org](http://www.livingstandards.org)



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Essential Guide to

# Squeezed Britain



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