

EMBARGOED 00.01 FRIDAY 27 MAY

RECOVERY RISKS LEAVING ORDINARY WORKERS BEHIND

The living standards of people on low to middle incomes were already faltering prior to the recession, and it is no longer safe to assume they will rise when steady economic growth returns, according to new analysis by the independent think tank the Resolution Foundation.

The major new report, *Growth without gain?*, reveals that even during the boom years, people on low to middle incomes were losing out:

- from 2003-2008 median wages flat-lined and disposable income per head actually fell in every English region outside of London, despite economic growth of 11%
- housing costs continued to hit hard as one in three first time buyers on a low to middle income relied on a 100% mortgage in 2009, and the proportion under 35 and renting trebled from 1988 to 2008
- since 2006, those on low to middle incomes have faced as much as a 1% higher inflation rate on their cost of living than those on higher incomes

The report questions whether a return to growth will bring real benefits to ordinary workers, revealing that average pay is set to be no higher in 2015 than in 2001. The combined force of stagnating wages, high levels of personal debt, and a declining share of 'middle skilled' jobs are set to continue to bear down on living standards, alongside more immediate pressures including cuts to tax credits.

The report is the first for the new Commission on Living Standards, set up by the Resolution Foundation to look at the pressures facing people on low to middle incomes in Britain today and over the next decade.

James Plunkett, author of the report said "We all know that the recession has hit living standards hard. But something deeper has changed in our economy – even during the so called boom years, ordinary workers weren't seeing their living standards rise. The big question now is what will happen when growth

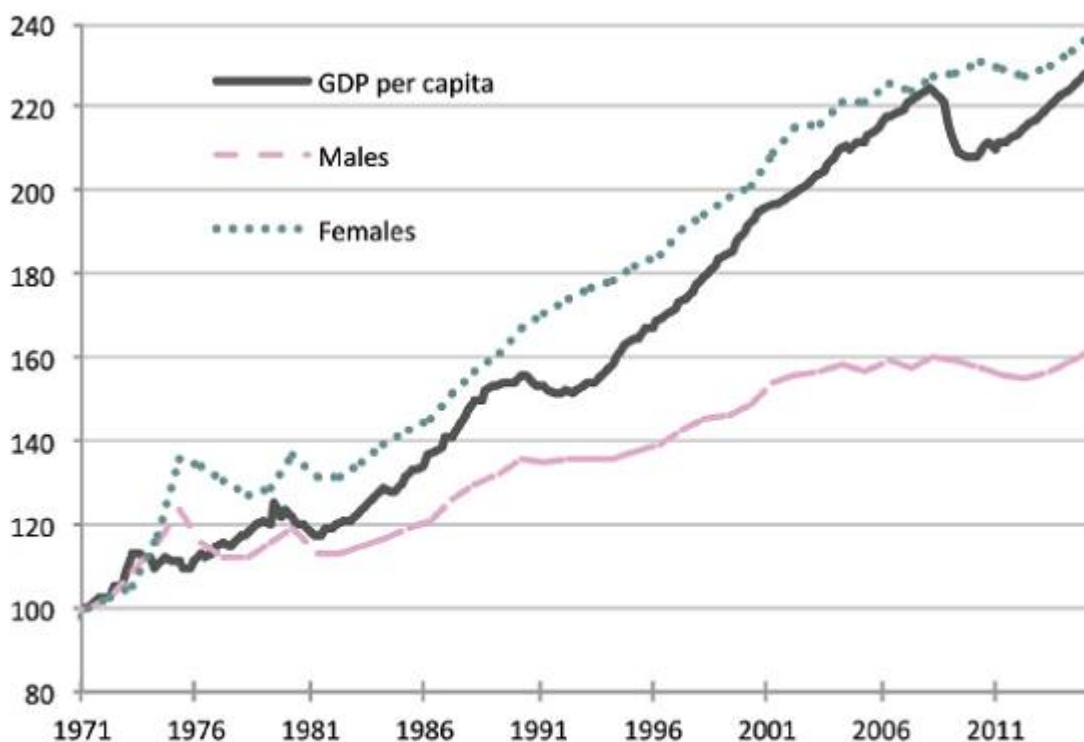
resumes – will ordinary workers reap any of the benefits? This report suggests that is far from certain.”

Professor Steve Machin, member of the Commission on Living Standards said “Although our jobs market is still in recovery mode, it’s important we don’t forget about these longer term trends. Low-skill, low-pay jobs were already increasing their share of employment prior to the recession, and middle-skill jobs have been in long-term decline. Given underlying changes in demand, this seems unlikely to stop when the economy returns to growth.”

Notes to editors:

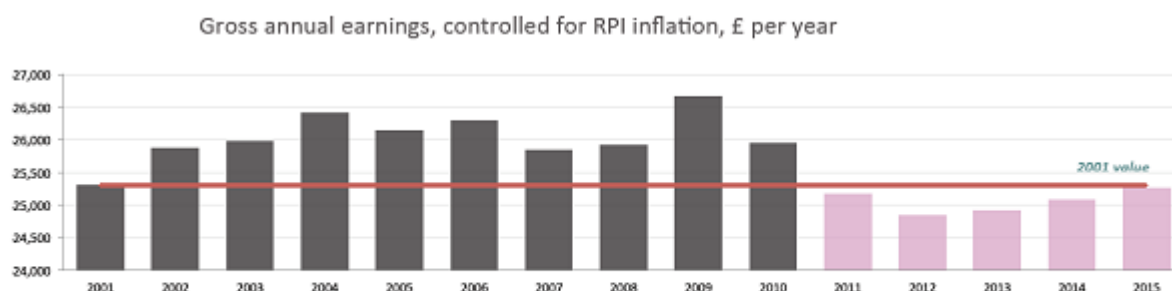
1. Wages not keeping up with growth

UK GDP per capita and earnings; Index, 1971 = 100



Source and notes: All figures adjusted using GDP deflator; median earnings projections based on OBR average earnings forecast; earnings are weekly, excluding bonus payments; ONS and OBR projections from Budget 2011

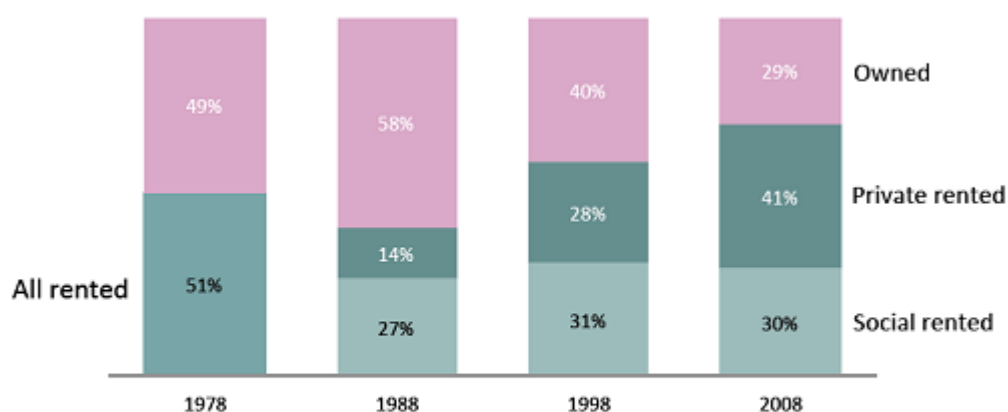
2. Average pay set to be no higher in 2015 than 2001



Source: Resolution Foundation analysis, ONS ASHE and OBR projections; projections based on OBR figures for average earnings, as a proxy for medium wage growth.

3. The proportion under 35 and renting has trebled 1988–2008

Housing tenure among low-to-middle income households with heads aged under-35



Source and notes: RF analysis of DWP, Family Resources Survey (various); RF analysis of ONS, Family Expenditure Survey (various); The data split for rented properties in 1978 differs from that provided in subsequent survey years. Therefore, all rented data is grouped together in this year.

4. The report, *Growth without gain?*, will be launched at 10am on Friday 27 May at 23 Savile Row at an event chaired by Faisal Islam, Economics Editor, Channel 4 News. Journalists must register in advance at externalaffairs@resolutionfoundation.org.

5. The report is the first to the *Commission on Living Standards*, launched by the Resolution Foundation in February, to undertake an in-depth examination of the pressures facing people on a low to middle income www.resolutionfoundation.org/us/our-team/commission-members

6. James Plunkett, the report's author, is secretary to the Commission on Living Standards. Professor Steve Machin is Research Director, Centre for Economic Performance, London School of Economics and a member of the Commission.

7. The Resolution Foundation is an independent think tank working to improve the lives of people on low-to-middle incomes. This covers 11 million adults in 6 million households with gross household incomes of between £12,000-£30,000 for a couple with no children and up to £48,000 for a couple with 3 children www.resolutionfoundation.org

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