

**FOR IMMEDIATE RELEASE 29 NOVEMBER 2011**

## **AUTUMN STATEMENT DEEPENS SQUEEZE ON LOW AND MIDDLE INCOME FAMILIES**

Today's announcement of cuts to tax credits hit low to middle income families hard and is straightforwardly regressive, analysis from the Resolution Foundation shows. Scrapping the planned increases in Child Tax Credit and freezing more elements of the Working Tax Credit takes money from those who can least afford it, with more than three-quarters of the £1.2bn savings planned for 2012 coming from the bottom half of the income distribution.

Cuts to the Child Tax Credit will mean families lose the extra £110 per child they had been expecting in 2012, and the freezing of the Working Tax Credit will reduce the incomes of working families by a further £100. Around 5.5 million families will lose as a result of the changes to Child Tax Credits with 2 million facing a double hit because of the Working Tax Credit changes.

The OBR has made clear that it will be 2014 before households see any significant rise in living standards. New analysis by the Resolution Foundation, using the OBR's revised forecasts, shows that even in 2016 typical wages will be no higher than they were in 2001 - £1,400 below their 2009 pre-recession peak.

Gavin Kelly, Chief Executive of the Resolution Foundation said: "Taking cash away from families on low to middle incomes is precisely the wrong thing to be doing – it hits households when they are down. Every pound taken out of their pockets is also likely to be a pound taken out of consumption in the economy".

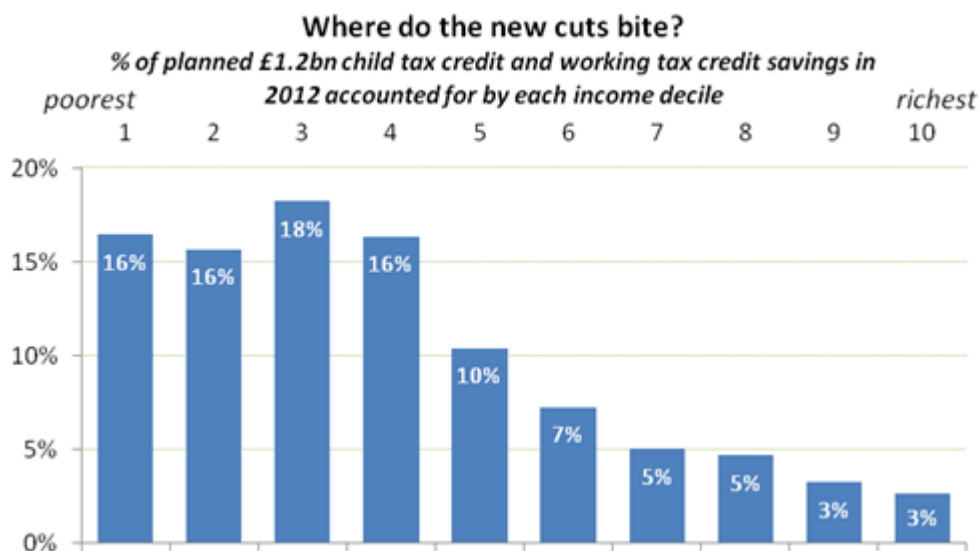
"There are some very welcome announcements in the Autumn Statement like the doubling of childcare places for disadvantaged two year olds, and the Youth Contract – these are good ideas, they just shouldn't be paid for by low and middle income families."

### **NOTES TO EDITORS**

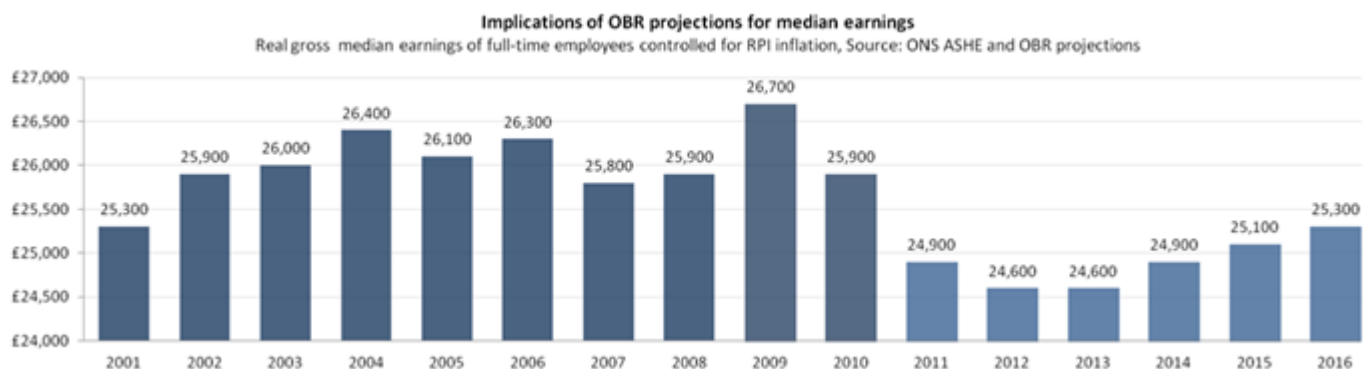
The new announcements come on top of major cuts to tax credits previously announced in the October 2010 Spending Review and June 2010 Budget, including:

- a three year freeze in the basic and 30 hour elements of the Working Tax Credit from April 2011
- a reduction in the proportion of childcare costs parents can claim back through Working Tax Credits, from 80% to 70% from April 2011
- an increase in the rate at which tax credits are withdrawn, from 39 percent to 41 percent from April 2011
- the removal of the £575 families element from more middle income families from April 2012

Total cuts to tax credits announced by the coalition now amount to approximately £2.9 billion in 2012-13, around 10 percent of the total tax credit budget.



Resolution Foundation analysis carried out using IPPR tax benefit model.



Resolution Foundation analysis of earnings is based on OBR November forecasts for average earnings and RPI. Earnings data are from the UK annual survey of hours and earnings (ASHE) and are for gross weekly median earnings of full-time employees. Calculations are likely to be conservative since median wages have historically grown at a slower pace than average wages.

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