

EMBARGO – 00.01 MONDAY 23 JANUARY 2012

POLITICAL BATTLE FOR THE SQUEEZED MIDDLE ESCALATES

The squeezed middle remain the key political battleground, facing a new tax credits squeeze on top of a continued fall in real wages, a growing chance of a lifetime renting, increasingly precarious household finances and incomes unlikely to rise beyond their pre-recession (2007) levels even by 2020, according to a new report from independent think tank, the Resolution Foundation. MPs Liam Byrne and David Laws will respond to the findings at the launch event today and Nick Clegg will give a keynote speech on Thursday.

The new annual snapshot, *Squeezed Britain*, exposes what life is really like for families who are in work but on low to middle incomes:

- **Continued pressure on incomes** – with real wages falling 4.2% over the last year, growing inequality of pay, and tax credits propping up incomes, families remain exposed to further deep cuts to tax credits due in April this year. The report also charts a decline in the male breadwinner role, with income brought in from men falling substantially over the last decade.
- **Stuck in rented housing** – the proportion aged under 35 and renting has soared from 28% to 47% in the last 6 years alone; as numbers owning nosedived to just over a third. Those with mortgages may be benefiting from record low interest rates but with 1 in 5 signing up to a 100% mortgage before the recession, a quarter of families still spend between 25% and 50% of their income on their mortgage.
- **Precairous household finances** – with low to middle income households facing a higher rate of inflation on their typical basket of goods that cost them an extra £427 last year compared to those on higher incomes, even the latest news on falling inflation will provide little respite. Two thirds have less than £1,500 (or one month's salary) in savings and two thirds are also not saving into a private pension.

The report points out that as most continue to have to cope with a prolonged wage squeeze – with real wages falling 4.2% (£650) over the last year – the most significant cuts to tax credits are yet to kick in. Low to middle income households - the major recipients of tax credits - are facing further out of pocket losses of nearly half a billion pounds in tax credits from this April.

The Resolution Foundation calculates that this all adds up to a gloomy picture on incomes for the next decade. Even if income growth returns to the strong levels seen in the late 90s and early 2000s, it will take until 2020 for low to middle income households to get back to the same level of disposable income they had before the

recession. On a less optimistic scenario, low to middle incomes will remain stagnant (as they were from 2003-2008) with no real increase from now, even by 2020.

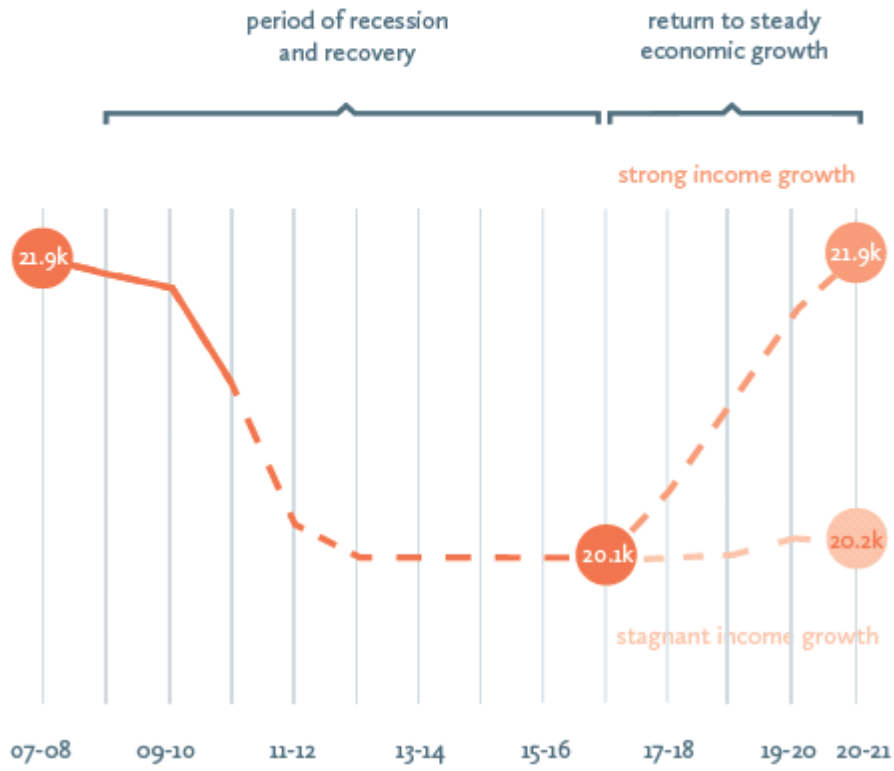
The report's author, Matthew Whittaker, said 'this latest annual snapshot of what life is really like for families on low to middle incomes shows rising pressure from pretty much all sides. Continued low interest rates and the start of a fall in inflation offer only limited respite. This will be far outweighed by further deep cuts to tax credits due this April which will come as a shock on top of the continued wage squeeze'.

The report will be launched at an event today with responses from MPs Liam Byrne and David Laws. Deputy Prime Minister, Nick Clegg will give a key note speech later in the week.

Notes to editors

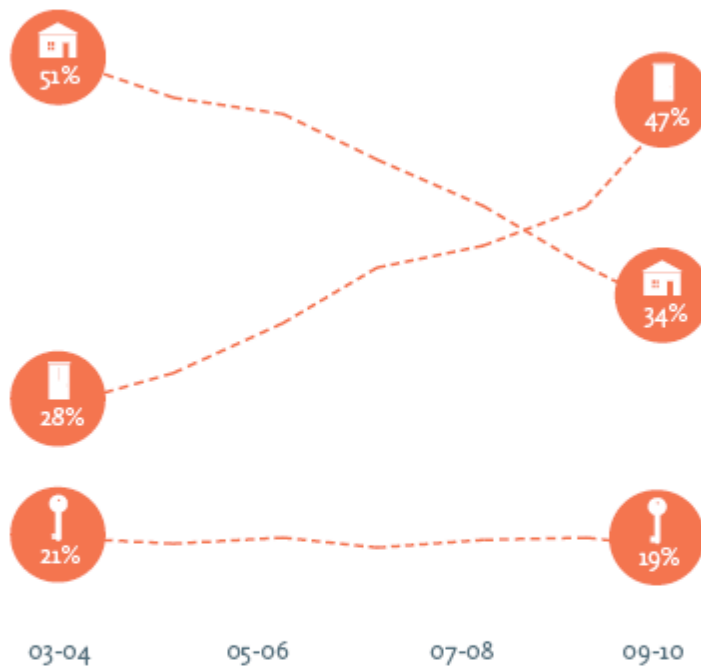
The launch event for Squeezed Britain will be held at 23 Savile Row, 10-11.30am on Monday 23 January. The key note speech by Nick Clegg '2012: A liberal agenda for working families' is on Thursday 26 January at 11am, in central London. Journalists must register in advance at external.affairs@resolutionfoundation.org or 020 3372 2960.

WHAT KIND OF FUTURE? PROJECTIONS OF AVERAGE DISPOSABLE INCOMES IN LMI HOUSEHOLDS UNDER ALTERNATIVE SCENARIOS
(UK 2007-08 TO 2020-21, £ 2010-11 PRICES)^{1, vi, viii, x}



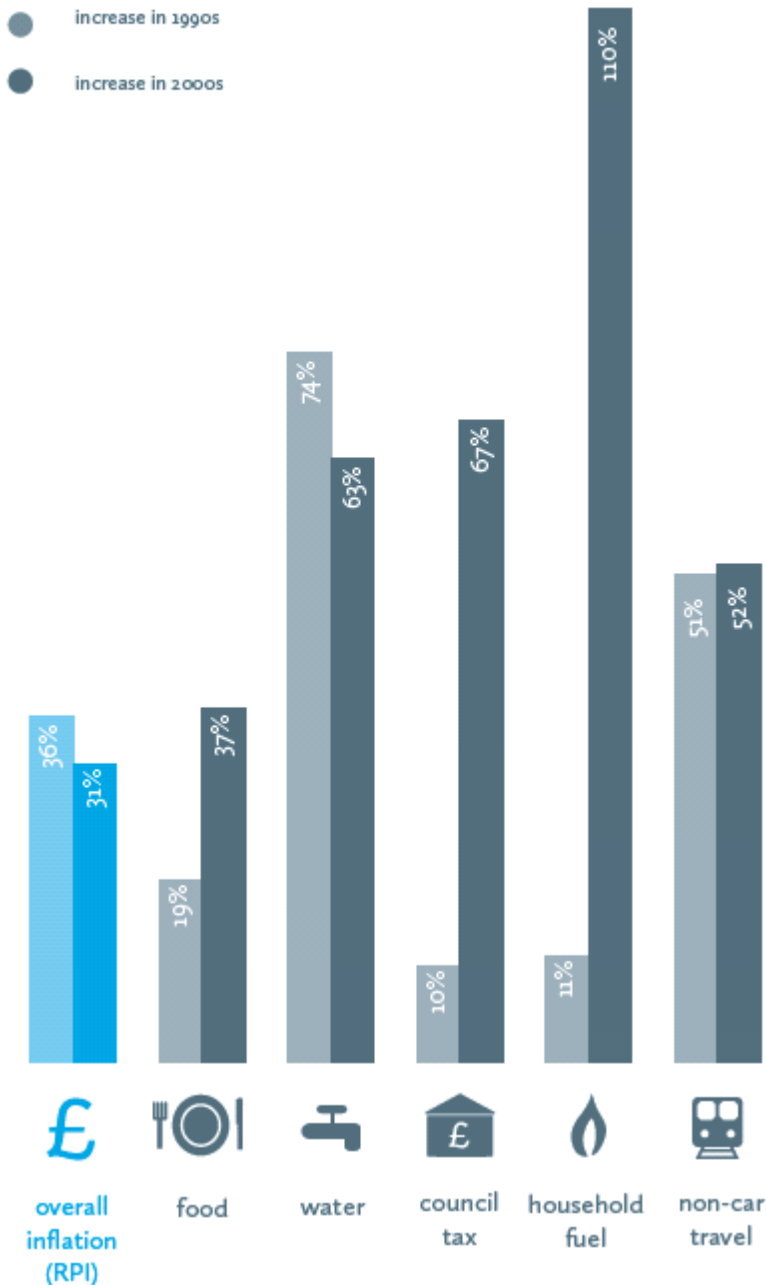
GENERATION RENT: CHANGE IN HOUSING TENURE FOR
LMIs AGED UNDER 35 (UK 2003-04 TO 2009-10)^{viii}

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- Owners 
- Rent privately 
- Social housing 

COST OF LIVING PRESSURES: PRICE RISES BY
CATEGORY OF SPEND (UK 1990 TO 2009) ^v



Squeezed Britain uses the latest large-scale survey data to give a snapshot of life for households living on a low to middle income in the UK. This timely and authoritative publication sets out the economic position of this group and paints a picture of what life is like in the current climate of stagnating wages and public spending cuts.

Matthew Whittaker, senior economist at the Resolution Foundation is the author of today's report, *Squeezed Britain*. The report can be downloaded on our website www.resolutionfoundation.org with a more detailed version also available.

The Resolution Foundation is an independent think tank which aims to improve the living standards of households on low to middle incomes (LMIs). Low to middle income households are defined as those of working age and living largely independently of the state, but with incomes below the median (middle) in the UK. In practice the definition includes a couple without children with a gross annual household income of between £12,000 and £29,000, or a couple with two children with an income between £17,000 and £41,000.

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