The squeeze on living standards: agenda

1. Trends in earnings
2. Trends in incomes
3. Future prospects
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EARNINGS
The squeeze on earnings: a longer term trend

indices of gross weekly pay
1984 = 100

full-time employees

25th percentile
median
90th percentile


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The squeeze on earnings: a global trend


1.0 = median pay moves exactly in line with GDP

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INCOMES
The squeeze on incomes: relative and absolute declines

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

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The squeeze on incomes: what happened?

Losses 02-03 to 08-09

-£610
Male employment income

Gains 02-03 to 08-09

+£143
Total net income growth

+£301
Female employment income

+£581
Tax credits

Source: Institute for Fiscal Studies analysis for the Resolution Foundation Commission on Living Standards
The squeeze on incomes: what happened?

Contribution to average annual growth in LMI household income: 1968-2008/09

Source: Institute for Fiscal Studies analysis for the Resolution Foundation Commission on Living Standards
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AN ONGOING SQUEEZE?
The squeeze continues: incomes flatline

average LMI household income components
2000-01 = 100

Net earnings
All state support
Net income

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The squeeze continues: income scenarios

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The squeeze continues: income scenarios

2010-11 prices

- strong economic growth
- recession & recovery
- scenario two

Prices:
- £30k
- £25k
- £20k
- £15k
- £10k
- £5k
- £0k

Income growth:
- £21.9k
- £20.3k

Years:
- 1997-98
- 2000-01
- 2003-04
- 2006-07
- 2009-10
- 2012-13
- 2015-16
- 2018-19
- 2020-21

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The squeeze on living standards: conclusions

• Earnings flat for large part of society pre-recession

• Particular squeeze on incomes of LMI families

• 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 living standards: conclusions

- Recession hit hard, but came on top of an existing problem
- 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
Raising Living Standards
Rachel Reeves MP

www.livingstandards.org