

# CAUGHT IN THE MIDDLE - KEY FINDINGS

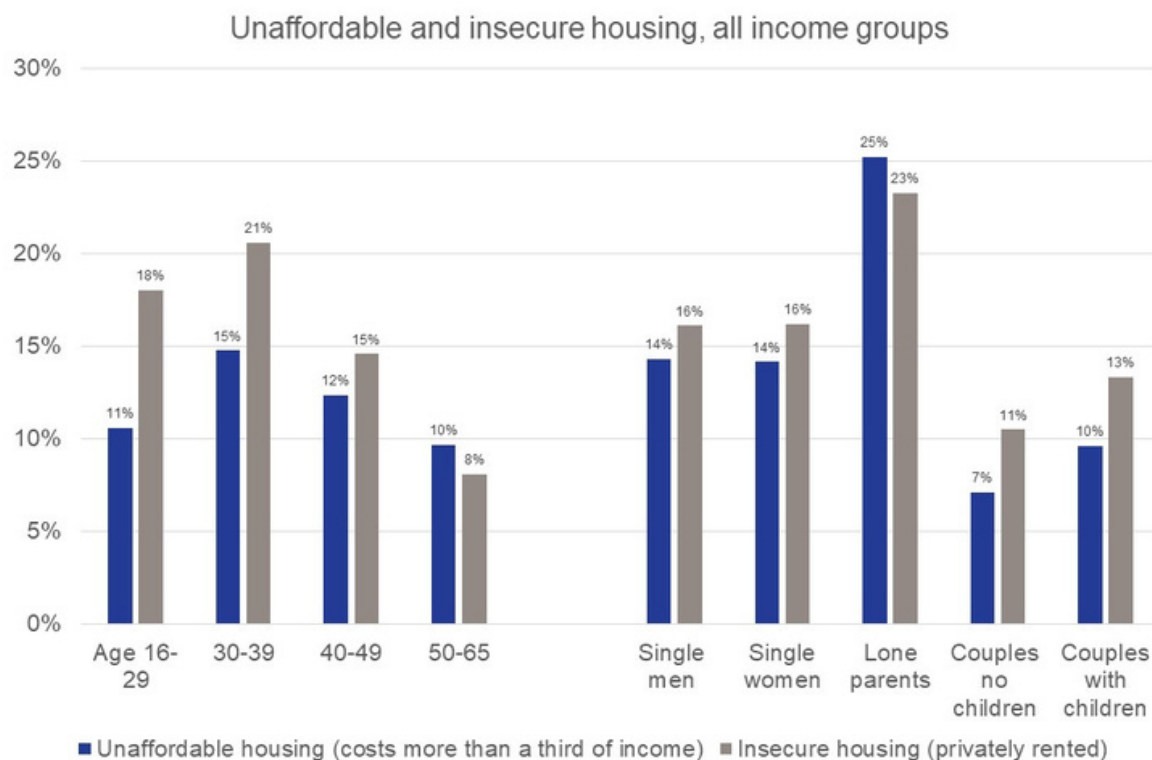
Briefing paper by Professor Donald Hirsch

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This paper outlines key findings from *Caught in the middle? Insecurity and financial strain in the middle of the income distribution* by Professor Donald Hirsch. Professor Hirsch's new research considers the multiple pressures faced by people in different income bands, and particularly those in the middle of the distribution (the middle fifth of households ranked by income, adjusted for household size), that affect their ability to maintain a decent standard of living:

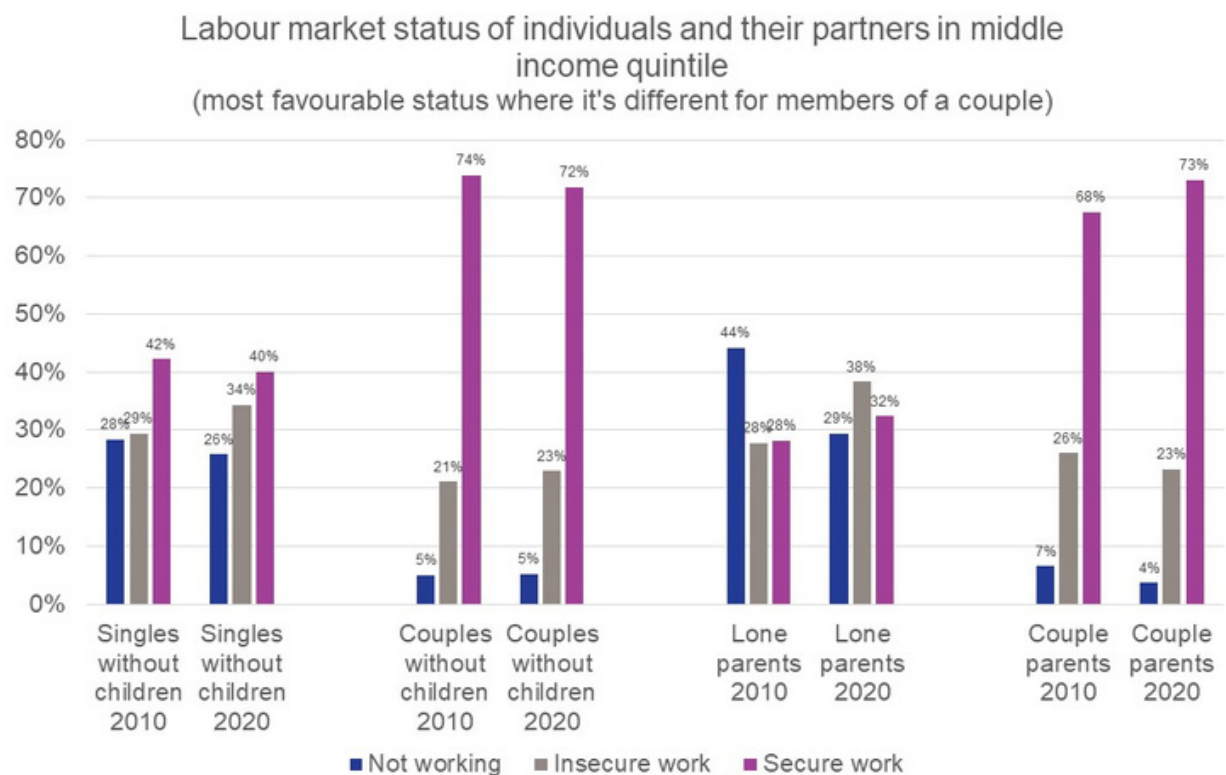
## If you are a private tenant, you face housing insecurity and may well have an unaffordable rent

- Three in ten private tenants in the middle of income distribution have 'unaffordable' rents, defined as more than a third of their income. This combines with the insecurity of private renting.
- People in their 30s are most likely to face the insecurity and high costs of being private tenants, and there are as many private tenants on middle income as on low income in this age group.
- One in four lone parents rent privately (across income groups). Across all tenure types, one in four lone parents have unaffordable housing costs.
- Rising interest rates could cause the proportion of households with unaffordable mortgages to almost double, from 10% to 19%.



## If you are single or a lone parent, you are more likely than not to lack secure income from employment

- There's a three in four chance that you or your partner has secure work if you're in a couple.
- But if you're a lone parent, you're more likely to be in insecure work. Lone parents are more likely to work than a decade ago, but work insecurity has grown.
- For singles without children on middle incomes, insecurity has also grown.



## You may well be faced with a choice between providing for the future and having enough disposable income for a decent living standard today

For example:

- A couple with two children needs £2,750 per month after tax and benefits to reach the Minimum Income Standard (MIS) calculated by Loughborough University.
- For this family, a single-earner salary of £65,000 a year is needed to produce median monthly income of £3,900 after taxes and benefits.
- With a low rent (cheaper than 75% of private rentals) and no further deductions, this leaves the family with £3439, comfortably above the MIS.
- On the other hand, if the family pays a median rent, is repaying a student loan, pays pension contributions and saves 5% of their income, they are left with only £2,345 a month, £400 short of MIS.
- This illustrates how middle-income families may not have enough income both to invest in their futures and cover current costs needed to pay for material essentials and a modest level of social participation, represented by MIS.

## You face a high chance of being lower down the income distribution next year

- If you're in the middle fifth of the distribution, there's a one in three chance that you'll be in the bottom two fifths in the following year.
- There's also a one in ten chance you'll be in the bottom fifth, probably below the poverty line.
- Such income insecurity makes it all the more important to be able to save for a rainy day.