

The Middle Class: Who are they, where did they go, and why does it matter?

Brian Nolan

University of Oxford

APPAM-UNED Conference

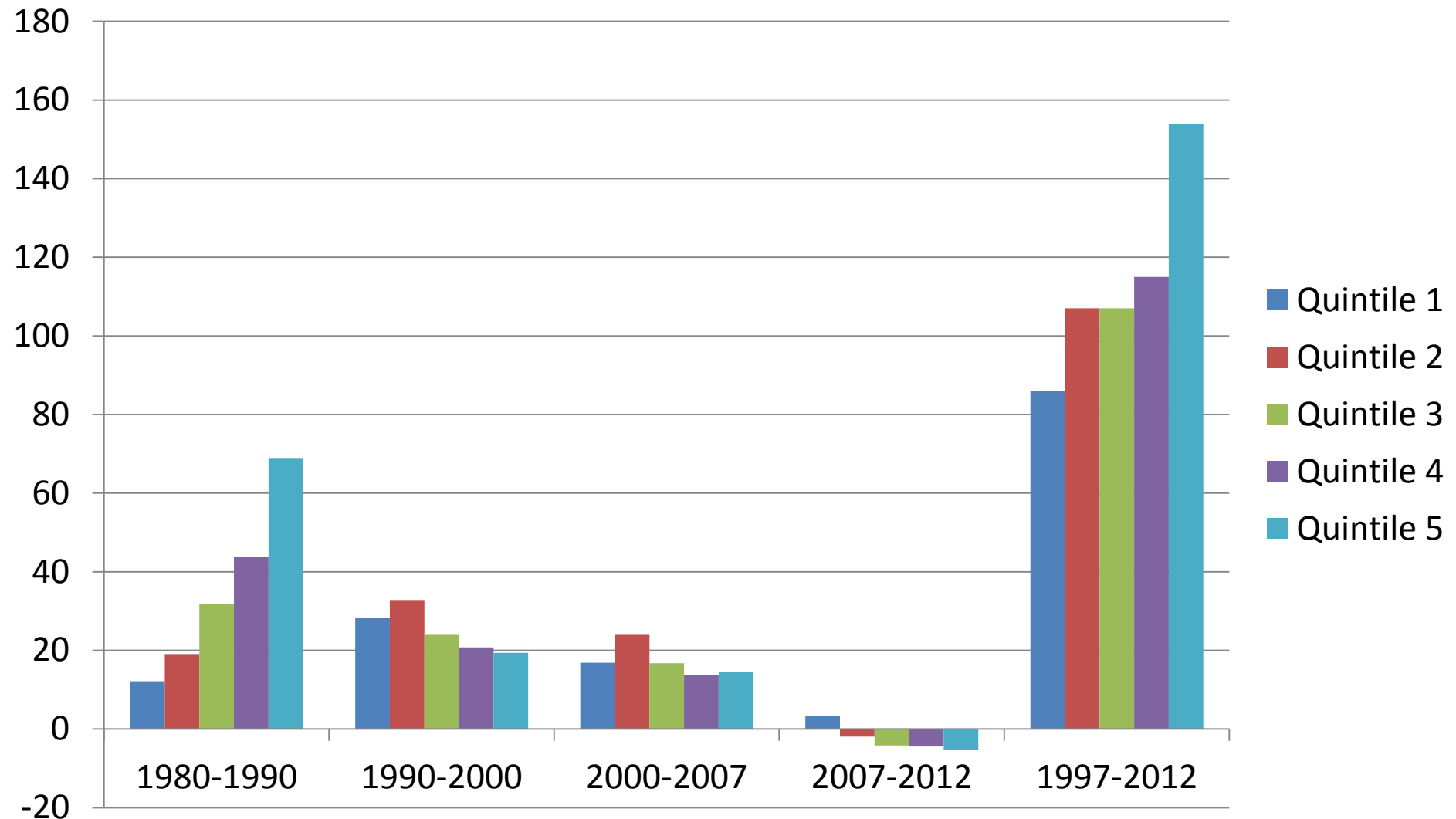
Segovia

September 2014

Key Conceptual Issues

- Who do we mean by 'the middle'?
 - Middle of income distribution
 - Quintiles 2-4? From 75%-125/175/200% of median?
 - 'Middle' social class – non-manual but not higher professional/managerial? Lower+higher professional/managerial?
 - 'Middle and Below'?
- What do we mean by 'squeezed'? Could be in terms of:
 - Relative income
 - Share of total disposable income
 - 'Absolute' income
 - Disposable income after inflation – 'affluence/prosperity' versus 'stagnation/squeeze'
 - Consumption and how it is financed
 - Debt/arrears
 - Security/vulnerability
 - Risk of unemployment, volatility in earnings
 - Ability to maintain class position and lifestyle associated with it (incl. intergenerationally)
 - Home ownership, lifestyle, children's education

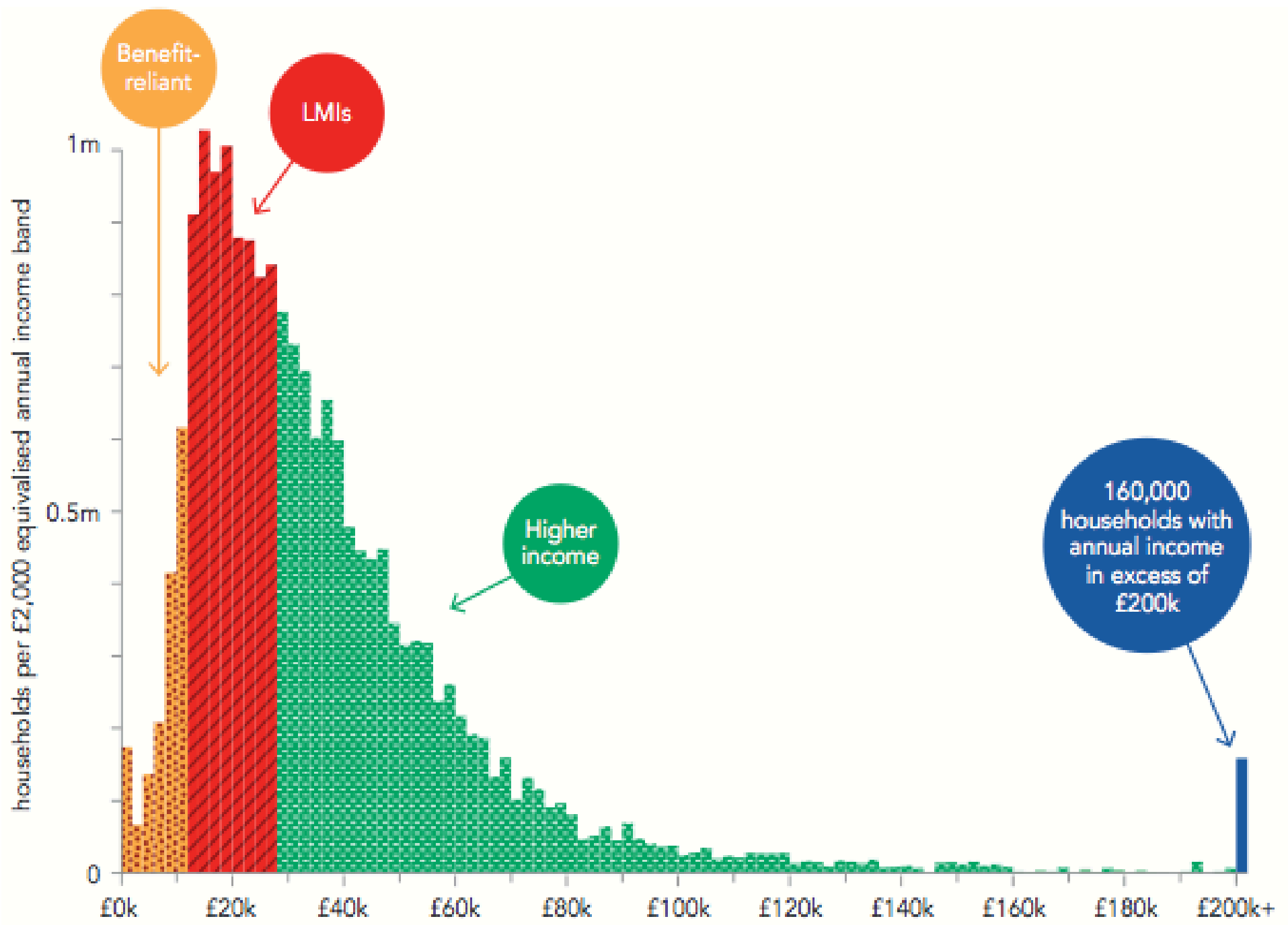
% Change in Real Equivalised Disposable Income by Quintile, UK 1979-2012



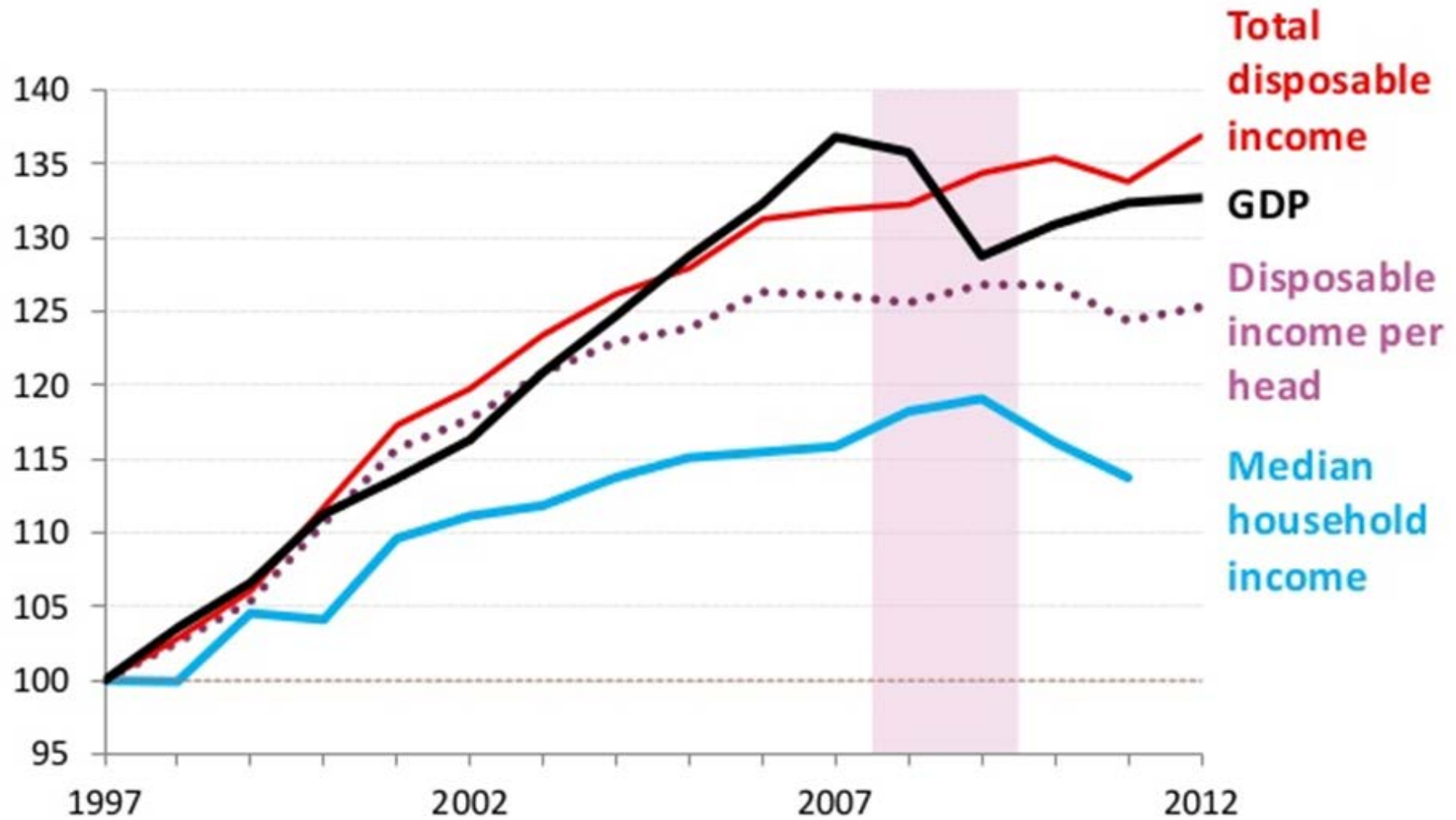
The 'Middle and Below' Being Squeezed?

- Current focus on 'low to middle incomes'
 - working age relying primarily on earned resources but with incomes below the median
 - excludes poorest 10 per cent of households and those on means-tested benefits
- One-third of UK working-age population
- 'Squeezed' since about 2003
 - earnings stagnant then fell in Crisis
 - facing increases in transport, utilities, 'stealth taxes', housing costs
 - focus on 'Living Wage', and more broadly on translating growth into earnings and living standards

Figure 24: Low to middle income households in the income distribution



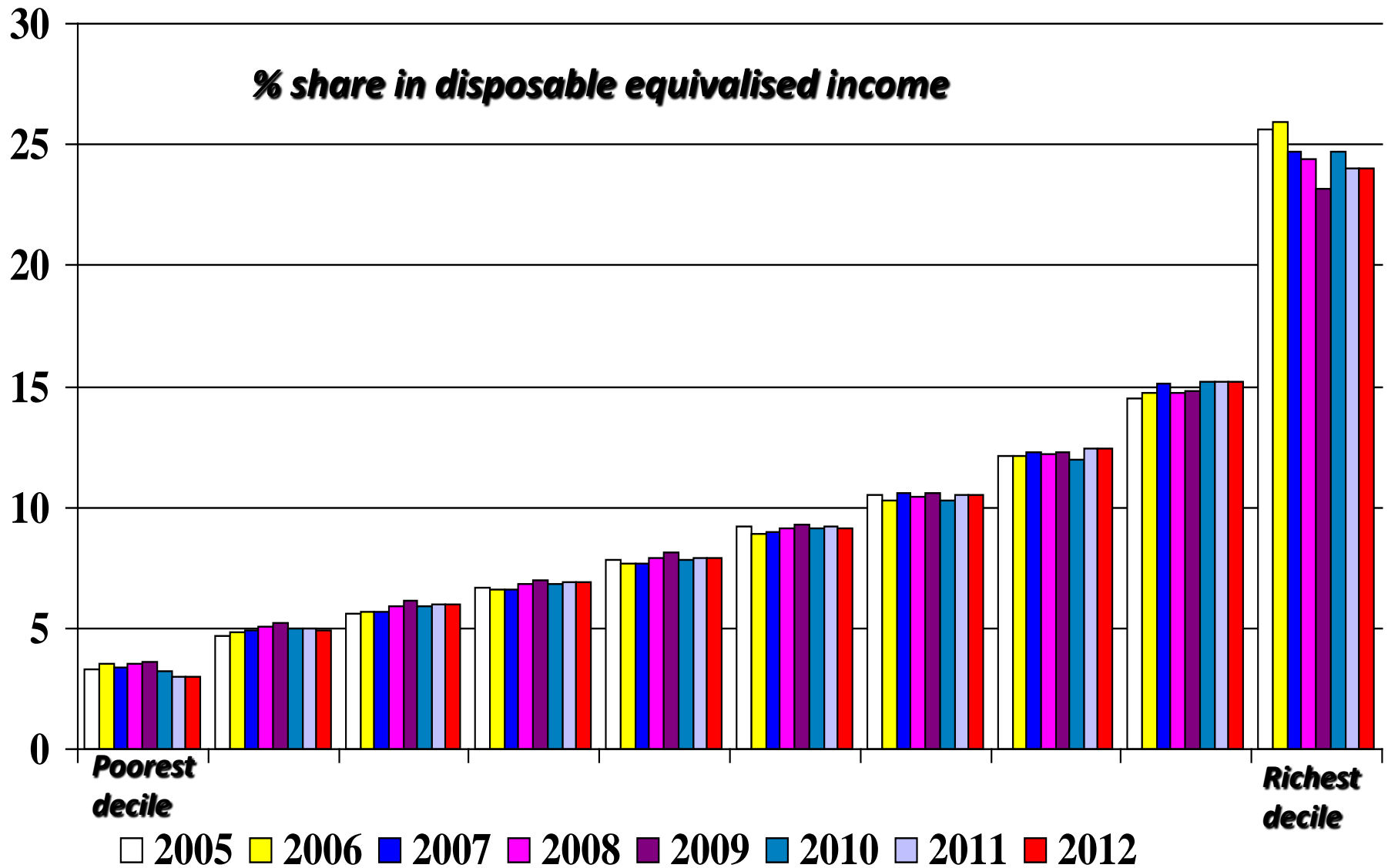
The squeeze on living standards started earlier, and will last longer, than the overall recession



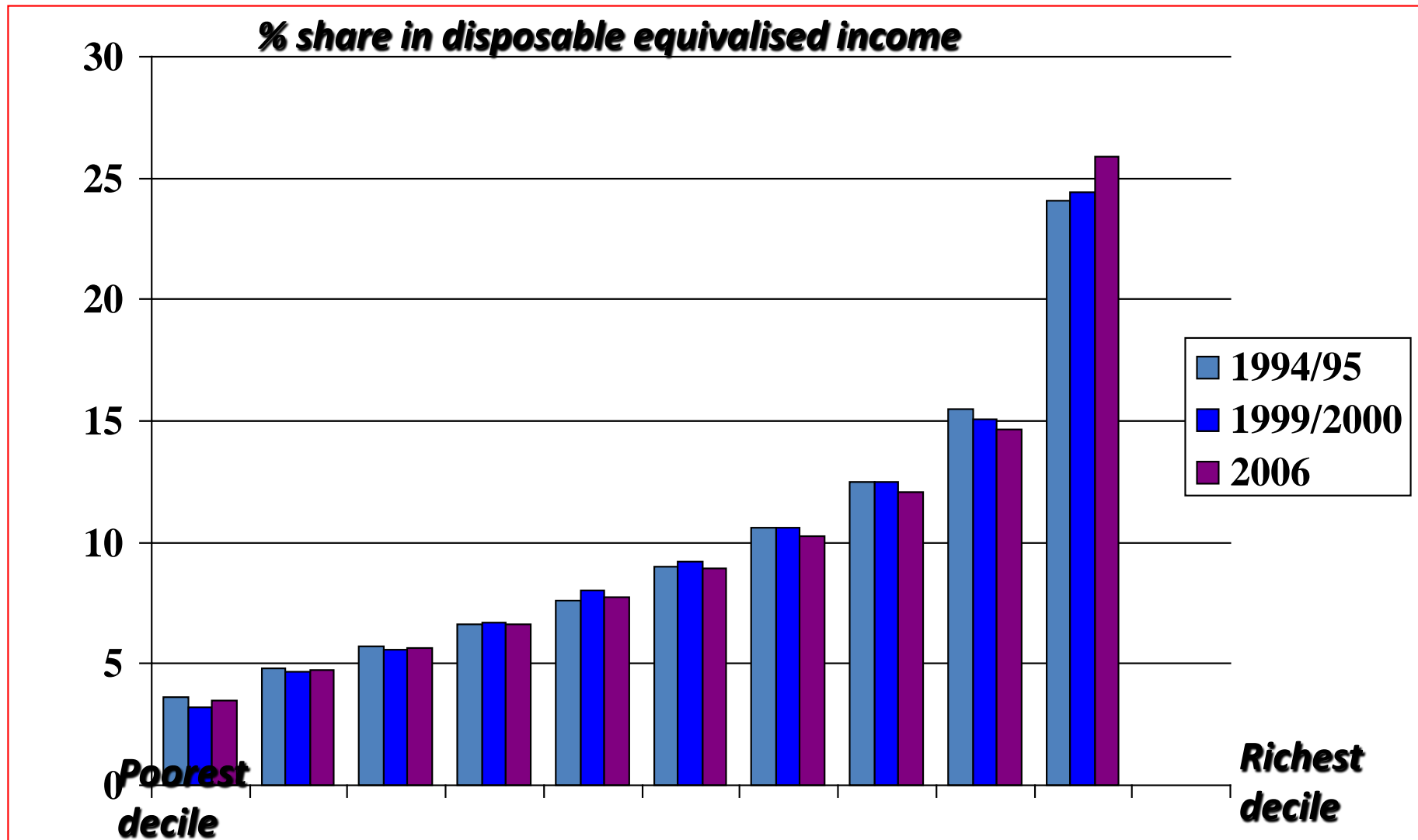
But What About Social Class?

- Social class itself contested concept
- Goldthorpe: class positions based on employment relations continue to predict economic security, stability and prospects
 - contrary to ‘death of class’/new ‘risk society’
- ‘Salarariat’ growing proportion of unemployed, but reflects their increasing proportion in work force
 - short-term variation in earnings unlikely to be significant
 - age-earnings profiles very different to manual
- Seven in 10 Britons now view themselves as middle class, compared with a quarter a generation ago
 - only 24% now describe themselves as working class – and no one labels him/herself upper class

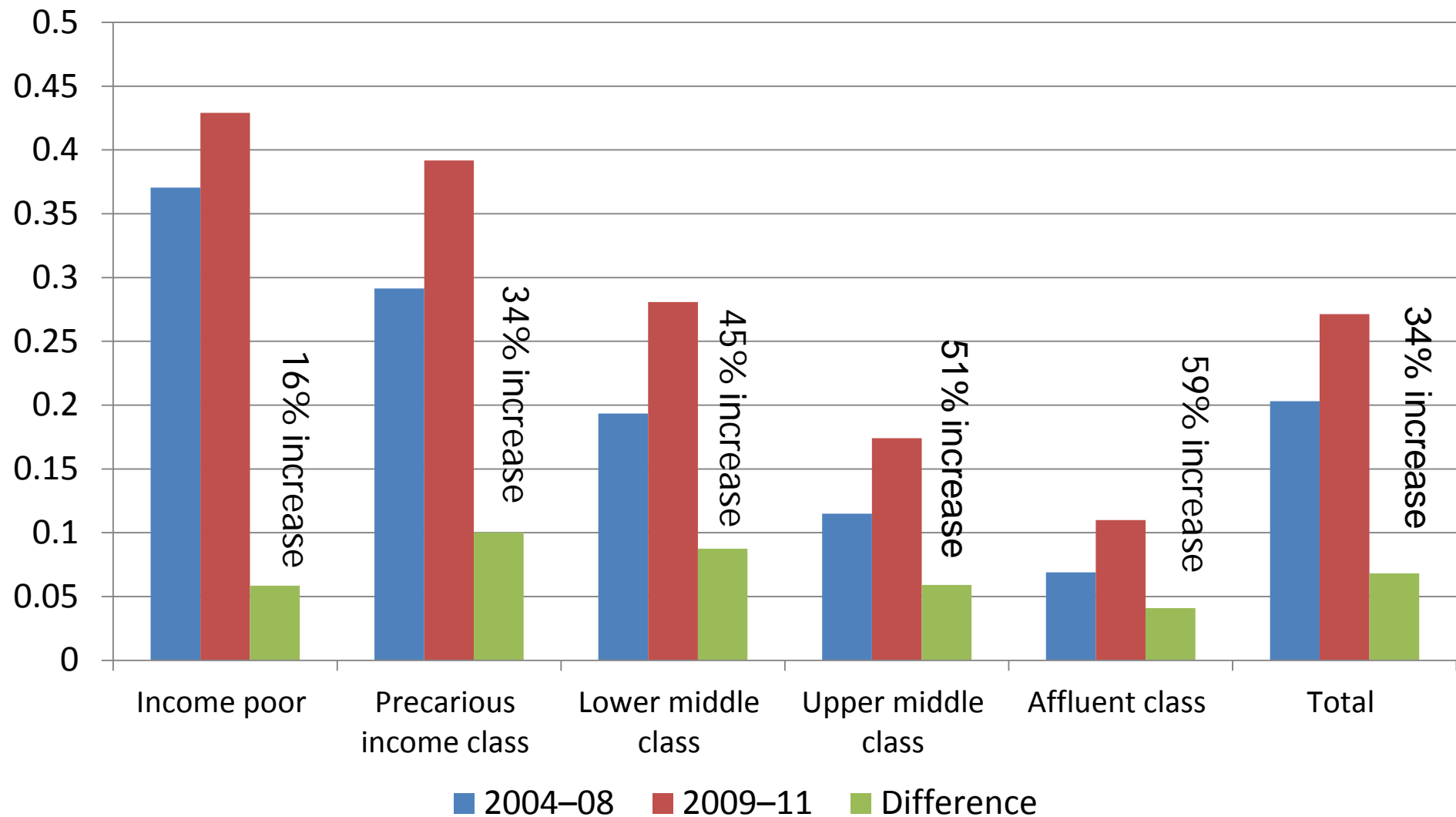
Income Shares among Persons, Ireland 2005-12



Income Shares among Persons, Equivalised, Ireland 1994-2006



Mean economic stress by income categories and increase over time, 2004–08 and 2009–11



Why Does It Matter?

“Britain is a country that has always taken pride in what we think of as middle-class virtues — hard work, honesty, thrift and self-help. Today, however, we are witnessing the strange death of the middle class. In Britain, as in the United States, it isn’t just being squeezed — it is actually shrinking and sinking. This is the most disturbing social change of our age and will probably dominate your children’s lives. The lifestyle that the average earner had half a century ago — reasonably sized house, dependable healthcare, a decent education for the children and a reliable pension — is becoming the preserve of the rich.”

“Children will no longer grow up watching their deposits grow in a Post Office bank account, and will struggle to understand the point of delayed financial gratification. In today’s Britain, putting cash into a savings account is a mug’s game. Instead, we seem to be nurturing a winner-takes-all economic model — middle-class children can be forgiven for adopting the ‘get rich or die trying’ ethos of gangster rappers. They grow up pinning their hopes on the scratch card, the rollover jackpot or *The X Factor*. It seems impossible to save your way to a comfortable life.”

Spectator Magazine, August 2013

Key Analytical Issues for Future

1/ Disposable incomes central but will miss:

- Impact of indirect taxes, ‘stealth charges’
- Cuts in public services (esp. health, education)
- Evolution of wealth/debts, housing costs
- Financial stress, ‘Vulnerability’, ‘Happiness’/well-being
- Mobility – over life course and intergeneration

2/ Generalised concern about ‘Middle’ needs to be deconstructed, combining income, wealth, social class and life-cycle perspectives