

IS MIDDLE BRITAIN MIDDLE-INCOME BRITAIN?

Matthew Wakefield

Is middle Britain middle-income Britain?

*Matthew Wakefield**

Institute for Fiscal Studies

1. Introduction

Tony Blair's strategy of appealing to 'middle-England' paid off handsomely.

(Page 16 of 'How Britain voted' by David Denver, chapter 1 of Andrew Geddes and Jonathon Tonge (eds), *Labour's Landslide*, Manchester University Press, Manchester, 1997)

The election confirmed Labour's new appeal to the middle class ...

(Page 256 of 'Landslide again', chapter 13 of David Butler and Dennis Kavanagh, *The British General Election of 2001*, Palgrave, Basingstoke, 2002)

There is a strong consensus that the British general election successes of the Labour Party in 1997 and 2001 owed much to attracting and retaining support from amongst the 'middle-class' voters of 'middle Britain'.¹

**Address for correspondence:* Institute for Fiscal Studies, 7 Ridgmount Street, London, WC1E 7AE or email matt_w@ifs.org.uk. Financial support from the Economic and Social Research Council (ESRC)-funded Centre for the Microeconomic Analysis of Public Policy at IFS (grant number M535255111) is gratefully acknowledged. The author would like to thank the many colleagues, past and present, whose work and comments have shaped the views presented here. Special thanks are due to Stuart Adam and Andrew Shephard for help with managing data sources and for comments on earlier drafts. He also thanks Mike Brewer, Robert Chote, Alissa Goodman and Andrew Leicester for detailed discussions and comments on earlier drafts and Judith Payne for thorough and accurate copy-editing. The opinions expressed here, and any remaining errors, are the sole responsibility of the author.

¹As well as the sources of the above quotes, see also David Butler and Dennis Kavanagh, *The British General Election of 1997*, MacMillan Press Ltd, Basingstoke, 1997 (especially chapters 3 and 13) and Stephen Fielding, 'Labour's path to power', chapter 2 of Andrew Geddes and Jonathon Tonge (eds), *Labour's Landslide*, Manchester University Press, Manchester, 1997.

The residents of middle Britain are often explicitly or implicitly identified as those on the fringe of being higher-rate income taxpayers, or richer. For example, one recent report focused on “Galaxy Man” – the emblematic Middle Englander with a people carrier in his double garage’. He was a ‘married person earning £60,000 a year, with a non-working spouse and two children’.²

The term ‘middle Britain’ begs the question: middle of what? When recently voicing concerns about the (growing) number of people paying income tax at the higher rate, one government minister seemed to answer that people with incomes just sufficient to be paying higher-rate tax are ‘middle-income employees’.³ After initially echoing his words, one national daily newspaper published the following ‘corrections and clarifications’:

We endorsed the view that ‘the current higher rate [of taxation was] catching too many people on middle incomes’. In fact, people do not start paying the higher rate of tax until they are earning more than £35,000, including allowances. That places them in the top 11% of income earners in the country. However, among those qualifying to pay this [*higher rate of*] tax are senior teachers, senior nurses and senior police officers. They have all been hit by ‘fiscal drag’, under which there are 50% more people paying top tax rates than there were when Labour came to power: up from 2.1 million in 1997 to 3.3 million now.

‘Corrections and clarifications’, *The Guardian*, 25 June 2003
(author’s addition is marked by [*italics*])

Even this passage is not particularly clear: it is among the 30 million or so adults with incomes sufficient to pay income tax that higher-rate taxpayers are the 11% with the highest (taxable) incomes.⁴ Around 16 million adults do not have enough income to pay income tax, and so higher-rate taxpayers are approximately 7% of all adults. Although they remain a minority, the growing number of higher-rate taxpayers has been a topic of political debate since before this summer: during the last election campaign, the then shadow chancellor Michael Portillo said that if the Conservatives were to be elected, then over the course of the parliament they would (public finances permitting) aspire to increase by £2,500 the threshold annual income level at which higher-rate tax begins.

²Scheherazade Daneshkhu, ‘Galaxy Man may feel betrayed as take-home pay declines’, *Financial Times*, 25 March 2003.

³Peter Hain, Leader of the House of Commons and Secretary of State for Wales, in an interview on BBC Radio 4’s *Today* programme, 20 June 2003.

⁴Projections that in 2003–04 there will be 30.70 million income taxpayers, 3.31 million of whom will pay the higher rate, are reported in table 2.1 of *Inland Revenue Statistics* (http://www.inlandrevenue.gov.uk/stats/income_tax/it_t01_1.htm).

In order to understand if and why there might be concerns about the number of people paying higher-rate tax, it is necessary to have an accurate understanding of the income distribution. More generally, such an understanding is important for an informed debate about how economic policy should affect individuals. This Briefing Note is intended to clarify the apparent confusion about the level of income received by people at the middle of the income distribution in Britain, and to show where the people often referred to as ‘middle Britain’ really are in the income distribution.

The structure of the note is as follows. Section 2 discusses which type of average best characterises ‘the middle’ of the income distribution. Section 3 presents data that address the central question of where the middle of the distribution is found. Data on different income measures are presented in order to build up a fuller picture of the level of middle income. Subsection 3(a) focuses on pre-tax individual incomes that can be straightforwardly compared with the parameters of the income tax system. To get a measure that might be more informative about a shared middle standard of living, Subsection 3(b) considers measuring middle income from the distribution of disposable household incomes, adjusted for family size. Section 4 discusses some of the (non-income) characteristics of those who share middle incomes and considers in greater detail how middle-income Britain relates to ‘middle Britain’.

The data that are presented in this Briefing Note show that higher-rate taxpayers are almost exclusively drawn from the top third of the income distribution. The conclusion of Section 5 is therefore that the groups that are characterised as ‘middle Britain’ do not in general coincide with middle-income Britain.

2. The mean, the median and capturing the middle

Measures of mean and median income tell us two different things about the levels of income received by people in the economy:

- The mean is the level of income that each person would have if the total income of people in the economy were divided equally. It is computed by adding up the incomes of all individuals, and then dividing the total by the number of people who share that total. It is the statistic most frequently referred to as ‘the average’.
- The median is the level of income that exactly divides the population into two when individuals are ordered by income: half of people receive more than median income and half of people receive less than median income.

The mean and the median are complementary pieces of information. If the mean is substantially above the median, this suggests that there are some people with very high incomes that in effect ‘pull the mean up’. These very

high incomes affect the total amount of income in the economy, and so they increase the mean.

That the income distribution in the UK⁵ is skewed in this way is captured by Pen's 'parade of dwarfs and a few giants'.⁶ This imagines individuals' incomes as being represented by their heights, with mean height corresponding to mean income. The population is then lined up in height order and paraded past an observer in one hour. The hypothetical parade consists mainly of people of low or modest stature, and the person of mean height would arrive some time after the half-hour point that marks the median. Deep inside the last five minutes, a few giants would pass by and the tallest would have their heads lost in the clouds. If such a parade were organised today, then the person of mean height (and income) would be taller (and richer) than two-thirds of the population and so would pass by after 40 minutes had elapsed.⁷

If the income of the richest individual in society were to be doubled, then this would increase the mean level of income still further, even though incomes at the middle of the income distribution would not have changed. Some other measures of the 'middle' of the distribution of incomes – such as the midpoint between the highest and lowest incomes – would also be affected by changes at the extremes. This is not a desirable property for a measure intended to describe the level of income of middle-income recipients. It is largely for this reason that these measures, including the mean, are not emphasised when middle income is characterised in Section 3.

The median would not be affected by changes in incomes only at the extreme top (or bottom) of the distribution. It represents the middle of the income distribution in the sense that half the population have incomes above this level and half have incomes below it. It is because the median is the income of the 'middle person' that it is exploited here as an appropriate measure to characterise the income level of middle-income recipients.⁸

⁵For a more detailed discussion of the income distribution, see Figure 1 and associated text.

⁶This way of visualising the income distribution was first described in Jan Pen, *Income Distribution*, Penguin, London, 1971.

⁷Author's calculations based on data for gross individual incomes taken from the 2001–02 Family Resources Survey.

⁸The properties of the median that are discussed here are also likely to be part of the explanation for why the government has framed some poverty targets (notably the Public Service Agreement to reduce the number of children in poverty by a quarter by 2004) in terms of a poverty line measured relative to median income.

3. The middle of the income distribution

In this section, data are presented that characterise income levels at the middle of the income distribution. Incomes can be measured in a variety of ways and information on the distribution of different measures can be informative about different things. Data are therefore presented for some different income measures.

(a) *Gross incomes*

In the light of the discussion of Section 1, it will be useful to compare median income levels and the threshold income level at which the higher rate of income tax begins to apply. In the current (2003–04) tax system, the higher rate is paid by those with more than £35,115 of income that is liable for tax.⁹ Individuals pay income tax, and liabilities are assessed against the incomes of individuals. Considering individual pre-tax incomes therefore makes comparisons between median income and the higher-rate income tax threshold straightforward. Statistics on the distribution of ‘gross’ individual incomes – measured before taxes have been paid, but including state benefits and credits¹⁰ – of adults in Britain are displayed in the first row of Table 1.¹¹ Since only 7% of adults pay the higher rate of tax, it is not surprising that the median level of income of approximately £11,800 is well below the point at which the higher rate of income tax begins to apply. The mean level of income and the 75th percentile of the distribution (the income level of someone who is richer than three-quarters of the population and poorer than a quarter of the population) are also below this threshold.

⁹This level applies to people who are under 65; the age-related personal allowance for those aged 65 or over increases the level for older people.

¹⁰Since some state transfer payments (for example, child benefit and the child tax credit – see also footnote 15 and the associated text) are not subject to income tax, this measure of income will actually exceed the level of income that is liable for tax. Official statistics based on a similar income measure (though taken from a different data-set) are published in Caroline Lakin, ‘The effects of taxes and benefits on household income, 2001–02’, *Economic Trends*, no. 594, pp. 33–79, Office for National Statistics, London, May 2003.

¹¹Throughout this Briefing Note, income data are for 2001–02. Except where otherwise stated, incomes have been converted to June 2003 levels using a deflator based on the average earnings index (measured excluding payment of bonuses and arrears) published by the Office for National Statistics (<http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=9537>). This involved uprating incomes by a factor of 1.06295 to convert from average 2001 to June 2003 levels. This uprating will not give an entirely accurate approximation to June 2003 income levels. Within the earnings distribution, it need not be the case that increases have occurred at the same rate at all points. Additionally, not all incomes are earnings and (for example) those state transfer payments that increase in line with prices will have increased less rapidly than earnings during the period in question.

Table 1. Median, mean and quartiles of the income distribution

	<i>25th percentile</i>	Median	<i>75th percentile</i>	<i>Mean</i>
Individual 'gross' income	6,200	11,800	20,500	16,900
Household 'gross' income	11,800	21,700	37,300	30,300

Notes: Measured weekly income is converted into annual terms and then rounded to the nearest £100. Samples are grossed up to estimate values that are representative for the population of adults in households (for individual income) or of households (for household income) in Great Britain.

Source: Author's calculations using the 2001–02 Family Resources Survey.

If people share resources with the people that they live with, then information about the joint incomes of households is a useful supplement to information about individual resources. The second row of Table 1 considers the distribution of pre-tax incomes between households in Britain. Pooling incomes within households results in the income levels that are displayed being almost double the corresponding levels in the individual income distribution. Even so, the median household income remains well below £35,115.

(b) A measure of the middle standard of living

It is unlikely that comparing the income levels of individuals to the medians identified in Table 1 will provide a good way to identify the individuals or households in Britain who share the middle (median) standard of living. Individual incomes will not accurately reflect living standards when people pool their financial resources within households. On the other hand, comparing total household incomes is unlikely to give an accurate picture of the relative living standards of people from households of different sizes. To see this, note that in the ranking according to household income that was used above, a single person was ranked alongside a family with children if his/her individual income matched the collective income of the family. It seems unlikely that this equal income could generate equality in standards of living since the family has to fund the consumption needs of more people. This subsection discusses how an income measure can be adjusted to capture relative living standards better, and how such an adjustment affects measures of 'middle income'.

Throughout this subsection, the measure of income that is used when constructing the income distribution is a measure of equivalised household disposable income. To see why this might be an appropriate measure to characterise living standards, at least three issues must be addressed: Why a measure of household income? Why a measure of disposable income? How does the process of equivalisation take account of differences in family size and composition?

Total household income is used, and this income level is allocated to each member of any household. This involves an implicit assumption that all individuals within each household are equally well off and occupy the same

position in the adjusted income distribution. This assumption can be thought of as the opposite extreme to supposing individual well-being depends only on personal income, and it should be borne in mind that it is probably not accurate for all households.

Disposable (or net) income is used. As in the previous subsection, this measure of income includes benefits and transfer payments from the state, but unlike there, it is now measured after subtracting (or net of) payments of direct taxes (income tax, National Insurance contributions and the local council tax). Since we are interested in measuring relative living standards, it makes sense to consider the disposable income that households have available to fund their consumption.

‘Equivalisation’ is a method by which the incomes of different households can be adjusted so that they are comparable in terms of the material standard of living that they provide for household members: the higher is ‘equivalised income’, the better is the standard of living. Equivalising household incomes before allocating positions in the income distribution should mean that people who are placed near to each other in the distribution will have approximately the same standard of living.

The process of equivalisation involves increasing or decreasing the incomes of differently composed households according to factors reflecting how much more or less income each needs in order to attain the same standard of living as a household of a reference type. In the calculations that are done here, this reference household contains an adult couple with no children. The size of the adjustments that need to be made is controversial; we make them using the McClements equivalence scale, which has been used by successive governments when producing official statistics on the income distribution. The McClements equivalence scale multiplies the income of a single person by a factor of 0.61, reflecting a belief that this person can typically attain the same standard of living as a childless couple with only 61% of the couple’s income. The income of a couple with two children (aged 4 and 13) is multiplied by a factor of 1.45, as this family is thought to require 45% greater resources than the childless couple in order to achieve the same standard of living.¹²

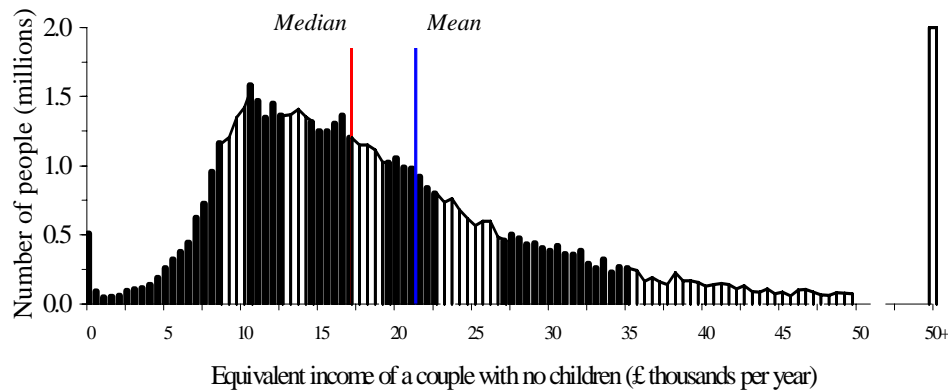
The shape of the distribution of equivalised net incomes in Britain is shown in Figure 1. The horizontal axis gives annual household equivalised income, grouped into bands of £500. Each block represents the number of people (all adults and children) living in households with incomes in the relevant band. The alternately shaded sections show the income decile groups.¹³ The graph

¹²For a fuller description of this equivalence scale, see appendix 2 of Department for Work and Pensions, *Households Below Average Income 1994/95–2001/02*, CDS, Leeds, 2003.

¹³These decile groups are tenths of the population ordered according to equivalised household income.

shows some of the features of the income distribution that were highlighted in the discussion of Section 2. For example, the fact that it is necessary to truncate the long tail of high incomes in order to plot the bulk of the distribution on a reasonable scale indicates how skewed the distribution is; it is this tail of high incomes which ‘pulls’ the mean up above the median.

Figure 1. Equivalised income distribution



Notes: The distribution has been truncated at equivalent income of £50,000. Almost 2,000,000 people who live in households that are better off than this are represented by the right-most block; some of these people have equivalised incomes well in excess of £50,000. Incomes are measured before housing costs and net of direct taxes, benefits and credits, and are equivalised as described in the text.

Source: Author’s calculations using data from the 2001–02 Family Resources Survey.

Since incomes are adjusted before positions in the income distribution are allocated, the income levels measured on the horizontal axis are expressed in terms of the ‘equivalent income’ for the reference household type – in this case, a couple with no children. In order to recover the income levels of other types of household, it is necessary to reverse the equivalisation. The actual income levels that households of three different types would require to be at different points in the overall equivalised income distribution are displayed in Table 2.

The table considers tenths (or decile groups) of the population ordered according to equivalised household income. It shows the actual (unadjusted) incomes that would put families of three different types into each tenth of the (equivalised) income distribution.¹⁴ Within each decile group, the differences in the income ranges between the different families exactly reflect the adjustments made to account for the financial requirements of achieving a given standard of living. The table illustrates the size of the differences in income that are likely to be required for families of different types to achieve similar living standards.

¹⁴Many people will therefore be able to place themselves approximately in this income distribution. If your family type does not match any of those shown, or to get a more accurate ranking, see <http://www.ifs.org.uk/wheredoyoufitin/>.

Table 2. Net income ranges of different family types in each decile of the overall equivalised income distribution

<i>Decile</i>	<i>Single, no children</i>	<i>Couple, no children</i>	<i>Couple, two children (aged 4 and 13)</i>
Poorest	0 – 5,400	0 – 8,800	0 – 12,800
2	5,400 – 6,600	8,800 – 10,900	12,800 – 15,800
3	6,600 – 7,900	10,900 – 12,900	15,800 – 18,700
4	7,900 – 9,100	12,900 – 15,000	18,700 – 21,700
5	9,100 – 10,500	15,000 – 17,200	21,700 – 24,900
6	10,500 – 12,100	17,200 – 19,800	24,900 – 28,600
7	12,100 – 13,900	19,800 – 22,800	28,600 – 33,000
8	13,900 – 16,700	22,800 – 27,300	33,000 – 39,600
9	16,700 – 21,400	27,300 – 35,100	39,600 – 51,000
Richest	21,400+	35,100+	51,000+

Notes: Incomes are annual household incomes, measured before housing costs but after payments of taxes, benefits and (tax) credits. Exact income ranges are calculated for each family type, and income levels are then rounded to the nearest £100. The income differences across family types reflect the ‘equivalence scale’ used. Income ranges within each decile group are the same once adjusted for family size and composition.

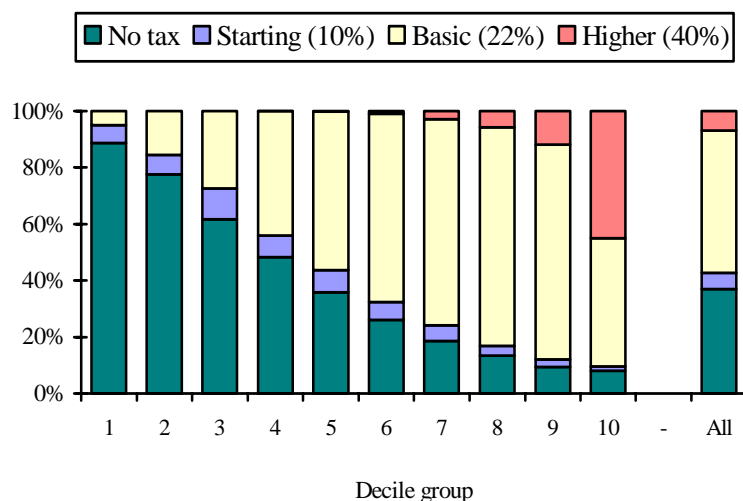
Sources: Author’s calculations using the 2001–02 Family Resources Survey; Andrew Shephard, *Inequality under the Labour Government*, Briefing Note no. 33, Institute for Fiscal Studies, London, 2003 (<http://www.ifs.org.uk/inequality/bn33.pdf>).

From the table, it is possible to read off income ranges that identify middle-income Britain because they put families of different types into the middle part of the income distribution. For example, to be in the middle fifth of the income distribution, which is comprised of decile groups 5 and 6, a childless couple would need to have an annual (net) income of between £15,000 and £19,800. To achieve the same standard of living and therefore be in the same middle fifth, a single adult would need an income of between £9,100 and £12,100. A couple with two children (aged 4 and 13) would require between £21,700 and £28,600. The level of income that would put a family of each type at the median of the equivalised income distribution is read off as the level that separates deciles 5 and 6. For a couple with no children, this ‘middle income’ is £17,200 (as marked on Figure 1). For a single adult, it is £10,500; for the couple with two children, it is £24,900.

Since the incomes listed in Table 2 are household net incomes, they cannot be straightforwardly compared with the parameters of the income tax system, in which liabilities are assessed against individual incomes measured before taxes and many benefits and credits have been paid. However, most people in the middle of the income distribution are unlikely to be higher-rate taxpayers, since in the current (2003–04) tax system, payments of income tax, National Insurance and council tax would reduce a gross income of £35,115 to a level of approximately £24,600. For a family with two children receiving child benefit and the child tax credit, neither of which is subject to tax, the minimum net income at which the household could contain a higher-rate taxpayer would be

approximately £26,500.¹⁵ The fact that a net income of £26,500 would put a couple with two children into the sixth decile group indicates that a larger family with a single income recipient¹⁶ could contain a higher-rate taxpayer and be in the middle part of the income distribution.

Figure 2. Percentage of adults who qualify to pay each marginal income tax rate, by household income decile group



Notes: Decile groups are for the distribution of net equivalised household incomes, measured after taxes, benefits and credits but before housing costs. The IFS tax and benefit simulation model, TAXBEN, uprates cash income levels to 2003 levels using a sophisticated set of deflators that should be more appropriate to the income sources in question than is the simple earnings deflator that is used elsewhere in this Briefing Note.

Source: TAXBEN, using data from the 2001–02 Family Resources Survey.

Figure 2 takes a more direct approach to considering where higher-rate taxpayers fall in the income distribution in Britain. The population is again divided into tenths according to net household income after this has been adjusted to measure living standards. For each decile group, the bars display the percentage of adults who pay income tax at each marginal tax rate.

The graph shows that there are almost no higher-rate taxpayers living in households in the middle two decile groups (groups 5 and 6). The majority of

¹⁵These approximate net income levels are based on calculations by the author, assuming an average band D council tax payment of £1,102, that the taxpayer is contracted into the State Second Pension, that the children are not disabled and are aged over 1 and that other members of the household do not have negative incomes. The calculations also ignore the fact that a taxpayer may use part of his/her income to make tax-relieved contributions to a private pension; making such payments reduces the amount of direct tax paid in the current period but also reduces the amount of current income that is available to fund current consumption.

¹⁶Since income tax liabilities are assessed against individual incomes, it is crucial that there be a single income recipient if there is to be a higher-rate taxpayer in a household with this level of income.

individuals in those groups (56% and 66% respectively) pay basic-rate income tax on their last pound of taxable income. Only in the best-off three decile groups do higher-rate taxpayers account for more than 5% of adults, and this percentage rises steeply to be 45% of all adults in the top decile group. Expressed in another way, the data show that 94% of all higher-rate taxpayers are in the richest three-tenths of the population, and 66% fall into the top decile group. The 7% of adults who pay income tax at the higher rate are almost exclusively found at the top of the income distribution.

4. Middle Britain and middle-income Britain

The data that have been presented so far have considered the distribution of incomes across the entire population. It has been shown that, almost without exception, those from the middle part of the income distribution are not higher-rate taxpayers. The first part of this section supplements this piece of information by considering what characteristics people from this income group do have. Along the dimensions considered, they are seen to be a relatively heterogeneous group. After noting this, it is argued that in policy debate there may be good reasons to discuss subgroups of the population whose members share certain defining characteristics (other than income). When people use the term ‘middle Britain’, they may have such a subgroup in mind. Subsection 4(b) therefore considers certain characteristics that might define middle Britain. The focus of the discussion is whether any of the subgroups that are identified contain a majority of higher-rate taxpayers who enjoy the relatively high income levels often attributed to middle Britain.

(a) Characteristics of those in the middle and those at the top of the income distribution

The middle fifth of the income distribution (decile groups 5 and 6) turns out to contain quite a heterogeneous set of adults. Almost half are full-time workers, and around seven-tenths live in a household that contains at least one full-time worker.¹⁷ On the other hand, slightly more than a fifth live in households that contain no workers (full-time or part-time), and this group heavily overlaps with the similar proportion that are over the state pension age. In all these proportions, this middle-income segment of the population closely resembles the overall adult population.¹⁸ This similarity is again observed in the proportion of adults who live as part of a married or cohabiting couple (around 63%), although the chances of this being a working-age couple with children are slightly increased for those from the middle part of the income distribution.

¹⁷These figures, and all others quoted in this subsection, are the author’s calculations using the 2001–02 Family Resources Survey.

¹⁸The biggest exception is that those from the middle fifth of the income distribution are slightly more likely to live in a household containing a full-time worker (the respective proportions are 63% and 69%).

In the top part of the income distribution (and among higher-rate taxpayers), the heterogeneity is not so marked. The vast majority (around 90%) of those in the richest tenth of the population live in households that contain full-time workers, and indeed almost three-quarters are full-time workers themselves. The percentage that live as part of a couple (around 70%) also exceeds that in the population as a whole. Given the high proportion of workers, it is not surprising that those over the state pension age, and those living in households containing no workers, are small minorities (of around 10% and 7% respectively) of this income band.

(b) Characteristics that might define middle Britain

There may be good reasons for policy discussions to focus on subgroups that are not as heterogeneous as the whole population. For example, the intention may be to single out a group that is particularly likely to influence electoral outcomes, or to select a group that reflects the interests of many because it characterises their aspirations; alternatively, it may be useful in some contexts to identify a group of people whose employment circumstances make them particularly likely to respond to the incentives to work and save that are provided by the tax and benefit system. When people use the term ‘middle Britain’, it is possible that they intend to identify a subgroup of the population containing people with certain shared characteristics (other than income). Since some of these characteristics may be correlated with income, such a group may be an unusually rich subgroup of the population. This subsection considers some of the subgroups that might be identified as middle Britain and examines how well off members of these groups are.

The example of ‘Galaxy Man’ quoted in the Introduction suggested a subgroup of the population. The ‘emblematic Middle Englander’ not only had a high income but was also *working* and had a spouse and children. Similarly, Peter Hain spoke not of a *person* with middle income but of a ‘middle-income *employee*’. Restricting attention to only those households containing at least one *full-time* (at least 30 hours per week) worker, median household income is around £33,000 (gross) or £24,700 (net of taxes and benefits).¹⁹ The figures are £37,500 and £28,000 respectively if the sample is further restricted to *couples* containing at least one full-time worker. It is not surprising that restricting attention to households containing full-time workers results in median income levels that are some way above the £21,700 of gross income (or £17,200 of net income – see Table A1 in the Appendix) reported for the full population in Table 1: selecting the sample in this way excludes many households, including the majority of pensioner households, that have relatively low incomes.²⁰ The medians for the full-time subgroup(s) are around the threshold income level at

¹⁹Author’s calculations using the 2001–02 Family Resources Survey.

²⁰For more details on how restricting the sample according to work status or family type affects the distribution of incomes, see Tables A1 and A2 in the Appendix.

which higher-rate tax starts to apply, but it must be remembered that a household with such an income level will only be on the fringe of higher-rate tax if all of the income accrues to one person.

A second possibility is that the subgroup being referred to as ‘middle Britain’ is a key segment of the electorate, with the epithet capturing the fact that the group contains the median voter. Such a group might be defined in terms of social group. At least one analyst has argued that a key group of voters in the 1997 election were those people ‘described by sociologists as C1 and C2, and by journalists as “middle-Britain”’.²¹ In the 1997 election, the Labour Party achieved big gains in the proportion of votes that it took from people in these social groups, and it largely retained these votes in 2001.²² Unfortunately, the data used here do not allow social groups C1 and C2 to be identified; the closest identifiable match to these groups is the skilled non-manual and manual workers known by sociologists as IIN and IIM. If households containing workers of these kinds are isolated, then median household income is found to be around £27,000 (gross) or £21,000 (net).²³ Only if social classes I, II, IIN and IIM are considered together does the median income approach the point at which the higher rate of tax starts to apply. The selection on the basis of class would not seem likely to identify a group that contains a majority of higher-rate taxpayers. It is possible that there are interesting subgroups of the electorate that are defined by a combination of class and working hours and that have higher median income.

Another possibility is that the characteristics of the group described as ‘middle Britain’ are adjusted to reflect the characteristics of the audience of the writers and presenters who use the term. Data from the National Readership Survey indicate that different newspapers draw their readers from different parts of the overall income distribution, although, amongst the national dailies, only for the *Financial Times* do something approaching a majority of readers report net incomes that could correspond to paying higher-rate tax.²⁴ To see whether audience characteristics do affect the definition of ‘middle Britain’, it would be interesting to compare the use of the term across different parts of the media. It might be equally interesting to relate the definition not just to audience income,

²¹Stephen Fielding, ‘Labour’s path to power’, chapter 2 of Andrew Geddes and Jonathon Tonge (eds), *Labour’s Landslide*, Manchester University Press, Manchester, 1997.

²²See table 13.1 of David Butler and Dennis Kavanagh, *The British General Election of 1997*, MacMillan Press Ltd, Basingstoke, 1997, and table 13.2 of David Butler and Dennis Kavanagh, *The British General Election of 2001*, Palgrave, Basingstoke, 2002.

²³Author’s calculations using the 2001–02 Family Resources Survey. The social class variable was constructed from the variable NSSEC, using the information contained in table 8 of www.statistics.gov.uk/methods_quality/ns_sec/downloads/NS_SEC_USER_VER1_V1.pdf.

²⁴Author’s interpretation of data provided by National Readership Surveys Limited, July 2002 – June 2003.

but also to the incomes of the journalists, analysts, policy-makers and politicians who use the term.

5. Concluding thoughts

The income levels received by people at the middle of the income distribution have been examined. Controlling for family size in order to proxy living standards means that a person with just enough income to be a higher-rate taxpayer could be near to the middle of the income distribution if they are the sole income recipient in a large family. As a matter of fact, higher-rate taxpayers do not generally come from the middle of the income distribution, but are drawn almost exclusively from the top third and mainly from the richest tenth.

There may be good reasons to discuss how public policy affects people who are not super-rich but whose income is sufficient to put them on the fringe of the higher-rate tax bracket. However, the examples of the Introduction illustrate that, on occasions, the interests of this group seem to be discussed due to a misapprehension that these people are at the middle of the income distribution.

Under such a misapprehension: commentators might discuss issues of public policy as if they are discussing the interests of the masses in the middle of the income distribution, when in fact they are not; voters might look favourably on certain policy options because they believe that they help the many, when actually they help the few; and individuals who believe that they can aspire to have middle income might set their sights on the wrong target.

It is important to understand that in 2003 there are still relatively few higher-rate taxpayers and they have higher incomes than the majority.

Appendix: Further measures of middle income

In common with the data presented in Table 1 and more generally in Subsection 3(a) and Section 4 of the main text, the measures presented here are not adjusted for family size. Rather, they simply characterise the distribution of incomes (variously measured) between individuals or households in the population, or in a subgroup of the population. Table A1 illustrates how selecting a sample according to work status affects the measure of ‘middle income’. Table A2 illustrates the large differences in income levels that exist on average between different types of family.

Table A1. Median, mean and quartiles of income distribution, by various measures of income

	<i>25th percentile</i>	Median	<i>75th percentile</i>	<i>Mean</i>
Individual net income	5,600	9,800	15,400	12,700
Individual ‘gross’ income	6,200	11,800	20,500	16,900
Individual gross earnings:				
All full-time earners ^a	15,500	21,300	29,800	26,000
Full-time men ^a	17,200	23,400	32,300	29,000
Full-time women ^a	13,300	17,900	25,500	21,000
Household net income:				
All households	10,300	17,200	28,100	22,400
Households containing any worker	15,900	23,500	33,700	28,600
Households containing full-time worker	17,100	24,700	35,000	29,800
Household gross income:				
All households	11,800	21,700	37,300	30,300
Households containing any worker	20,600	31,100	46,100	40,100
Households containing full-time worker	22,700	33,000	48,100	42,200

^aNew Earnings Survey 2002, *United Kingdom: Streamlined and Summary Analyses*, http://www.statistics.gov.uk/downloads/theme_labour/NES2002_UK/NES2002_United_Kingdom_Streamlined_analyses.pdf. Figures are generally for a pay period including April 2002, uprated to June 2003 levels using the average earnings deflator described in footnote 11. In 2001 prices, the published medians are £20,010 for all full-time earners, £21,989 for full-time men and £16,879 for full-time women.

Notes: Income is annual income rounded to the nearest £100. Gross income and net income are measured as explained in the main text (see pages 5 and 7 respectively); gross earnings are earnings before tax and National Insurance.

Sources: Author’s calculations using the 2001–02 Family Resources Survey, except where footnoted ^a.

Table A2. Median, mean and quartiles of income distribution, for different family types

	<i>25th percentile</i>	Median	<i>75th percentile</i>	<i>Mean</i>
Household net income:				
Pensioner couple	10,800	14,400	21,400	19,000
Single pensioner	6,700	8,700	12,300	10,500
Couple with child(ren)	18,800	26,300	36,100	31,700
Couple, no children	17,400	26,000	36,700	30,400
Single with child(ren)	9,800	12,800	17,400	14,600
Single adult	8,100	13,400	21,100	17,700
Household gross income:				
Pensioner couple	11,800	16,100	25,000	22,300
Single pensioner	7,400	9,500	13,600	12,100
Couple with child(ren)	23,800	34,500	49,400	42,600
Couple, no children	22,600	34,900	51,300	45,100
Single with child(ren)	10,400	13,800	19,400	16,600
Single adult	9,700	18,100	29,100	23,800

Notes: Incomes are annual and rounded to the nearest £100. Where there are multiple tax units in a household, family type is that of the chief income recipient. Gross income and net income are measured as explained in the main text (see pages 5 and 7 respectively).

Source: Author's calculations using the 2001–02 Family Resources Survey.