



Resolution Foundation

Expert seminar on work and skills

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Resolution Foundation

Who are low earners?

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conceptual definition

- ‘Low earners’ defined by their situation

Squeezed : often too poor to benefit from full range of opportunities provided by private markets, but too rich to qualify for substantial state support

Exposed: living at the edge of their means and therefore vulnerable to changes in circumstances

Overlooked: policy focus tends to be on the most vulnerable members of society – low earners are less well understood and lack a voice

for the purposes of analysis

- For analysis, number of ways of defining group
 - upper threshold of median income
 - lower threshold of “independence” from state support harder to capture
- Detailed analysis of benefit-receipt in BHPS found 30 per cent of adults in GB within group
- Also used 30 per cent of households directly below median (i.e. income deciles 3, 4 & 5) as proxy

household composition

- 7.6 million low earner households
 - 4.7 million non-retired households
 - 2.9 million retired households
- 13.7 million adults in low earner households
 - 29 per cent of total adult population
- 4.3 million children
 - 32 per cent of total child population

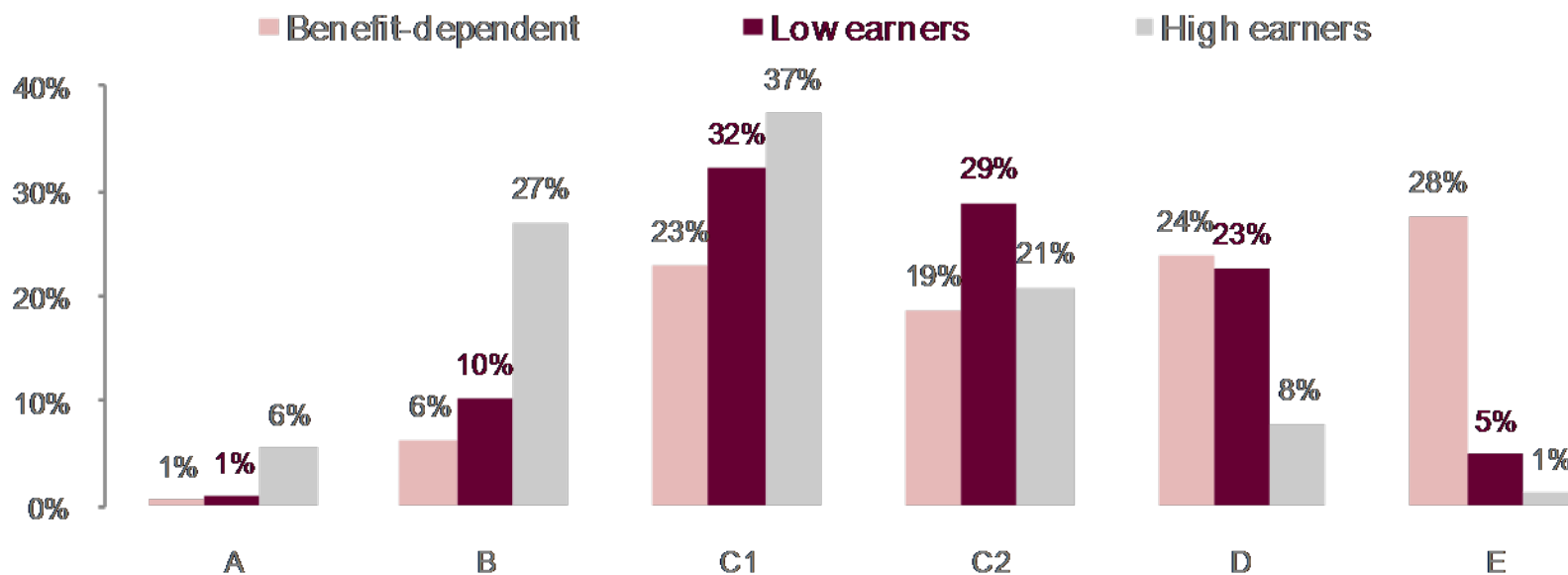
Household composition by income group: UK 2007/08 (000s)			
	Benefit-dependent	Low earners	Higher earners
Total number of households	5,050	7,600	12,700
Non-retired households	3,100	4,700	10,950
One adult	800	700	2,050
<i>One adult: men</i>	500	400	1,200
<i>One adult: women</i>	350	300	900
Two adults	550	1,100	4,250
Three or more adults	200	550	1,200
One adult with children	600	550	300
Two adults with one child	250	450	1,150
Two adults with two children	300	700	1,250
Two adults with three or more children	250	300	250
Three or more adults with children	250	400	450
Retired households	2,000	2,850	1,800
One adult	1,000	1,550	1,000
<i>One adult: men</i>	250	500	300
<i>One adult: women</i>	800	1,100	700
Two or more adults	1,000	1,300	800
Total number of people	11,900	18,250	29,950
Adults	8,600	13,700	24,350
<i>Men</i>	3,800	6,600	12,450
<i>Women</i>	4,550	7,600	11,900
Children	3,300	4,300	5,850

social class

Over 60 per cent of heads of low earner households are in social classes C1 and C2

Over 80 per cent are in classes C1, C2 and D

**Distribution of social class of heads of household by income:
GB Sep/Oct 2008**



issues

- Low earners have been squeezed, exposed and overlooked during economically benign times
- The recession is highlighting their exposure and focusing attention on the group
 - more at risk than benefit-dependent households of a drop in income due to loss of work and more likely to have credit commitments
 - less likely than higher earners to have a safety net of savings and insurance

economic activity

55 per cent of low earners are economically active, compared with 64 per cent among population as a whole

36 per cent of low earners are in paid employment; 16 per cent are self-employed

Low earners are also more likely than higher earners to work in small- and medium-sized enterprises

Economic activity among adults aged 16+: UK Mar-May 2009

	All aged 16+		Low earners aged 16+ ¹	
	Number (000s)	Proportion ²	Number (000s)	Proportion
Economically active	31,400	64%	7,500	55%
Employed	29,000	59%	4,900	36%
Self-employed	3,800	10%	2,200	16%
Unemployed	2,400	8%	400	3%
Economically inactive	7,900	37%	6,200	45%
Full-time education	2,100	5%	1,400	10%
Family care	2,200	6%	700	5%
Long-term sick/disabled	2,000	5%	100	1%
Other	1,000	3%	0	0%
Retired	10,100	26%	4,000	29%
All aged 16+	49,400	100%	13,700	100%

qualifications and training opportunities

50 per cent of low earners have no qualification above GCSE/O-level. They are more likely to have GCSE's as their highest level of qualification than other members of society

	Benefit-dependent	Low earners	Higher earners	All
No formal qualification	45%	25%	8%	23%
GCSE/O-level	18%	25%	22%	22%
A-level	12%	15%	20%	16%
Bachelor	8%	13%	24%	16%
Masters/PhD	2%	3%	9%	5%
Vocation	9%	11%	9%	9%
Other	7%	8%	8%	8%
Still studying	0%	1%	0%	0%

Workers in larger organisations and with higher starting levels of skills are more likely to receive training from employers

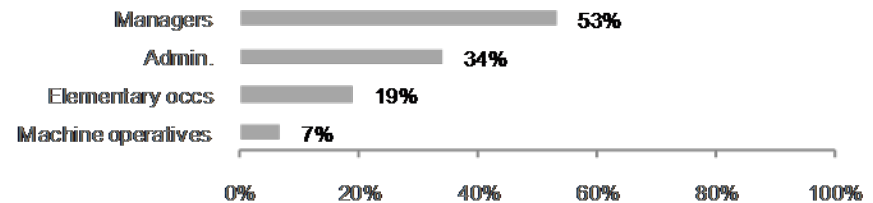
Government schemes are largely focused on those with lowest levels of skills

Skills training provided by employers: UK 2007

Training provided by number of employees in organisation



Types of employees trained on-the-job in last 12 months (among firms offering it)

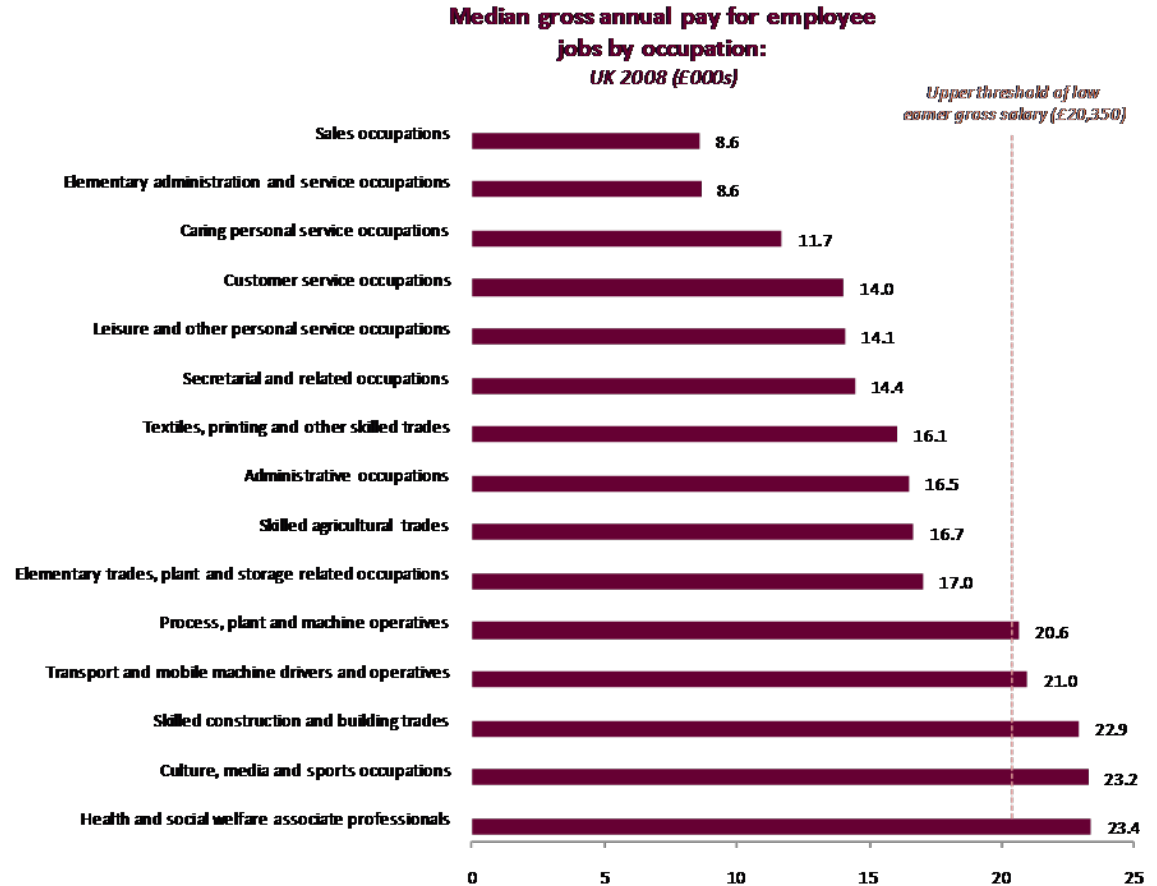


low earner occupations

Members of low earner households likely to be concentrated in lower paying occupations

Wages and salaries account for around three-quarters of non-retired low earner gross household incomes

Salary of £20,350 is equivalent to upper threshold of low earner gross household income of £27,150



impacts of economic downturn

- Low earner households more vulnerable than others to effects of job loss/reduced income
 - lack of safety net
 - less likely to receive substantial redundancy payment
- More likely to face uncertainty because of concentration in SMEs and self-employment
- Also concentrated in service industries which face sustained period of reduced demand
- Less able than high earners to progress in labour market or return to the workforce following redundancy because of skills issues and because of costs associated with finding and attending work

anne

- 56 year-old woman, renting from housing association
- Husband left last year, significantly reducing her income
- Lost job as pt pharmacy assistant when shop closed
- Visits jobcentre twice a week, searches websites and asks around in shops/businesses
- Available jobs require three years' relevant experience or NVQ Level 2, 3 or 4 – only has NVQ 1
- Became unwell – depression and anxiety
- Sold car – limiting her job prospects
- Must choose between heating and eating
- Lives hand-to-mouth and feels worthless