



# Resolution Foundation

**How are low earners faring?**

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# *conceptual definition*

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- ‘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*

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- 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
<b>Total number of households</b>	<b>5,050</b>	<b>7,600</b>	<b>12,700</b>
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
<b>Total number of people</b>	<b>11,900</b>	<b>18,250</b>	<b>29,950</b>
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

# tenure

*56 per cent of low earners are homeowners, but most of these already own their home outright – there are relatively few still repaying mortgages*

*Almost one-third of low earner households are social housing tenants, but access is increasingly limited*

*As a result, low earners are more likely to rent privately than members of other income groups*

**Table 26: Housing tenure by income group: UK 2007-08**

	Benefit-dependent	Low earners	Higher earners	All households
Owners	52%	56%	83%	68%
<i>Owned outright</i>	42%	37%	27%	34%
<i>Buying with a mortgage</i>	8%	19%	55%	34%
Social rented sector tenants	36%	31%	7%	21%
<i>Rented from council</i>	23%	17%	3%	12%
<i>Rented from housing association</i>	13%	14%	3%	9%
Rented privately	12%	13%	11%	12%
<i>Rented privately, unfurnished</i>	8%	10%	7%	9%
<i>Rented privately, furnished</i>	3%	3%	3%	3%
All households	100%	100%	100%	100%

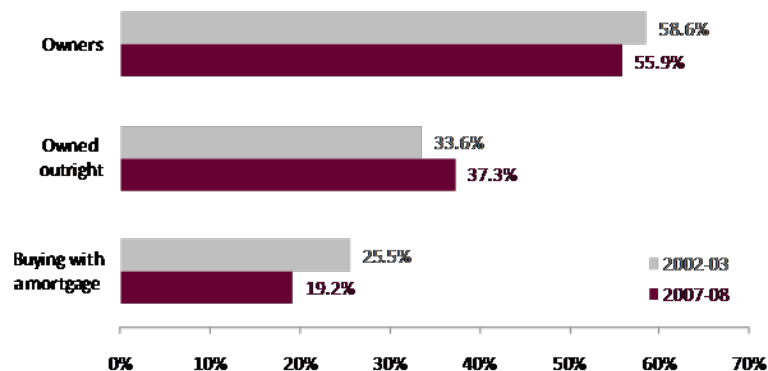
# access to homeownership

*Proportion of low earners owning their own home has changed little, but fewer are entering the market*

*Despite recent house price falls, affordability remains historically low.*

*Restricted access to mortgage finance means that low earners are largely unable to take advantage of price falls: 80 per cent of FTBs receive assistance from family*

**Change in home ownership among low earner households:  
UK 2002-03 & 2007-08**



## Residential loans (regulated and non-regulated) to individuals: UK Q4 2007 - Q1 2009

	As a proportion of value of gross advances		
	2007 Q4	2008 Q4	2009 Q1
<b>Loan to value bracket</b>			
≤ 75%	49.5%	65.2%	73.6%
75 ≤ 90%	37.1%	28.7%	22.8%
90 ≤ 95%	7.8%	4.6%	2.5%
Over 95%	5.5%	1.5%	1.0%
<b>Income multiple bracket</b>			
<b>Single:</b>			
< 2.5	8.5%	11.4%	12.7%
2.5 < 3.0	5.3%	5.7%	5.8%
3.0 < 3.5	7.2%	6.8%	6.6%
3.5 < 4.0	7.1%	6.6%	6.1%
4.0 or over	9.6%	8.3%	7.7%
Other	12.4%	8.6%	6.5%
Total on single income	50.1%	47.5%	45.4%
of which not evidenced	19.1%	16.5%	14.6%
<b>Joint:</b>			
< 2.0	8.5%	11.4%	13.7%
2.00 < 2.50	6.8%	8.5%	9.2%
2.50 < 2.75	4.5%	5.0%	5.0%
2.75 < 3.00	5.0%	5.1%	5.1%
3.00 or over	22.5%	21.2%	20.0%
Other	2.6%	1.2%	1.6%
Total on joint income	49.9%	52.5%	54.6%
of which not evidenced	19.6%	20.0%	19.5%
<b>Credit history status</b>			
Loans with impaired credit history	3.2%	0.9%	0.7%
Loans w/out impaired credit history	96.8%	99.1%	99.3%

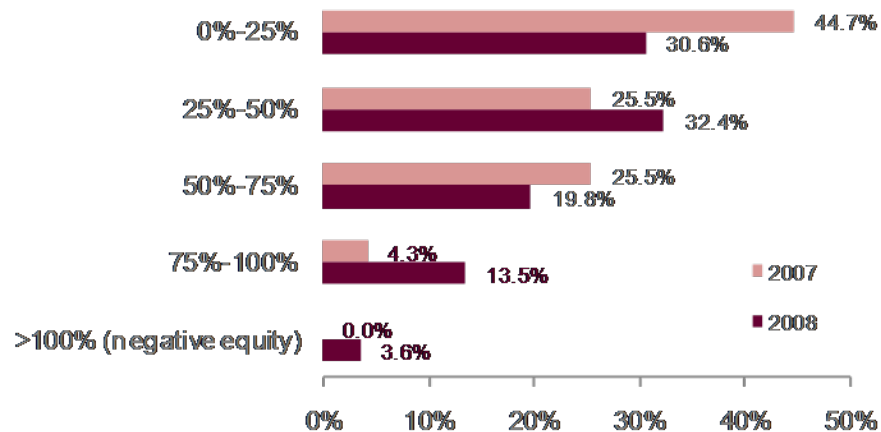
# sustainability of homeownership

*In 2008, 3.6 per cent of low earners reported being in negative equity, more than among any other income group*

**Distribution of loan to value among those with mortgages by income group:  
GB Sep/Oct 2008**

	Benefit-dependent	Low earners	High earners	All
0%-25%	47.4%	30.6%	29.3%	31.0%
25%-50%	26.3%	32.4%	32.9%	32.3%
50%-75%	13.2%	19.8%	23.6%	21.9%
75%-100%	10.5%	13.5%	11.8%	12.1%
>100% (negative equity)	2.6%	3.6%	2.4%	2.7%

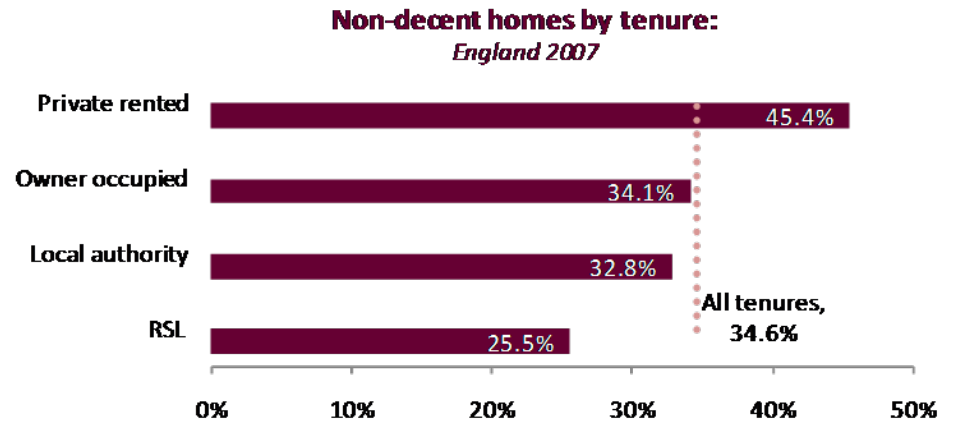
**Distribution of LTV among low earner mortgagors:  
GB 2007 & 2008**



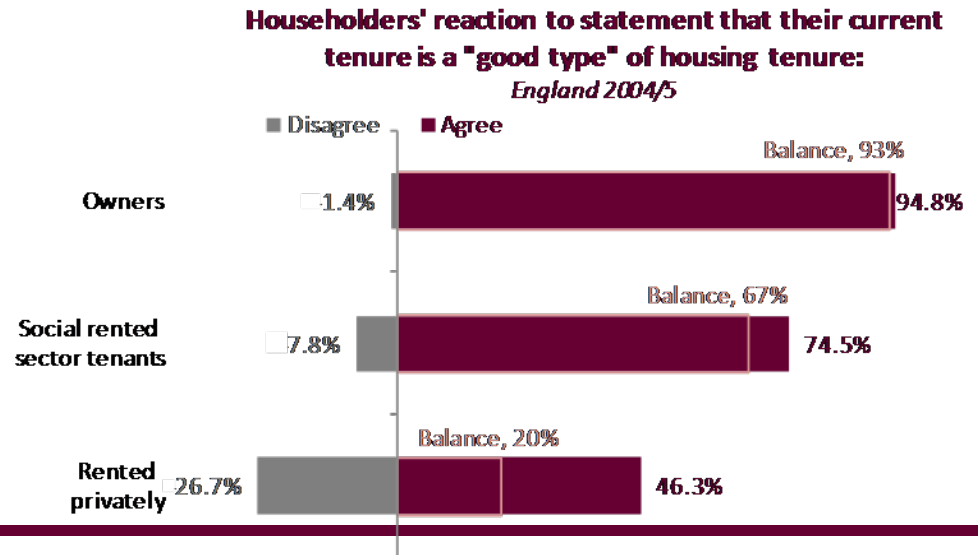
*The proportion of low earners with LTVs in excess of 75 per cent increased significantly between 2007 and 2008*

# private rental sector

*Privately rented properties are more likely to be non-decent than either owner-occupied or socially rented properties*



*Private renters are also less likely to consider their tenure to be a “good type” of housing tenure than either owners or social renters*



*33 per cent of private renters say they would live in social housing if it was available, compared with 5 per cent of owners*

# *julie*

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- Female in her 40s, works full time as an agency carer
- Lives in privately rented flat with partner
- On council waiting list for five years
- Doesn't like where she lives, but can't afford to move
- Not much leftover after rent and bills – no prospect of buying a property
- Before meeting her partner she lived with her daughter because couldn't afford to live alone
- Grand-daughter gave up her room, so she felt like she was intruding
- Worried that landlord might sell – they're at his mercy