

**NEWS RELEASE**

**For immediate release: FRIDAY 11 DECEMBER 2009**

**SENSIBLE PRE-BUDGET REPORT FOR LOW EARNERS**

The Foundation welcomes the Chancellor's pre-budget report which links recovery to GDP growth and helps to protect low earners.

The PBR met all three of the Resolution Foundation's [asks](#) for low earners:

1. For the reduction of the budget deficit to be linked to the state of the economy rather than the dogmatic approach of cutting by X amount by date Y. This will benefit low earners as it will reduce the risk of cutting spending too soon.
2. 'Recession' policies should not be withdrawn prematurely. The Government extended the Support for Mortgage Interest Scheme for 6 months. This is welcome although it will probably need to be extended further as unemployment and repossessions have lagged in previous recessions.
3. More should be done to ensure that low earners are aided to remain financially independent during this tough economic period.
  - *18-24 year olds to be guaranteed a job or training after 6 months of inactivity rather than the current 12 months and tailored support for the over 50s*
  - *Low earners on less than £20k protected from national insurance increases*
  - *New money (£20m in 2010-11 – next financial year) committed for national roll out of Money Guidance.*

The PBR also rolled out the provision of free school meals to a further 500,000 families who earn less than £16,190 a year. This will ease the burden for many low earners struggling to make ends meet in work and help others to make the transition back into work more easily.

The Foundation now awaits the detail of where the Government intends to make future cuts. They must ensure low earners are protected from bearing the brunt of these as the UK enters the recovery phase. The Foundation is currently working on low earners in the recovery and will be publishing analysis in the spring.

**Sophia Parker, Director of Policy & Research said:**

*"This budget is responsible and protects low earners. If low earners are enabled to stay afloat this will benefit the wider economy. The Chancellor has been*

*careful not to end recession policies too soon and has made further steps to help low earners such as extending job seeker support to the over 50s.”*

*“In particular the government commitment to meet half the funding of a Money Guidance scheme in the next financial year is very welcome news. A Money Guidance service will help many low earners seek advice before they miss their first payment and before their financial worries spiral out of control.”*

The Foundation published *Closer to crisis? How low earners are coping in the recession* last month which made recommendations on what more could be done.

**/Ends**

**For further information** please contact Cara Brown on 020 7731 9143 / 07957 536758 or [cara.brown@resolutionfoundation.org](mailto:cara.brown@resolutionfoundation.org)

All the Foundation’s research, reports, briefings, seminar notes are also available on our website.

**Notes to editor:**

1. At its broadest, we define the low earner group as including all those with below-median income (from all sources) who are not dependent on state support. For the purposes of analysis there are a number of different ways of capturing this group and this note uses a variety of methods, depending on the data available in the underlying sources.
  - At its simplest, we consider the group to be made up of households in income deciles 3, 4 and 5: that is, with gross annual income between £11,650 and £27,150.
  - At its most detailed, we measure the group as including all those households whose equivalised incomes (adjusted for size and composition) fall within income deciles 3-5, unless they obtain more than 20 per cent of their income from income-related benefits, in which case they are considered members of the benefit-dependent group.
  - Around 7.2 million households fall into this category in the UK, equivalent to around 14.3 million adults.
  - We define two other income groups in relation to low earners: households with above-median incomes (income deciles 6-10) are considered *high earners*, while those with below £11,650 income (deciles 1 and 2) are considered *benefit-dependent*.
  - This definition inevitably excludes some low earners (those in income deciles 1 & 2 who are not benefit-dependent and those living in high earner households who are individual low earners) and includes some benefit-dependent individuals. However, it provides a reasonable picture of the position faced by the majority of low earners.
2. The Money Made Clear Service is available online <http://www.moneymadeclear.fsa.gov.uk/> or by calling **0300 500 5000**, Mon-Fri 8am-8pm, Sat 10am-6pm, Sun 11am-5pm. The face-to-face service will only be piloted in the North-East and North-West.