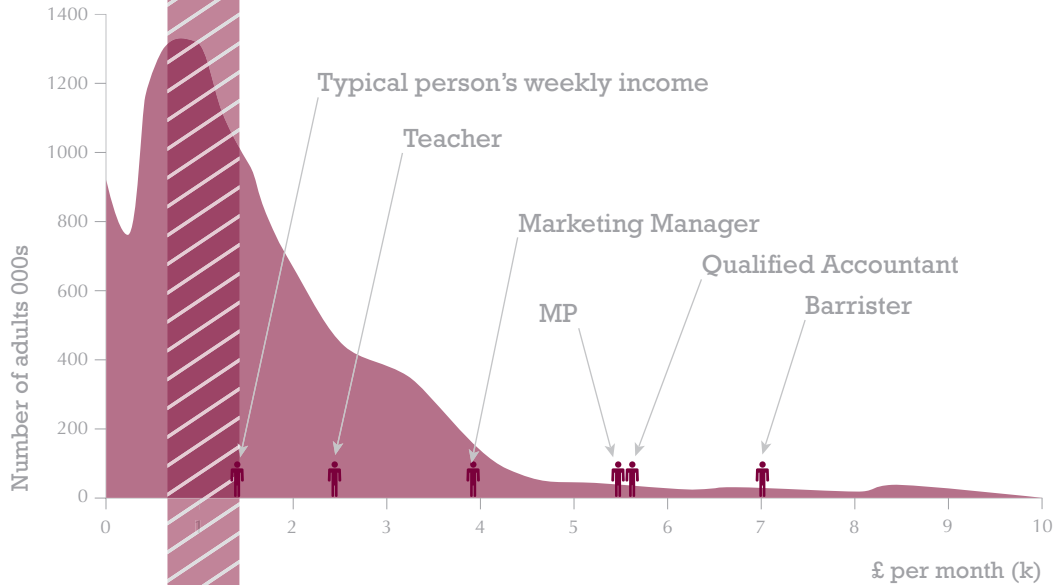


Squeezed, exposed and overlooked: low earning households in the UK

The Resolution Foundation works to improve outcomes for the UK's 14 million low earners. Low earners are economically independent: they are not the poorest in society and they are not in crisis. However, their financial independence is fragile. Many low earning households find themselves living on the edge, spending all of their monthly income with little room for saving or building up safety nets.



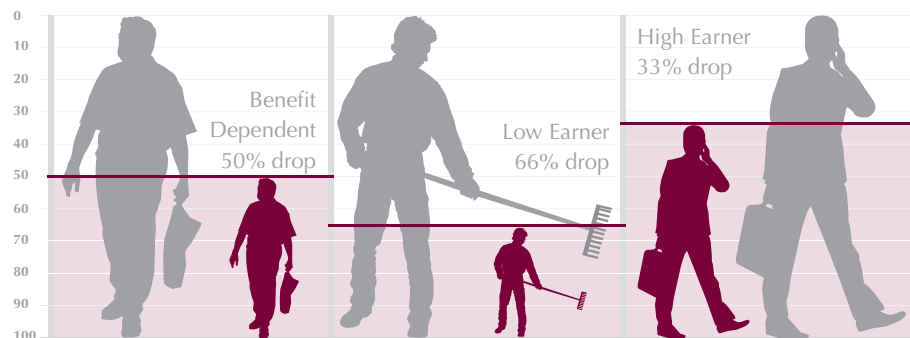
Individual income distribution: UK 2008 with indicative salaries

14 million low earners in the UK
9.4 million of working age
£15,800 average wage

Who low earners are

Low earners are largely independent of state support yet often struggle on relatively low incomes. There are 9.4 million low earners of working age - living on an average household wage of £15,800. The credit crunch and subsequent recession have exacerbated the already vulnerable position of many low earners, increasing their exposure to job loss and drops in income. Rises in the cost of living coupled with more constrained access to credit have put further pressure on already tight budgets.

% fall in income among 25-34 year olds in the recession



Why low earners matter & the issues they face

Low earners are a sizeable group: there are 14 million low earners living in 7.2 million households.

- They are also a diverse and fluid group. Our research has shown how a change in circumstance can cause people to move in and out of the low earning bracket. Nevertheless there are some common issues that low earners face:

- Many low earners are in low-paid, insecure work with limited access to training opportunities and career progression.

- Low earners often find that they are squeezed in the housing sector, too rich to qualify for social housing and yet too poor to access the housing ladder.

- Financial health remains an elusive goal for many low earning households. Day to day budgeting is a constant juggling act where small changes in income and circumstances can be deeply destabilising. Longer-term planning is often hampered by lack of money once daily costs have been met – storing up problems for the future.

A snapshot of the challenges low earners face

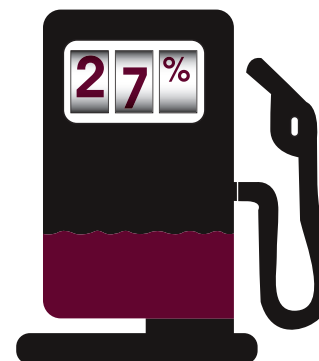
- 66% of the 25-34 age group reported a fall in income compared to 50% in the benefit dependent group and 33% amongst the higher earning group.

- Low earners are more pessimistic than any other group about their personal economic fortunes, with their expectations falling almost 20% since 2001.

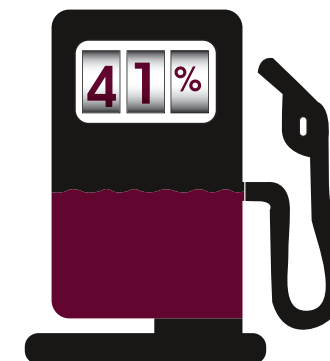
- 470,000 low earning households (7 per cent of the total) reported that a fall in income caused by reduced working hours meant that they were having difficulties keeping up with bills in 2009; more than double the number in 2008.

- Low earners have little or no safety net - over half of low earners have less than a month's salary in savings.

Income spent (%) on essential items (food & fuel)



High Earners



Low Earners

- £1.7 million low earners are in acute financial health
- There is 1.9 billion of unsecured debt across low earner households
- 4 in 10 low earners are struggling to keep up with bills and credit commitments

- 32% of low earners have secured debt (on average £89,000) – while 53% have some unsecured debt (on average £5,200)
- 40% of low earners are not saving for a pension

Meet Lesley: the experiences of low earners are very diverse but Lesley's situation typifies many of the issues that arise repeatedly in our qualitative work:

Lesley (33) and her husband, Phil (34), have two children and live in a suburb of a major town. Lesley works part-time as a classroom assistant and Phil works as a postman. They enjoy their work but worry about the talk of public sector cuts. They feel there aren't many opportunities to progress in work or re-train. Their combined earnings are £23,500, supplemented by working tax credits.

"I like the credits, I feel like I help myself to earn it, and they definitely make life easier"

They are proud of their financial independence and how they make their relatively low income stretch. Unable to raise a deposit they managed to buy their own home with a 100% mortgage but now worry about making their repayments every month. Their income has also been affected by recent rises in food and fuel prices.

They feel let down by a system which they believe often favours those who don't work as hard.

"It must appear that we have a comfortable life, but we are frugal with it. Your brain is working overtime, I spend hours finding bargains and saving money"

Lesley and Phil try not to think too far into the future as they don't have many savings and Lesley is yet to start a pension. It worries them when they think about their family's future but currently they don't feel they can do any more to prepare for it.

"I'm on a fairly low income so if their policies are going to help me I'll sway to them"

Lesley and Phil feel politicians are out of touch with people like them and want to see more focus on the issues that really affect their lives; affordable housing, more job and training opportunities, and financial security, now and for the future.

Who we are

We are an independent research and policy organisation with charitable status. Our work is grounded in robust, economic analysis which we use to inform policy proposals to improve outcomes for the UK's 14 million low earners. You can find more of our work at www.resolutionfoundation.org/newpage or on Twitter at **lowearners**.