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Pressure on pay, prices and properties

How families were faring in October 2023

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All figures have been weighted and are representative of all UK adults. The figures presented from the online surveys have been analysed independently by the Resolution Foundation. The views expressed here are not the views of YouGov.

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Summary

Two years into the cost of living crisis, inflation has finally turned a corner. The headline rate of CPI inflation has fallen from its October 2022 peak of 11.1 per cent to 4.6 per cent in October 2023, and the Prime Minister has been able to say that his target of halving inflation in 2023 was met.

But politicians and central bankers saying that this means the problem is over risk sounding out of touch with the public experience. We can see this from analysis of a new YouGov survey of over 8,000 adults aged 18 and above that was in the field in October 2023, following on from similar surveys in March 2023 and November 2022. The overall pattern from this survey is clear: although there have been slight improvements in some outcomes since November 2022, most indicators of how families are faring remain at levels that are far more concerning than was the case two or more years ago. For example, over a fifth of people were in moderate or severe food insecurity in October 2023, almost three times as many as pre-pandemic levels (22 per cent versus 8 per cent). People's ability to afford key essentials also remains much diminished, with more than a fifth (22 per cent) saying they could not afford to heat their home adequately in October 2023. This was slightly better than the 27 per cent reached in November 2022, but over four times higher than the 5 per cent who reported this in 2019-20.

The impacts of the cost of living crisis are worse for certain groups, and our survey consistently finds that outcomes are worse for people with disabilities compared to those without, and for those from Black ethnic groups compared to those from a White ethnic group, with many of these differences remaining when we adjust for age, income and household composition.

The sense that the cost of living crisis is not over is confirmed when we asked people directly: in October 2023, respondents were twice as likely to report that things had gotten worse over the past three months than better (38 per cent versus 15 per cent). The fact that families are more likely to say things are getting worse than better, and that many indicators of financial strain remain worryingly high, is unsurprising given that a falling rate of inflation does not mean that prices are falling. Indeed, the cost of the basket of goods that underpins the Consumer Price Index (CPI) was 16 per cent higher in October 2023 than it was two years earlier, with the cost of energy 49 per cent higher than in October 2021, and food prices 28 per cent higher.

Additionally, 2023 has seen a continued rise in mortgage payments. Around 5.1 million households in Great Britain have faced a change in their mortgage rate by Q4 2023 and, for the 1.7 million households who are due to reach the end of their fixed-rate deal next year, the average annual mortgage bill will rise by nearly £3,000. Housing costs for renters

have increased, too: average rents have risen by 14 per cent over the past two years. On the positive side, 2023 saw rapid growth in nominal earnings, which reached its fastest pace since records began in the early 2000s. But real earnings were still falling year-on-year between November 2021 and June 2023, with (muted) growth only returning in September 2023.

To fully understand the pressure that people are under, however, we need to examine the variation in people's experiences of pay and price rises. In the current economic climate, this variation will be larger, and will matter more, than usual. First, the high rate of inflation means there will be a much bigger difference than most years between having a pay rise that tracks inflation compared to having zero pay growth. Second, although the initial surge in inflation was concentrated in energy and food, goods which no one can avoid consuming, more recently the pressure has begun to be felt more in housing, with steep rises in mortgage costs and rental prices.

But the way that housing costs rise is not as even as suggested by economic indicators: someone who has renewed their mortgage in recent months and seen their repayments double, or who has had to sign a new tenancy agreement, will have faced a much bigger increase in their outgoings than those who own their home outright, or whose mortgage or rent is fixed; again, these differences will be greater than in less unusual years, given the scale of the rise in mortgage rates and rents.

On pay, the good news is that, over the year to October 2023, our employed working-age survey respondents were more than twice as likely to report that their pay had gone up than to say it had stayed the same or fallen (48 per cent versus 23 per cent). But almost a quarter (24 per cent) of pay rises in the year to October 2023 did not keep pace with inflation, compared to only 7 per cent of pay rises in 2018-2019. And a quarter of workers did not see their pay go up between October 2022 and October 2023, including 7 per cent whose pay actually fell. Receipt of a pay rise was spread fairly equally across the pay distribution – with the National Living Wage proving vital support for low-wage workers – and younger workers were slightly more likely than older workers to have had a rise in pay, reflecting typical labour market trajectories.

Changes in housing costs have also been far from even, as steep rises in mortgages and rents have become a major feature of the cost of living crisis. Over two-in-five working-age adults (42 per cent) experienced a rise in their housing costs (excluding those without responsibility for paying housing costs), 12 percentage points more than in 2018-2019 (30 per cent), and indeed more than at any point in the past decade. These changes have also been larger than usual: in October 2023, a quarter of people reported a rise in housing costs of at least 14 per cent, but in 2018-2019, only 15 per cent saw a housing cost rise of this scale. Typical housing cost rises are fairly equal across the income distribution, albeit with lower-income families more exposed to rent rises and higher-income ones more exposed to increases in their mortgage payments.

But there are bigger differences by age, because older age groups are far more likely to own their home outright. Around two-fifths of working-age adults under 55 had seen their housing costs go up, compared to just a quarter (25 per cent) of 55-64-year-olds. This adds to the evidence that the cost of living crisis is having unequal impacts by age, with our previous survey waves showing that older people were less likely to say that they had to cut back on spending, and less likely to be resorting to unsustainable coping strategies, or to report negative impacts of the crisis on their health and wellbeing.

Much of the concern in the media and among politicians has been about the impact of rising mortgages on household finances. In fact, across housing tenures, renters were more likely to say that their housing costs were higher than a year ago than those with mortgages: two-in-five working-age private renters (63 per cent) reported paying more rent than a year ago, compared to half (49 per cent) of mortgagors (this captures all reasons why housing costs have risen, including moving house or extending a mortgage). This underscores the fact that many mortgagors have been protected (so far) from rising interest rates by being locked into fixed-rate deals; by contrast, renters have been more vulnerable to having their rent increased.

But, although mortgagors may have been less likely than renters to have experienced a housing cost rise, when they did, it was bigger: mortgagors whose payments had gone up faced a typical rise of almost a quarter (23 per cent), rising to 28 per cent among young mortgagors (aged 25-34), compared to typical rent rises of 7 and 9 per cent for social and private renters respectively (among those who reported a rent rise).

Overall, we estimate that around 7.4 million working-age adults have experienced a housing cost rise over the year to October 2023, but more working-age adults – at least 13.7 million – got a pay rise. But, of course, these need not match each other in size: the typical housing cost rise among those whose housing costs rose was far higher than the typical pay rise among that same group, at 13 per cent and 5 per cent respectively. And even within the group whose housing costs have risen, there are large variations in circumstances. About one in seven (14 per cent) working-age respondents saw both pay and housing costs increase, but there was a roughly similar number (14 per cent) saying that their housing costs rose but without their pay increasing, either because their employer did not offer a pay rise or they were not in work. Higher-income families experiencing housing costs rises were more likely to also have a pay rise than were lower-income families, and, among those whose housing costs rose, working-age renters (both private and social) were more likely to be out of work or to not have had a pay rise than mortgagors.

These mismatches between pay changes and housing cost changes are important, as they help predict the differences in how people are experiencing the cost of living crisis. When we asked working-age respondents how worried they were about their financial situation, and whether their situation now was better or worse than three months ago, there was a clear hierarchy: those with rising housing costs were more likely to say things had got worse, and that they were more worried about the future, than those whose housing costs had not risen.

Furthermore, within the group with rising housing costs, outcomes were worse for those who had not experienced a pay rise or who were not in work at all than for those who had benefited from a pay boost this year. For example, 66 per cent of working-age respondents with higher housing costs than a year ago but the same pay were worried about their finances in the future, compared to 55 per cent of those with both higher housing costs and higher pay, and only 38 per cent of those whose housing costs had not gone up. It is the former, 'housing-pinched', households who look most vulnerable as the cost of living crisis continues.

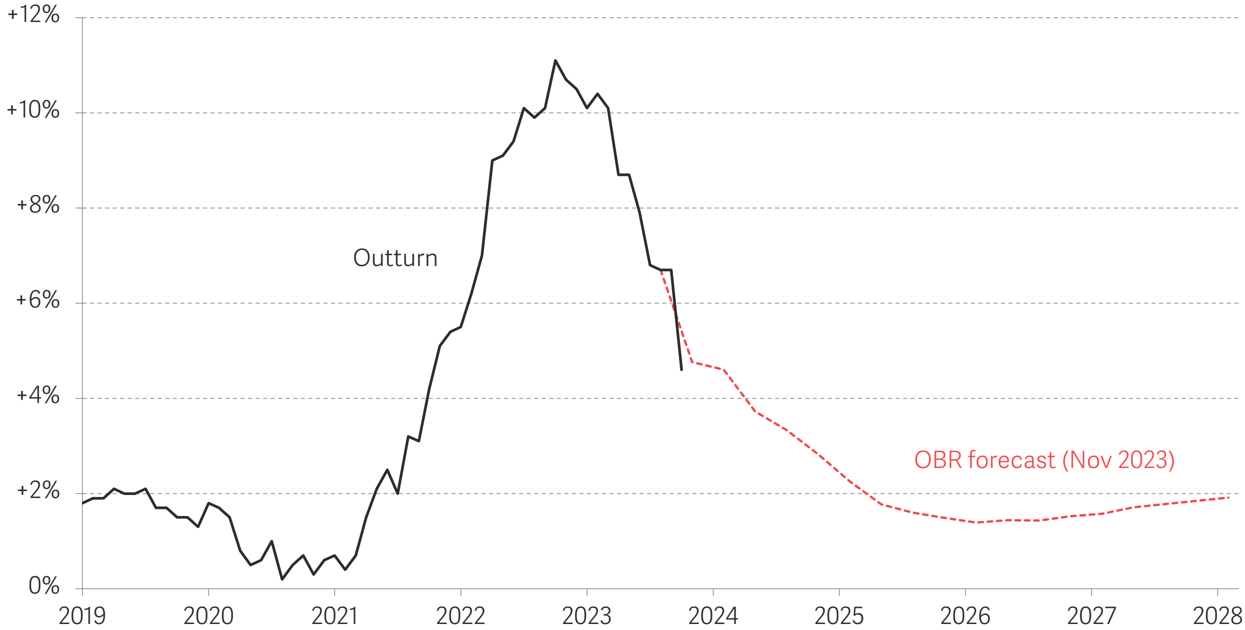
Inflation may be falling, but the cost of living crisis is far from over

2023 has been a year of a falling rate of inflation, with the headline rate of CPI inflation has fallen from its October 2022 peak of 11.1 per cent to 4.6 per cent in October 2023 (Figure 1), dropping by 2.1 percentage points between September 2023 and October 2023 alone thanks to the sharp rise in energy prices between late 2021 and 2022 falling out of the annual comparison.[1] The most recent forecast from the Office for Budget Responsibility (OBR) revealed that it expects inflation to continue falling over the coming year, returning to the Bank of England's 2 per cent target by 2025.

1 P Bolton, Gas and electricity prices under the Energy Price Guarantee and beyond, House of Commons Library, November 2023.

FIGURE 1: **Inflation is now falling**

CPI inflation, outturn and OBR forecast: UK



SOURCE: RF analysis of ONS, Consumer price inflation; OBR, Economic and Fiscal Outlook, November 2023.

But the Government's celebration of inflation having halved risks sounding tone deaf given the reports of ever-increasing food bank usage, a 'rising tide' of people in debt to their energy provider, and reports of families struggling to afford Christmas.[2]

To better understand how households were managing, we commissioned a YouGov survey of over 8,000 adults aged 18 and above that was in the field in October 2023. This follows on from two similar surveys conducted in March 2023 and November 2022.[3] The results of these surveys are clear: although there have been small improvements in certain outcomes since November 2022 – a time when people feared energy bills would be increasing to around £4,000 a year – most indicators of how families are faring remain at levels that are far more concerning than was the case two or more years ago. For example, we estimate that over a fifth of people are in moderate or severe food insecurity, with 12 per cent of respondents reporting moderate food insecurity and 10 per cent

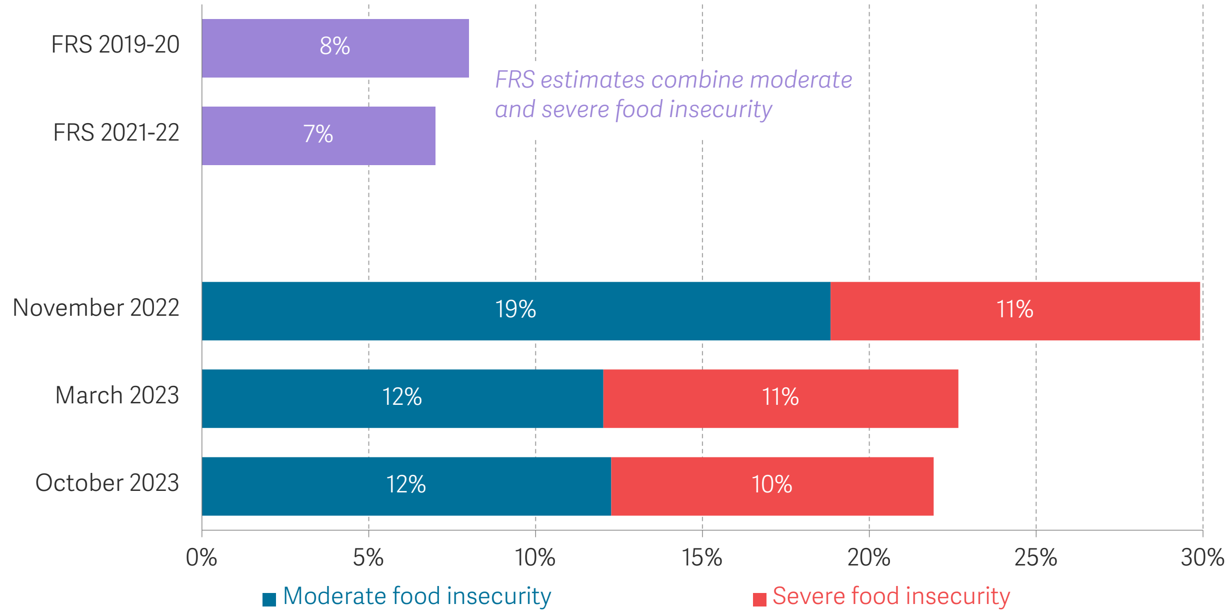
2 The Chancellor's comments on inflation are here: HM Treasury & The Rt Hon Jeremy Hunt MP, Autumn Statement 2023 speech, November 2023. The rest of the sentence draws on: The Trussell Trust, Mid-year stats, November 2023; A Belsham-Harris, The rising tide of energy debt, Citizens Advice, October 2023; StepChange, More than one in three households with children will struggle to afford Christmas, November 2023 (and see also the studies cited in Box 1).

3 This research uses data from three online surveys conducted by YouGov and funded by the Health Foundation. Fieldwork for the most recent one was undertaken online during 13-17 October 2023, and the total sample size was 8,378 UK adults aged 18 and over. It also reuses data from two previous surveys of adults aged 18 and over conducted by YouGov: one of 10,122 adults conducted during 6-13 March 2023 and one of 10,470 adults conducted during 23-30 November 2022. The figures from the online surveys have been weighted and are representative of all UK adults. The figures presented from the online survey have been analysed independently by the Resolution Foundation. The views expressed here are not the views of YouGov or the Health Foundation.

reporting severe food insecurity (see Figure 2).[4] This is lower than our survey suggested was the case in November 2022, but is three times as high as levels before the cost of living crisis began.[5]

FIGURE 2: **Food insecurity has fallen since last autumn, but is much higher than it was before and during the Covid-19 pandemic**

Proportion of respondents experiencing moderate and severe food insecurity, by survey date: UK



NOTES: Base = all adults aged 18+ (October 2023, n=8,378; March 2023, n=10,122; November 2022, n=10,470). See footnote 4 for details on how we define moderate and severe food insecurity.
SOURCE: RF analysis of YouGov, adults age 18+ Cost of Living Crisis November 2022, March 2023 and October 2023 waves; DWP, Family Resources Survey.

Similarly, people's ability to afford a number of basic essentials remains at far lower levels than pre-pandemic, although, as above, some measures have improved slightly since our November 2022 survey. For example, one-in-four respondents (25 per cent) said that they could not afford regular savings of £10 per month, and slightly fewer (22 per cent) said that they could not afford to switch the heating on when needed (see Figure 3): both represent only very slight improvements from our previous surveys, but are far higher

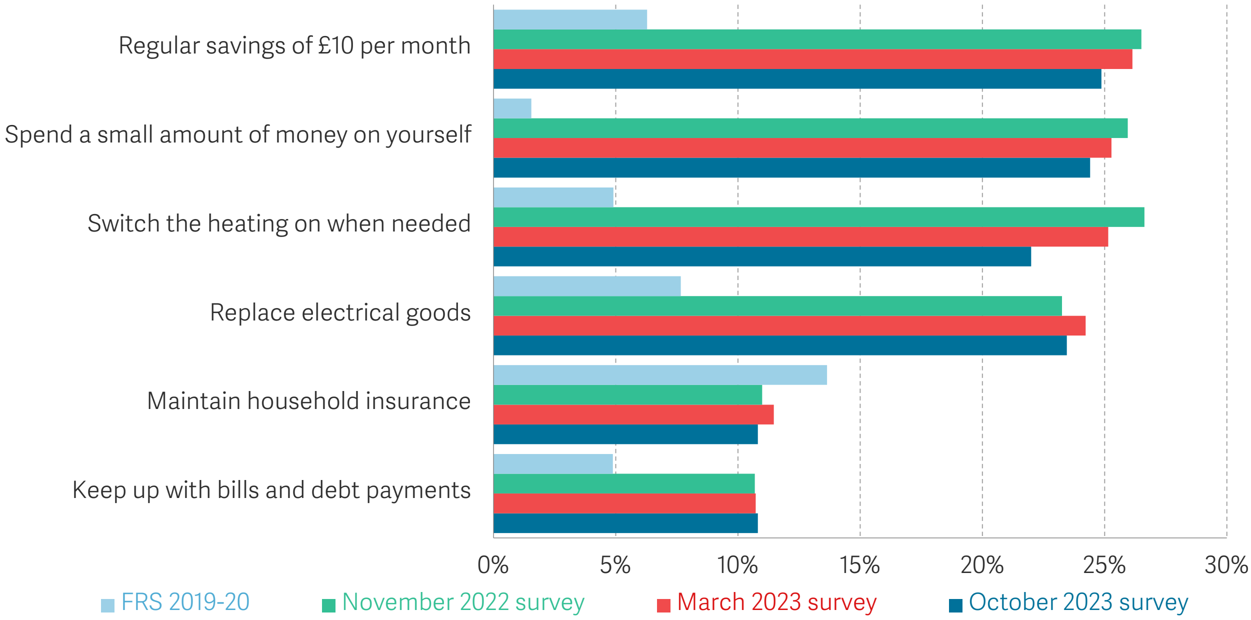
4 Food insecurity can be measured in different ways. We examined five questions, and classified respondents as moderately food insecure if they said that more than two applied to them, and severely food insecure if they said all five applied to them. The indicators were: The food that I bought just didn't last, and I didn't have money to get more; I couldn't afford to eat balanced meals; In the last 30 days, I ate less than I should because there wasn't enough money for food; In the last 30 days, I was hungry but didn't eat because there wasn't enough money for food; In the last 30 days, I cut the size of meals or skipped meals because there wasn't enough money for food. For further details, see Box 2 of: M Brewer, E Fry & L Try, The Living Standards Outlook 2023, Resolution Foundation, January 2023.

5 Other organisations have also found a rapid rise in food insecurity compared with the Covid-19 pandemic, with levels that have remained high through the cost of living crisis; see, for example: the Food Foundation, Food Insecurity Tracking, July 2023. For a longer time series, see: A Corlett, Half time: The UK's commitment to halve poverty by 2030, Resolution Foundation, September 2023.

than the fractions who said they were unable to afford these things in 2019-20 (6 and 5 per cent, respectively).

FIGURE 3: **Levels of material deprivation remain far higher than in 2019-20**

Proportion of respondents reporting inability to afford various items, by survey date: UK



NOTES: Base = all adults aged 18+ (October 2023, n=8,378; March 2023, n=10,122; November 2022, n=10,470).
SOURCE: RF analysis of YouGov, adults age 18+ Cost of Living Crisis November 2022, March 2023 and October 2023 waves; DWP, Family Resources Survey.

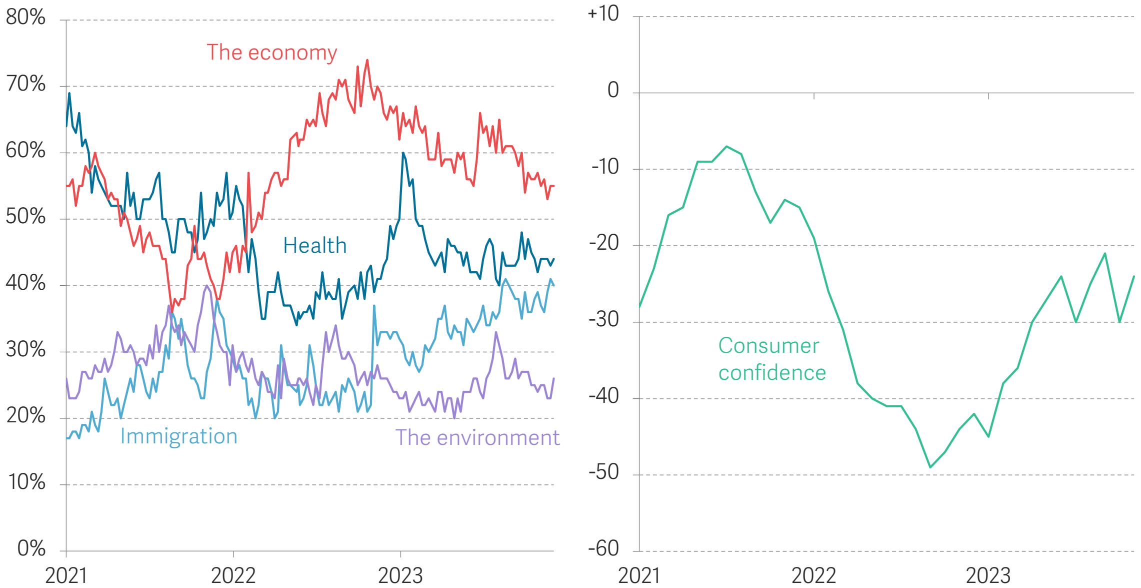
This is consistent with other evidence showing how the cost of living crisis continues to have a big impact on family finances, which we summarise in Box 1.

BOX 1: Other evidence on the impact of the cost of living crisis on families

Data on consumer confidence – which has improved since last year, but is still in negative territory – and on people's concerns, which continue to put the economy at the top, confirm the sense that the cost of living crisis is still with us.

FIGURE 4: **The economy remains the most important issue facing voters, and consumer confidence is still far weaker than before the cost of living crisis began, although it has strengthened since last year**

YouGov polling on the most important issues facing the country (left panel), and overall GfK consumer confidence index (right panel): UK



NOTES: Immigration refers to immigration and asylum. Respondents are asked to select up to three issues in response to the question: "What are the most important issues facing the country?". The overall consumer confidence index is the average of the net balances of respondents reporting that: their financial situation has got better over the past 12 months; their financial situation is expected to get better over the next 12 months; the general economic situation is expected to get better over the next 12 months; and now is the right time to make major purchases. Both the general economic situation question and the personal financial situation one asks respondents to say whether they expect things to get "a lot better", "a little better", "stay the same", "a little worse" or "a lot worse" over the coming 12 months. The major purchase question asks respondents to say whether they think the next 12 months represent "the right time", "neither right nor wrong time" or "the wrong time" to be making major purchases such as furniture or electrical goods.
SOURCE: YouGov Polling; GfK on behalf of the European Commission

This is backed up by research and analysis carried out by other organisations.

- Research using the Food Foundation's survey on levels of food insecurity shows that the proportion of households experiencing food insecurity in June 2023 was 17 per cent, equating to around 9 million adults.[6] This is very slightly lower than in September 2022, when it reached 18 per cent, but considerably higher than it was during the Covid-19 pandemic in August 2020, when it was just 7 per cent.

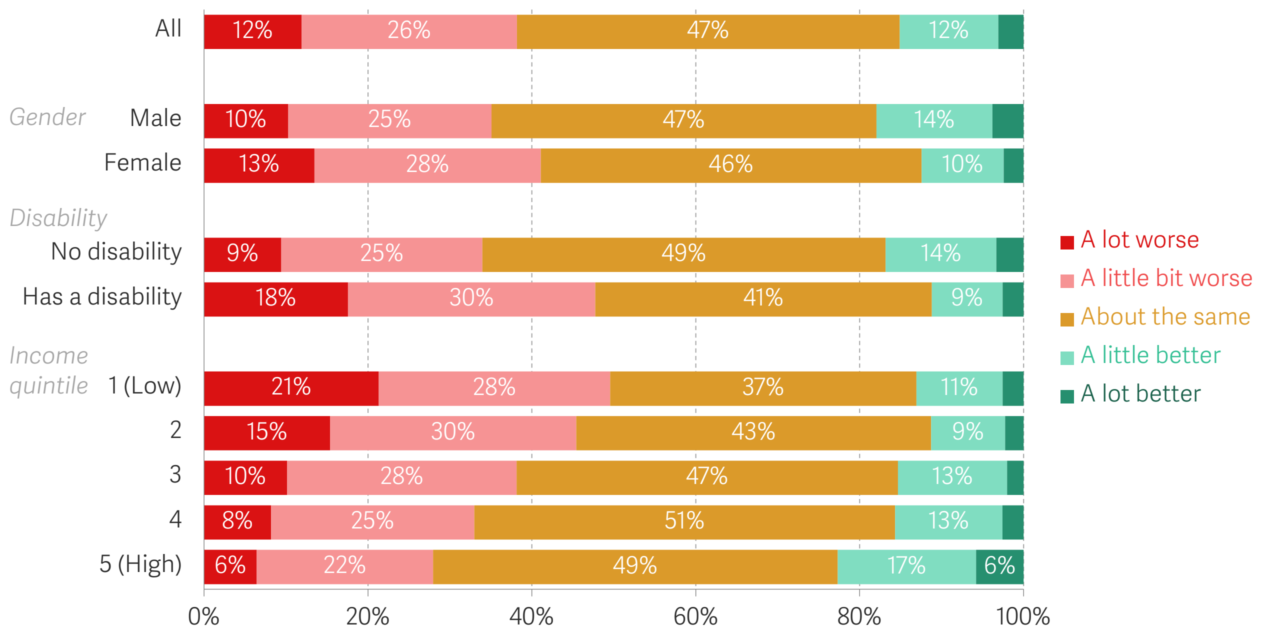
- Findings from the Financial Fairness Tracker Survey show that the number of households facing severe financial challenges was broadly unchanged between October 2022 and October 2023, but was much higher than in 2021 (2.8 million in 2021 and 4.8 million in 2023). [7] The research found signs that some households are adapting to higher costs, with a fall in those finding energy bills 'very unaffordable' from 25 per cent to 12 per cent, but overall financial anxiety remains high at 52 per cent. Those in serious financial difficulty experience genuine hardship, with 9 per cent resorting to food banks in the past six months. Financial worries significantly affect sleep quality for 39 per cent of respondents, rising to a striking 85 per cent for those in severe financial distress. Moreover, issues like poor housing conditions, debt accumulation and reliance on borrowed money for daily living expenses are more prevalent among households facing financial difficulties.
- The Joseph Rowntree Foundation has been conducting regular surveys of low-income households through the cost of living crisis, and their findings also show that key measures like food insecurity and inability to afford basic items are higher in October 2023 as they were at the start of the cost of living crisis. There are stark findings for households on Universal Credit, with the research finding that: "over 8 in 10 (84 per cent) of households [went] without the essentials and over 7 in 10 (73 per cent) [experienced] food insecurity specifically in the 30 days prior to the survey."[8]
- Citizens Advice maintains a cost of living tracker, which shows that the organisation is helping more people than ever with cost of living issues, including crisis loans, inability to afford energy, and food bank referrals. As with our survey, it also highlights the uneven impact of the crisis, with certain ethnic groups and people with long-term health conditions or disabilities being more likely to need help.[9]

6 The Food Foundation, Food Insecurity Tracking, July 2023.
7 J Evans, J Cross & S Collard, Turning a corner? The financial wellbeing of UK households in October 2023, University of Bristol, October 2023.
8 A Stirling, M Johnson-Hunter & R Earwaker, Autumn Statement 2023: Addressing an evolving crisis, Joseph Rowntree Foundation, November 2023; M Johnson-Hunter & R Earwaker, Unable to escape persistent hardship: JRF's cost of living tracker, summer 2023, Joseph Rowntree Foundation, June 2023.
9 The tracker is available at: public.flourish.studio/story/1634399/.

The sense that the cost of living crisis is not over is confirmed when we asked people directly. In October 2023, respondents were twice as likely to report that things had gotten worse over the past three months as said it had improved (38 per cent versus 15 per cent), as Figure 5 shows.

FIGURE 5: **More than a third of people are finding things worse than three months ago – twice the share who think things have got better**

Proportion of respondents saying that their financial situation was better or worse than three months ago, by various characteristics: UK, 13-17 October 2023



NOTES: Base = all adults aged 18+ (n=8,378), male (n=4,060), female (n=4,318), no disability (n=5,877), disability (n=2,501), 1st quintile (n=1,046), 2nd quintile (n=1,157), 3rd quintile (n=1,144), 4th quintile (n=1,474), 5th quintile (n=1,601).
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

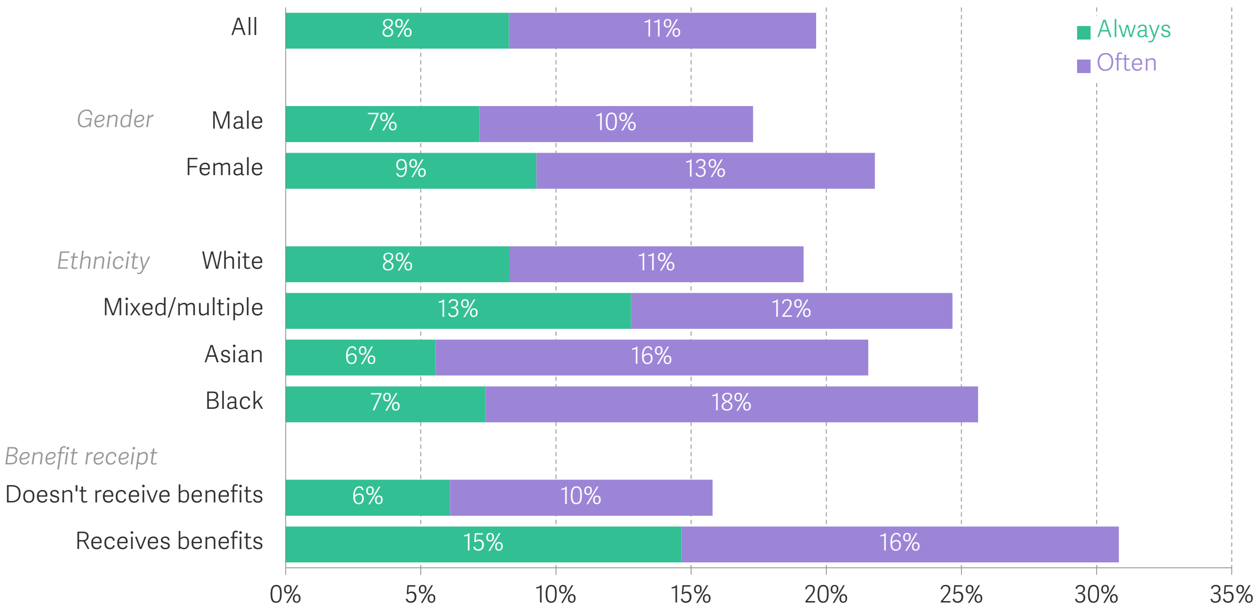
Inequalities in experiences of the cost of living crisis remain

Figure 5 also shows that people's recent experiences of the cost of living crisis vary by family income and other characteristics. In particular, those in the lowest income quintile were more than three times as likely to say their financial situation had got a lot worse as those in the highest quintile. There are small differences by gender (with women slightly more likely to say things had gotten worse, and slightly less likely to say things are better), but much larger differences between those people with or without a disability or long-term health condition: almost half (48 per cent) of respondents with a disability said that their financial situation was worse in October 2023 than in July 2023, and those respondents with a disability were twice as likely to report that things were now a lot worse than those without (18 versus 9 per cent).

As has been widely noted (see Box 1), the impact of the cost of living crisis has been unequal across the population. Our latest survey further confirms this. In particular, we asked respondents if their money lasted until the end of the month (Figure 6). 15 per cent of those receiving benefits reported that their money always ran out before the end of the month, almost double the average of survey respondents. More than a quarter of respondents (26 per cent) from Black ethnic groups also reported that they always or often run out of money before the end of the month, and respondents with a disability were 8 percentage points more likely to often or always run out of money than respondents without.

FIGURE 6: **Those receiving benefits frequently run out of money**

Proportion of respondents reporting that their money ran out before the end of the month, by various characteristics: UK, 13-17 October 2023

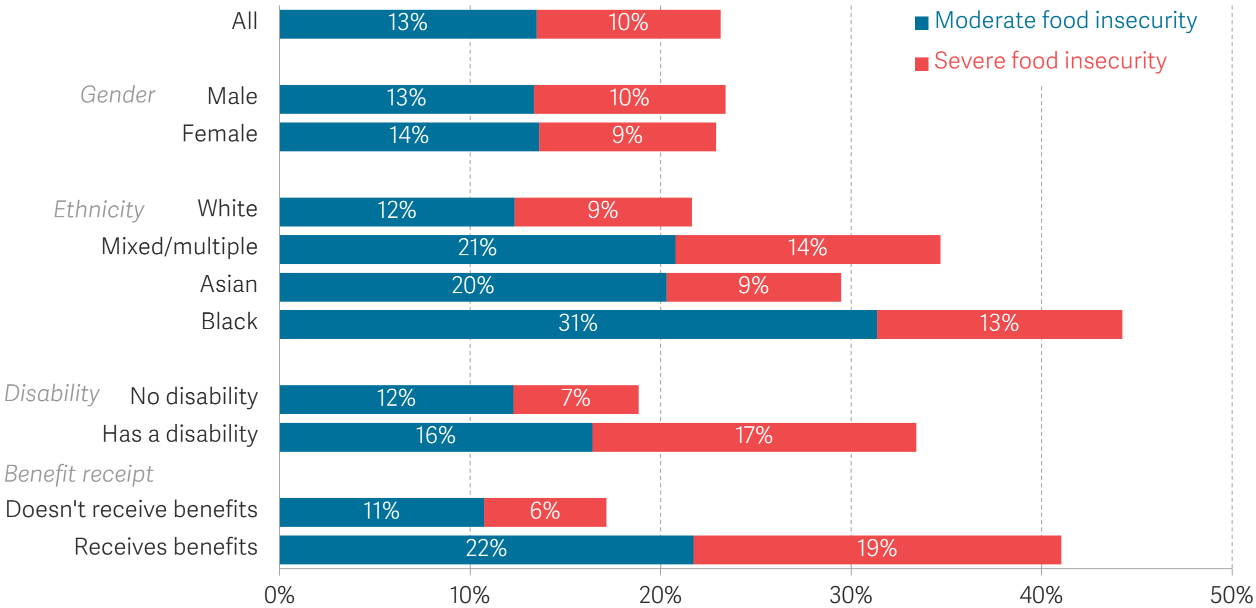


NOTES: Base = all adults aged 18+ (n=8,378), male (n=4,060), female (n=4,318), no disability (n=5,877), disability (n=2,501), White (n=7,413), Mixed or multiple (n=158), Asian (n=292), Black (n=149), doesn't receive benefits (n=6,295), receives benefits (n=2,083). 'Receipt of benefits' includes those receiving Tax Credits but excludes those receiving only Basic State Pension or Child Benefit. Other ethnic groups excluded due to small sample sizes.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

Looking again at food insecurity (Figure 7), levels are higher among Black people with 31 per cent of respondents reporting moderate food insecurity and 13 per cent reporting severe food insecurity. These inequalities were similarly reflected in levels of food bank use, with 10 per cent of Black people reporting that they had used a food bank in the last month, in comparison to 3 per cent of White people. There is also a strong income gradient in levels of food insecurity, with more than 40 per cent of people in receipt of benefits reporting food insecurity. And, although not shown here, we saw similar trends when asking about people's ability to afford priority bills (such as mortgage and rent payments, as well as gas and electricity): 14 per cent of those from Black ethnic groups and 9 per cent of those in the lowest income quintile were behind on two or more priority bills, compared to an average of 4 per cent.

FIGURE 7: **Levels of food insecurity are high among those from Black ethnic groups**

Proportion of respondents experiencing moderate and severe food insecurity, by various characteristics: UK, 13-17 October 2023



NOTES: Base = all adults aged 18+ (n=8,378), male (n=4,060), female (n=4,318), no disability (n=5,877), disability (n=2,501), White (n=7,413), Mixed or multiple (n=158), Asian (n=292), Black (n=149), doesn't receive benefits (n=6,295), receives benefits (n=2,083). 'Receipt of benefits' includes those receiving Tax Credits but excludes those receiving only Basic State Pension or Child Benefit. Other ethnic groups excluded due to small sample sizes. See footnote 4 for details on how we define moderate and severe food insecurity.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

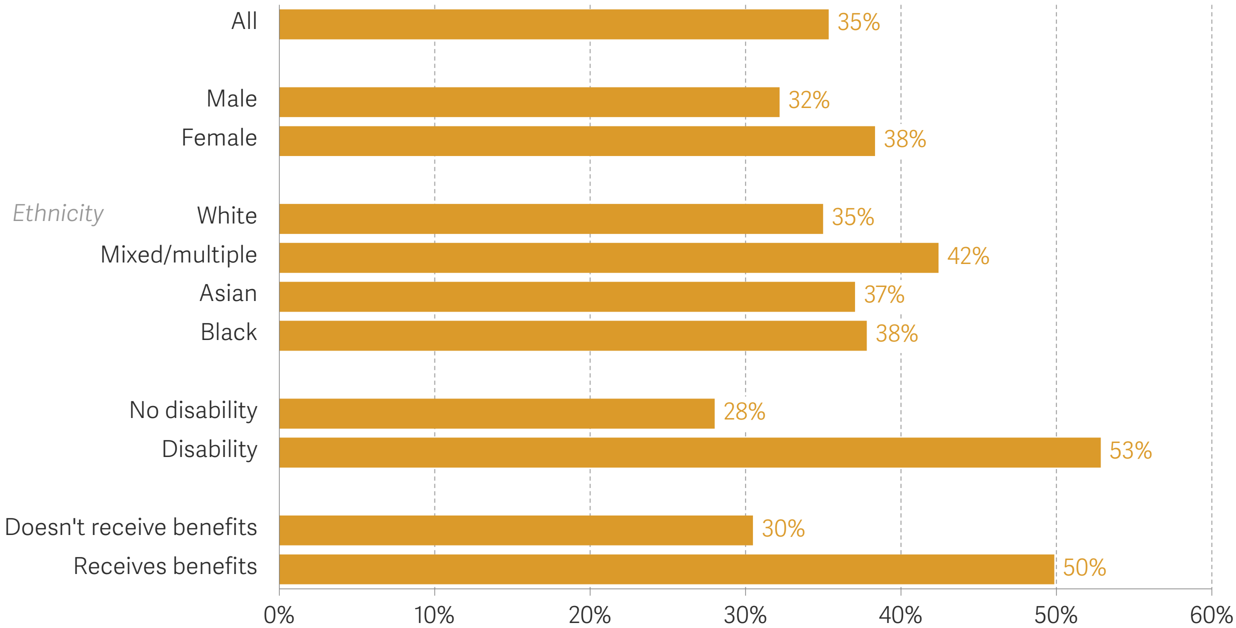
In addition to the direct harms of financial and food insecurity, the cost of living crisis also raises health concerns through at least two channels. First, there are impacts of physical health that could arise through how rising costs affect people's diet, or their ability to heat their homes and keep them damp-free, and their ability to afford essentials. Second, there are impacts on mental health, via financial strain, stress, worry about debt, and so on.[10] We have therefore also examined summary measures of mental health. Although we have not been able to explore how much these differences are due to the

10 Our previous reports examined the link between the cost of living crisis and people's mental health; see: M Brewer, E Fry & L Try, The Living Standards Outlook 2023, Resolution Foundation, January 2023. This topic is also covered by, for example, A Gazzillo, How debt can affect health during the cost-of-living crisis, The Heath Foundation, November 2023; and N Bond, Breaking the Cycle: The case for integrating money and mental health support during the cost of living crisis, Money and Mental Health Policy Institute, July 2023; as well as some of the reports cited in Box 1.

cost of living crisis, the incidence of poor mental health follows the same patterns as in the previous two figures (see Figure 8), although it is also the case that women are more likely to report poor mental health than men.[11]

FIGURE 8: **Incidence of poor mental health follows the same pattern as poor financial circumstances**

Proportion of respondents reporting poor mental health, by various characteristics: UK, 13-17 October 2023



NOTES: Base = all adults aged 18+ (n=8,378), male (n=4,060), female (n=4,318), no disability (n=5,877), disability (n=2,501), White (n=7,413), Mixed or multiple (n=158), Asian (n=292), Black (n=149), doesn't receive benefits (n=6,295), receives benefits (n=2,083). 'Receipt of benefits' includes those receiving Tax Credits but excludes those receiving only Basic State Pension or Child Benefit. Other ethnic groups excluded due to small sample sizes. Poor mental health is defined as a score of three or more on the eight-question General Health Questionnaire, considered to be the respondent showing signs of emotional distress.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

As Box 2 sets out, the unequal impacts by disability and ethnicity remain after controlling for other characteristics – that is, the impact of having a disability or from being of Black ethnicity on people's experience of the cost of living crisis cannot be fully explained by lower levels of income, for example, among these groups.

11 The overall incidence of poor mental health, at 35 per cent, is slightly lower than in our previous two surveys, which both reported 39 per cent.

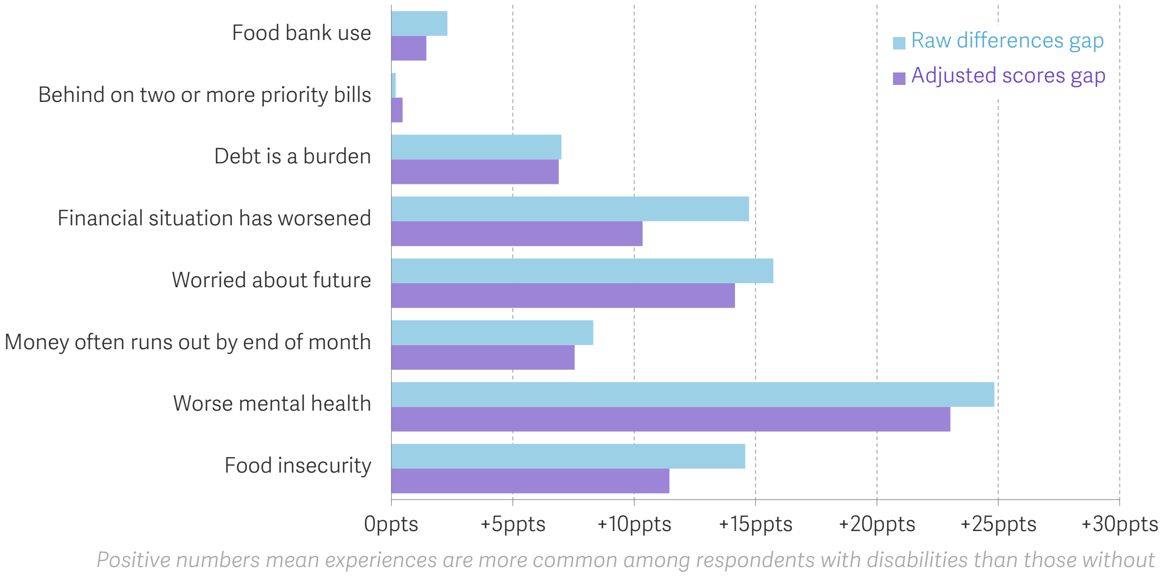
BOX 2: Unequal impacts remain after controlling for other characteristics

Figure 6 and Figure 7 show that the impacts of the cost of living crisis on family finances or living standards seem to be worse for those with disabilities, as well as those from certain ethnic minority groups. To explore these differences further, we show below both the raw and adjusted gap in various outcomes between those with and without disabilities, and between those from the Black and White ethnic groups, where the adjusted gap is defined as the gap that remains having accounted for differences in other factors, such as age, employment status, family type and family income.

Figure 9 looks at these 'gaps' for people with disabilities, where a positive gap means that people with disabilities are more likely to report that the situation applies to them. It shows that, across a range of outcomes relating to family finances or living standards, people with disabilities have worse outcomes than those without disabilities. In most cases, those gaps hardly change when we also account for differences in other factors.

FIGURE 9: Differences between those with disabilities and those without remain when accounting for other factors

Percentage point gaps between respondents with disabilities and those without reporting various experiences, before and after adjusting for other characteristics: UK, 13-17 October 2023

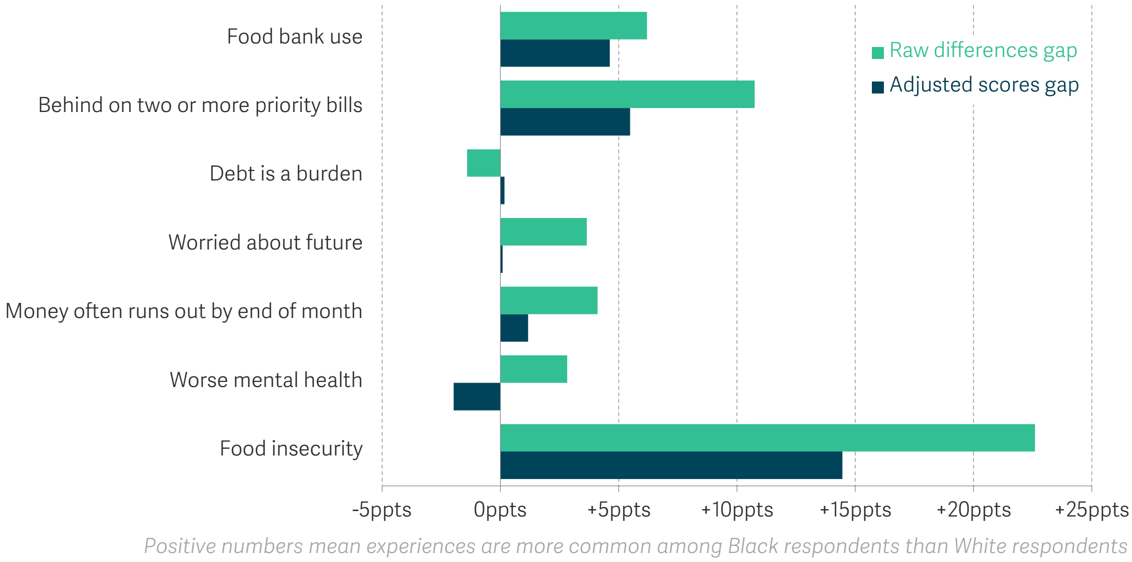


NOTES: Base = all adults aged 18+ (n=8,378). Adjusted scores reflect regression-adjusted differences having controlled for gender, ethnicity, whether disabled, family income quintile, whether receiving benefits, housing tenure, employment status and age.
SOURCE: RF analysis of YouGov, adults age 18+ Cost of Living Crisis October 2023 wave.

In the same way, Figure 10 looks at these 'gaps' between respondents from White and Black ethnic groups, where a positive gap means that respondents who identified as Black had worse outcomes than those who identified as White.[12] In general, the Black-White gaps are smaller than the disabled-not disabled gaps, and they are more likely to shrink when we account for other factors, but differences remain, particularly in food insecurity and being behind on priority bills.

FIGURE 10: **Differences between the Black and White ethnic groups remain when accounting for other factors**

Percentage point gaps between respondents from Black and White ethnic groups reporting various experiences, before and after adjusting for other characteristics: UK



NOTES: Base = all adults aged 18+ (n=8,378). Adjusted scores reflect regression-adjusted differences having controlled for gender, ethnicity, whether disabled, family income quintile, whether receiving benefits, housing tenure, employment status and age.
SOURCE: RF analysis of YouGov, adults age 18+ Cost of Living Crisis October 2023 wave.

Families are still facing elevated costs, while incomes have struggled to keep up

Prices have risen by 16 per cent over the past two years

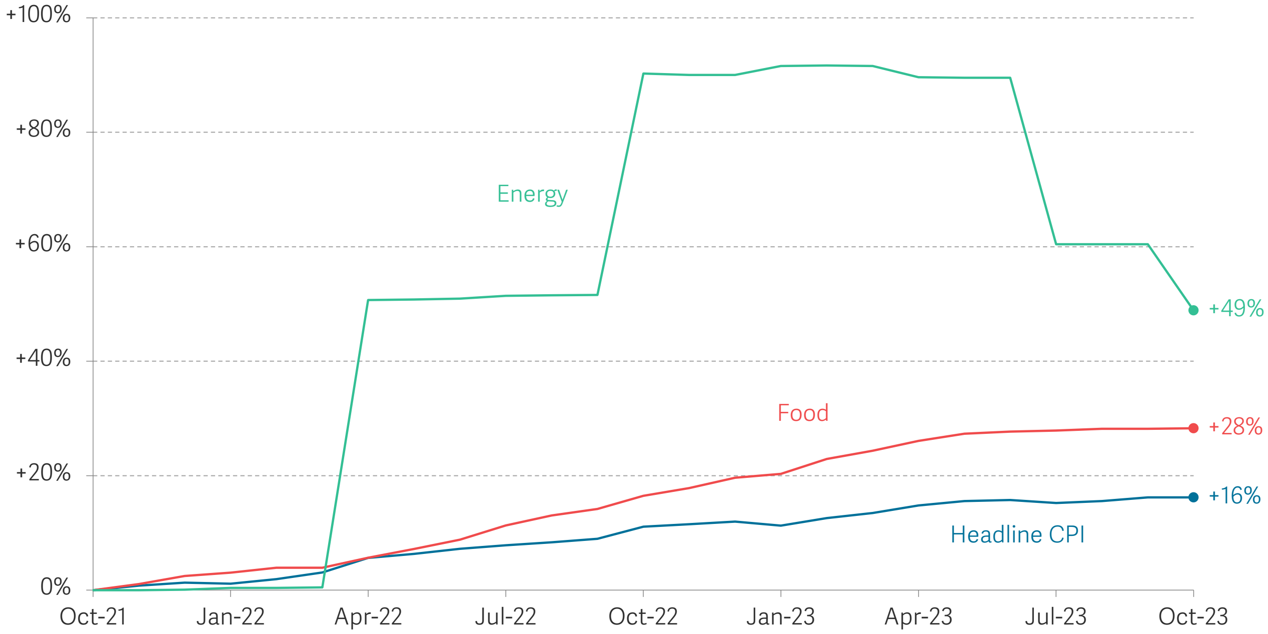
The fact that families are more likely to say things are getting worse than better, and that many indicators of financial strain remain worryingly high, should be unsurprising: a falling rate of inflation, as shown in Figure 1, does not mean that prices are lower than they were a year ago, only that they are rising less quickly than at the height of the cost of

12 The Black ethnic group comprises respondents who identified as African, Caribbean or any other Black ethnic group. We have omitted analysis of whether respondents' financial situation had worsened from this chart because a high proportion of Black respondents answered with Don't Know or Prefer Not to Say.

living crisis. Furthermore, the duration of the crisis is also becoming material: as we show in Figure 11, the cost of the basket of goods that underpins the Consumer Price Index was 16 per cent higher in October 2023 than it was two years earlier.

FIGURE 11: **Prices have gone up by 16 per cent over the past two years**

Cumulative increase in the Consumer Price Index since October 2021, by product: UK



SOURCE: RF analysis of ONS, Consumer price inflation.

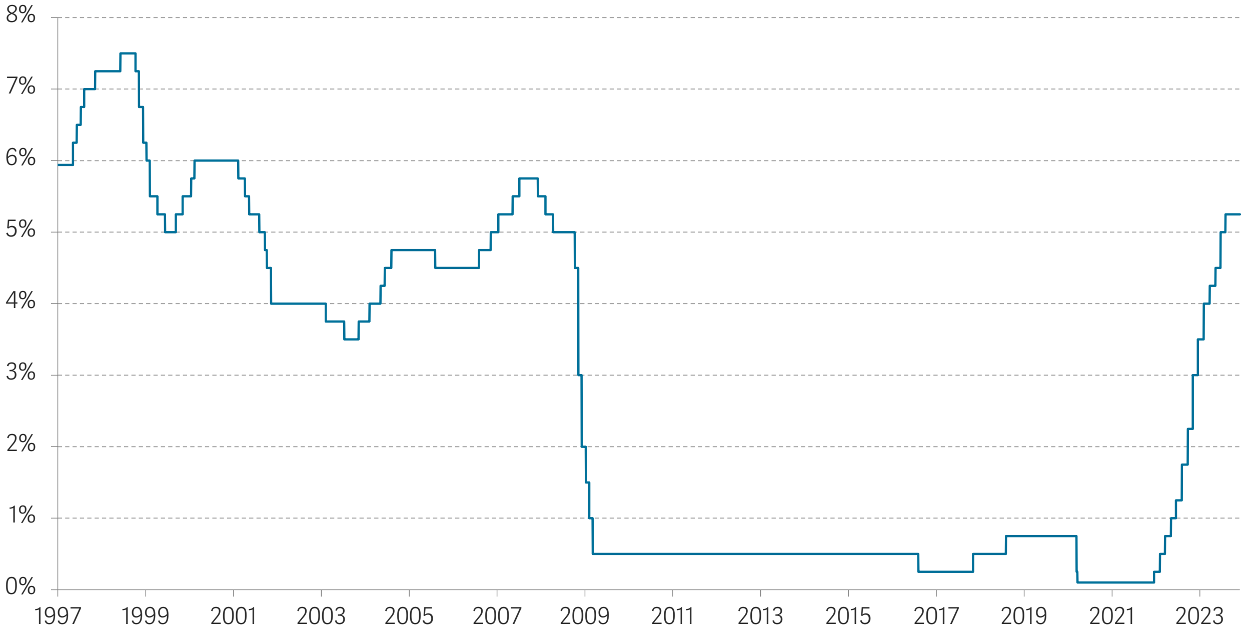
As we flagged earlier, the initial rise in inflation was driven by the rising cost of essentials, particularly energy and food, the prices of which have risen much more than the average inflation rate (also shown in Figure 11). Although the cost of electricity, gas and other fuels is currently lower than at its peak at the start of 2023, it remains 49 per cent higher than in October 2021. Food prices have also grown much more quickly than average: over the two years to October 2023, food prices went up by 28 per cent, close to twice the rise for prices overall.

Additionally, 2023 has seen the continued rise in mortgage payments driven by the Bank increasing interest rates (Figure 12). Not all of this rise in rates has been passed through to households with a mortgage yet: fixed-rate mortgages made up more than £9 in every £10 of mortgage lending in 2022, with the five-year fix the most popular product, so only new mortgagors and those who have had to remortgage over the past couple of years have been directly hit (and we will see the importance of this later in this note). But this also means that some of the mortgage pain is still to come. We estimate that around 5.1 million households in Great Britain have faced a change in their mortgage rate so far (by Q4 2023), and that 1.7 million households will reach the end of their fixed-rate deal in

2024. According to the Bank of England, a typical household taking out a new fixed-rate deal before the end of 2026 will see their annual mortgage bill rise by around £2,900 per year.[13]

FIGURE 12: **Interest rates have returned to pre-financial crisis levels**

Bank of England base rate: UK



SOURCE: Bank of England, Official Bank Rate history.

Finally, housing costs for renters have increased too: new estimates from the ONS suggest that average private rents have risen by 14 per cent over the past two years.[14] But again, not all renters are equally exposed. At one end of the spectrum, those in long-term tenancies whose rent has not been reviewed will have seen no rent rises; at the other, those whose rent has been reviewed or have started a new tenancy will have faced steeper rises.

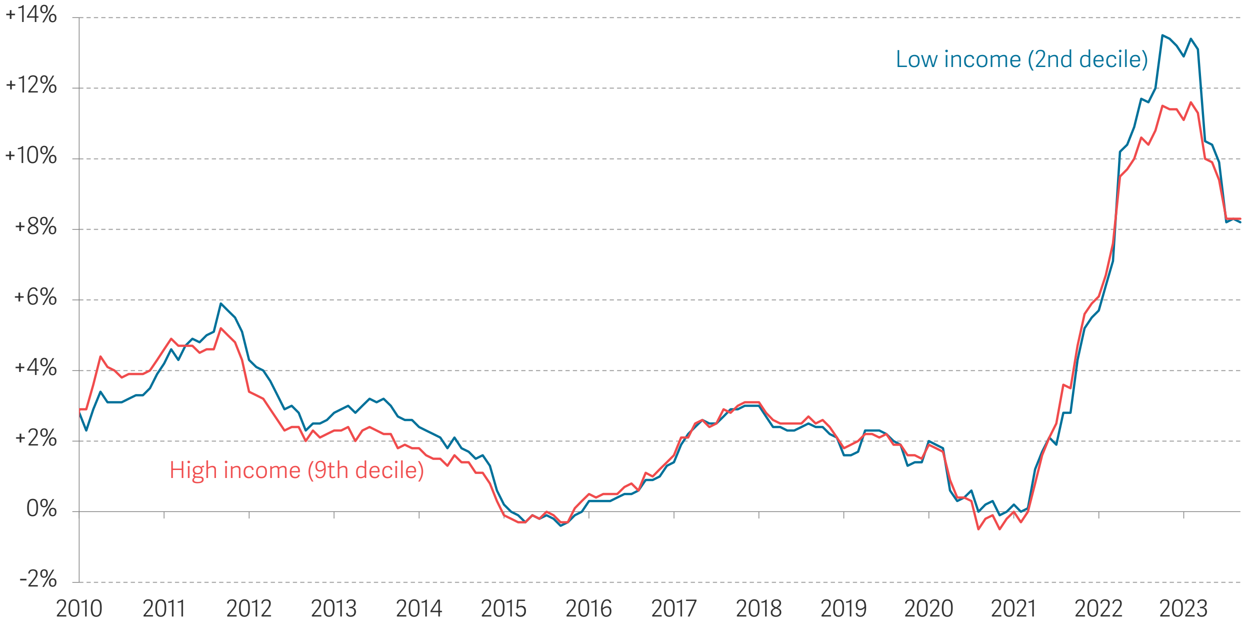
The initial rise in the inflation rate, driven by increases in the cost of energy and food, hit low-income households particularly hard, reflecting the larger share of their income spent on essentials.[15] This is quantified in Figure 13, which shows new estimates from the ONS of Household Cost Index (HCI) inflation, a measure of the changes in prices experienced by different household groups. Specifically, at the height of the cost of living crisis between April 2022 and June 2023, low-income households (i.e. those in the second decile of the household income distribution) experienced inflation that was around 2

13 Bank of England, Financial Stability Report, December 2023.
14 In October 2021 the average monthly rental price stood at £1,055, and by October 2023 it had increased to £1,202. See: ONS, Price Index of Private Rents.
15 See, for example: M Brewer, E Fry & L Try, The Living Standards Outlook 2023, Resolution Foundation, January 2023.

percentage points higher than high-income households (those in the ninth decile) – a larger gap than had existed through the 2010s. This was more than explained by energy, which contributed 2.4 percentage points to this gap (see Figure 14).

FIGURE 13: **During the cost of living crisis, lower-income households have experienced higher inflation rates**

Household Cost Index inflation experienced by different household groups: UK

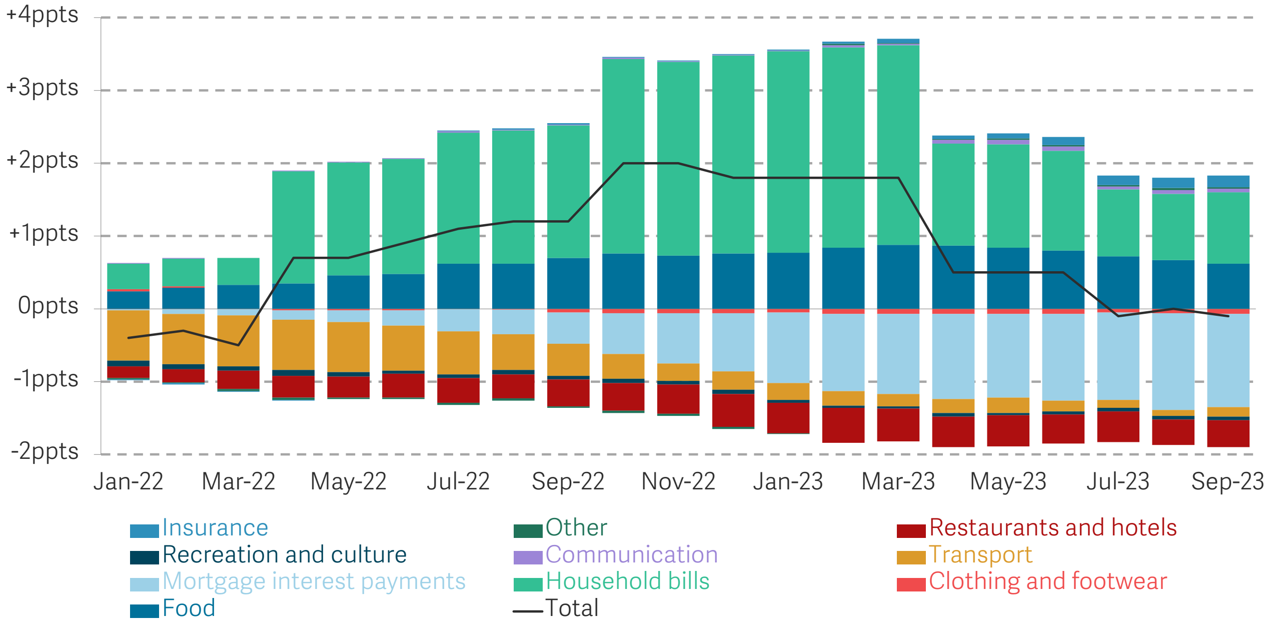


SOURCE: ONS, Household Cost Indices.

But recent data show a similar inflation experience for low- and high-income households. This change is chiefly driven by the three factors highlighted above. The rise in interest rates has pushed up mortgage-interest payments, which are more important for richer families: in September 2023, such payments were pushing up on the inflation rate of higher-income families by 1.3 percentage points relative to lower-income families (Figure 14). In addition, the contributions from food and energy to this difference are falling (as inflation rates decline). All this means that inflation rates have converged for poorer and richer households. Nonetheless, it's still the case that the basket of goods consumed by low-income households has increased by more since October 2021 than the basket of goods consumed by higher-income households, driven by the factors shown in Figure 11.

FIGURE 14: **The rise in energy costs meant lower-income households experienced higher inflation than those on higher incomes**

Contributions to the difference in Household Cost Index inflation experienced by households on low incomes (2nd decile) and high incomes (9th decile): UK



SOURCE: ONS, Household Cost Indices.

This provides some context for decisions about benefit rates and extraordinary support schemes. Those in receipt of social security have experienced significant nominal income rises over the past year: in April 2023, both the State Pension and welfare benefits such as Universal Credit went up by 10.1 per cent, following the (overall) rate of inflation the previous September – and those on means-tested benefits may also receive up to three Cost of Living Payments issued during 2023-24.[16]

Wages have been growing rapidly, but not by enough to stop real earnings from falling

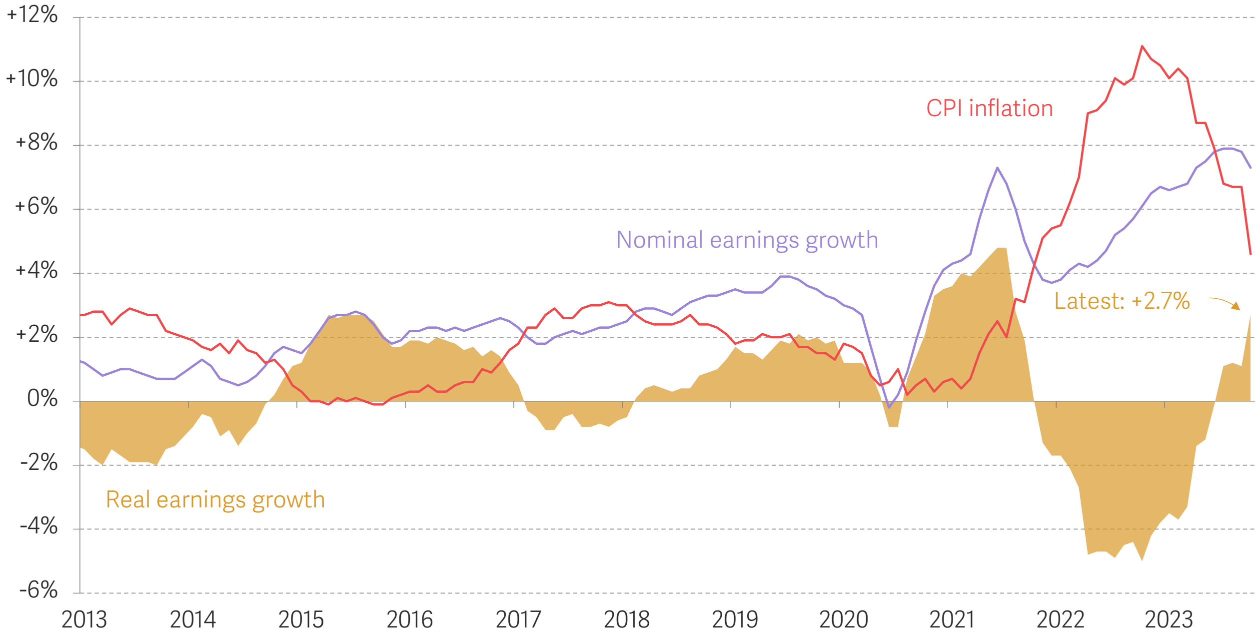
Another striking feature of the economy in 2023 has been the rapid growth in wages in cash terms, as shown in Figure 15. Over the past two years, nominal wage growth has been accelerating, reaching its highest level since records began in the early 2000s.[17] But this rapid growth in average weekly earnings in cash terms has proven insufficient to counteract the impact of inflation: real earnings were falling year-on-year between November 2021 and June 2023, with (muted) growth only returning in September 2023. This discrepancy between nominal wage growth and inflation underscores the ongoing challenge faced by individuals and households in maintaining their standard of living

16 Department for Work and Pensions, Cost of Living Payments 2023 to 2024, March 2023.
17 H Slaughter, Labour Market Outlook Q4 2023: What's happening to pay growth?, Resolution Foundation, December 2023.

in real terms: despite a return to real wage growth over the summer, in October 2023 average real wages were 2.1 per cent lower than at the start of 2022.[18]

FIGURE 15: **Despite record high nominal pay growth, wages have only recently begun growing in real terms**

Annual growth in average weekly earnings (regular pay) and CPI inflation: GB/UK



NOTES: Earnings growth is year-on-year change in three-month average and is GB only. Pay is regular pay, i.e. excludes bonuses and arrears. Latest data point is October 2023.
SOURCE: RF analysis of ONS, Labour market statistics; ONS, Consumer price inflation.

But averages do not tell the full story

With higher prices of everything from food to housing, and wages that are barely keeping pace, it is no surprise that people's lived experience does not reflect the headline falls in inflation. But to fully understand the pressure that people are under, we also need to look beyond the averages.

In the rest of this briefing note, we therefore dig beneath the surface to understand the variation in people's experiences of pay and price rises. In the current economic climate, this variation will be larger, and will matter more, than usual. First, the high rate of inflation means there will be a much bigger difference than in most years between having a pay rise that tracks inflation compared to having zero pay growth. Second, the way that housing costs rise is not as even as suggested by economic indicators: someone who has renewed their mortgage in recent months and seen their repayments double, or who has had to sign a new tenancy agreement, will have faced a much bigger increase in

18 Adjusted for CPI inflation. Source: RF analysis of ONS, X09: Real average weekly earnings using consumer price inflation (seasonally adjusted), December 2023.

their outgoings than those who own their home outright, or whose mortgage or rent is fixed; again, these differences will be greater than in less unusual years, given the scale of the rise in mortgage rates and rents. As we shall see, these individual circumstances play a big role in determining how people are faring as the cost of living crisis continues through its second year.

Pay has grown quickly on average, but there is a lot of variation under the surface

We turn first to pay. As Figure 15 showed, on average, wages have been increasing quickly, albeit only recently returning to real-terms growth. But of course, this does not mean that everyone has had a pay rise: alongside people with very large pay rises, there will be people whose pay did not rise at all, or even fell, over the year.

Figure 16 – which focuses on people who were in work both at the time of our survey and a year earlier – looks at what is going on beneath the headlines. (For the rest of this briefing note, we also look only at those aged 18-64 since most people above that age are largely outside the labour market.) Over the year to October 2023, workers were more than twice as likely to report that their pay had gone up than to say it had stayed the same or fallen (48 per cent versus 23 per cent).

By way of comparison, this means that workers were more likely to report a pay rise than during the pre-pandemic period: in 2018-2019, workers were around a third more likely to report a year-on-year pay rise than to report a pay freeze or fall.[19] But it would be wrong to be complacent about workers' living standards on this basis. Almost a quarter (24 per cent) of pay rises in the year to October 2023 did not keep pace with inflation (and so do not represent a real-terms pay rise), compared to only 7 per cent of pay rises in 2018-2019.[20] And a quarter of workers did not see their nominal pay go up between October 2022 and October 2023, including 7 per cent whose pay actually fell.[21]

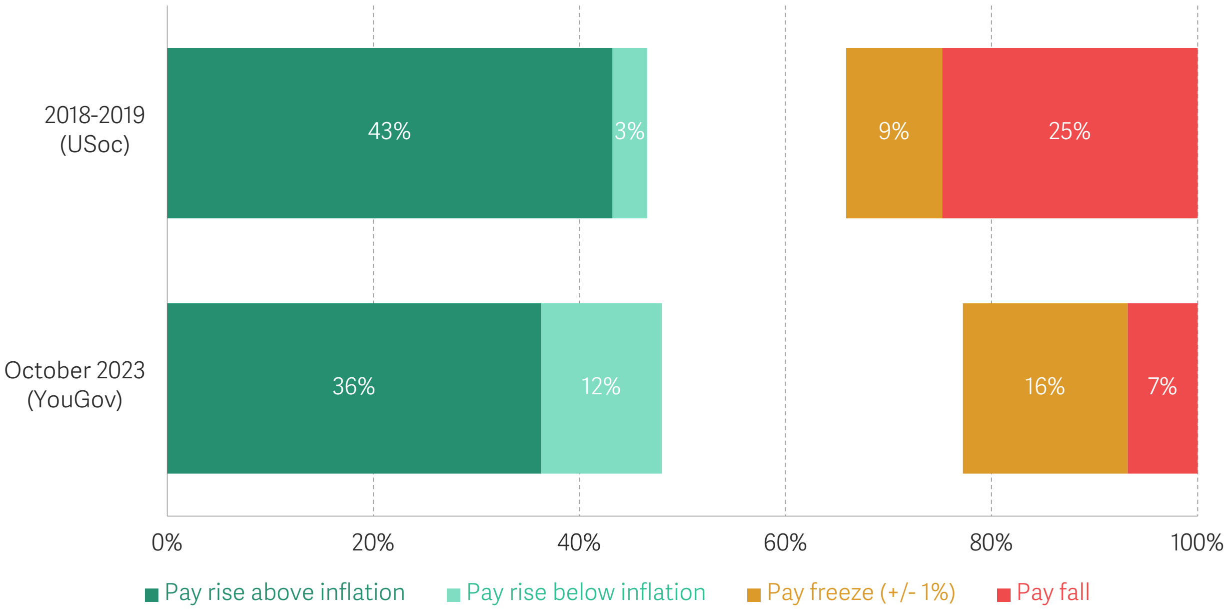
19 The absolute shares of workers reporting a pay rise, freeze or fall are not comparable between the two time periods because there was a higher rate of non-response in our October 2023 survey than in the Understanding Society data. We therefore focus here on the relative numbers reporting a pay rise compared to a freeze or fall. Also note that, because we consider changes to net pay here (as this is most relevant for people's living standards), changes to the tax and benefit system will also affect whether someone sees their pay go up as well as the wages offered by their employer.

20 The remaining 29 per cent did not report their pay in either or both periods, as represented by the gap in the bars in Figure 16.

21 Note that this could be because they had changed their working hours, and so does not necessarily represent a fall in their *hourly pay*.

FIGURE 16: **Respondents were twice as likely to have had a pay rise as not**

Reported change in 18-64-year-old workers' net monthly pay over the past year, by survey: UK, 2018-2019 and October 2023



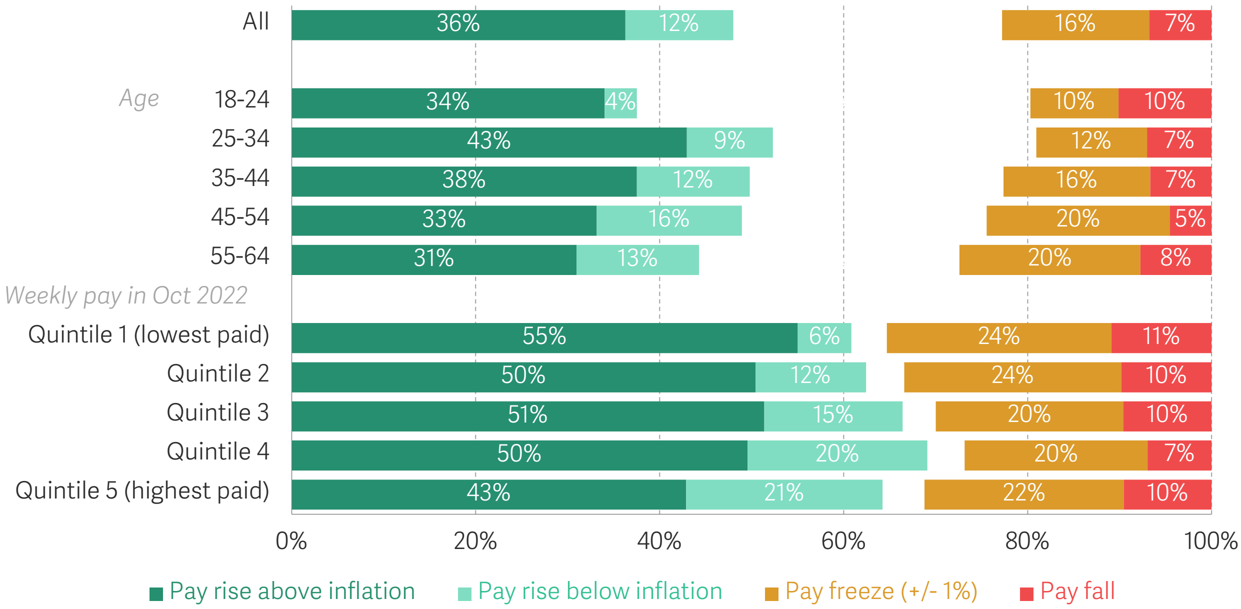
NOTES: Base = all adults aged 18+ who are in work now and a year ago (for the October 2023 YouGov survey, n=4,731). Includes people who moved jobs/employers, changed their working hours or had another change in their employment circumstances. In the YouGov survey, pay changes are calculated based on questions asking respondents about their pay at the time of the survey and a year earlier, and so may be subject to some recall error. In Understanding Society, pay changes are calculated based on pay questions in the 2018-2019 wave compared to the previous wave; the changes have been converted to an annual equivalent for respondents whose interviews were more or less than a year apart; and respondents have been weighted to account for differential probabilities of attrition between the survey waves. The gaps in the middle of each bar includes those who did not report their pay now and/or a year ago.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave; ISER, Understanding Society.

Figure 17 shows how these changes break down across different age groups and pay levels. For workers aged 25 and above, there was a clear age gradient:[22] younger workers were more likely to report pay rises than older workers, in keeping with the norm of pay progression being concentrated among younger age groups.[23] Workers aged 25-34 were 2.7 times as likely to report a pay rise as not (52 per cent versus 19 per cent), compared to 1.6 times for workers aged 55-64 (44 per cent versus 27 per cent).

22 The results for 18-24-year-olds are harder to interpret, as there was a high proportion of missing pay values for this group.
23 See, for example, Figure 5 of: M Broome et al., An intergenerational audit for the UK: 2023, Resolution Foundation, November 2023.

FIGURE 17: **Pay rises were spread relatively evenly across the pay distribution, but more common among younger workers**

Reported change in 18-64-year-old workers' net monthly pay over the past year, by age and net monthly pay quintile a year ago: UK, October 2023



NOTES: Base = all adults aged 18+ who are in work now and a year ago (n=4,731). Base by categories: age 18-24 (n=388), age 25-34 (n=1,032), age 35-44 (n=1,243), age 45-54 (n=1,036), age 55-64 (n=750), quintile 1 (lowest paid) (n=433), quintile 2 (n=528), quintile 3 (n=694), quintile 4 (n=773), quintile 5 (highest paid) (n=858). Includes people who moved jobs/employers, changed their working hours or had another change in their employment circumstances. Pay changes are calculated based on questions asking respondents about their pay at the time of the survey and a year earlier, and so may be subject to some recall error. The gaps in the middle of each bar includes those who did not report their pay now and/or a year ago.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

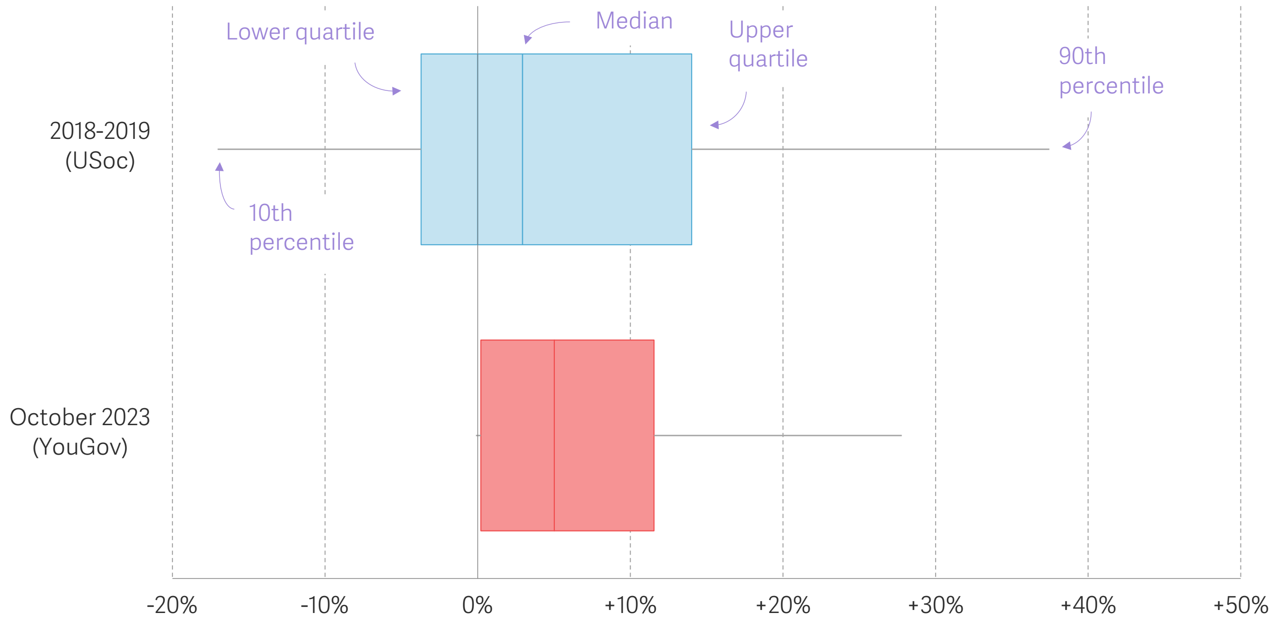
Figure 17 also tells us that the receipt of pay rises was relatively evenly spread across the earnings distribution. Workers who started out in the bottom quintile of weekly pay were almost as likely to report a pay rise as the top quintile (61 per cent and 64 per cent respectively) – and indeed were more likely to report getting a pay rise large enough to outpace inflation (55 per cent compared to 43 per cent). The boost to weekly pay at the bottom of the pay distribution is largely thanks to two factors. First, there were big rises in both the minimum wage and the real Living Wage between October 2022 and 2023, which went up by 9.7 and 10.1 per cent respectively;[24] these hourly rates were cited as a reason for pay rises by 28 per cent of those who got a pay rise in the bottom earnings quintile. And second, people on low weekly pay were more likely to have increased their hours (42 per cent of the lowest earners who got a pay rise).[25]

24 Low Pay Commission, Minimum wage rates for 2023, November 2022; Living Wage Foundation, What is it?, accessed 29 November 2023.
25 Base = workers who were in the bottom weekly pay quintile in October 2022 and got a pay rise between then and October 2023 (n=284).

The size of – and the variation in – workers' pay changes is also important, and so Figure 18 plots the distribution of pay changes in the year to October 2023 and compares it with the same distribution in 2018-2019. In keeping with the fact that people were more likely to have seen their pay rise in October 2023 than in 2018-2019 (as we saw in Figure 16), the typical pay change was also higher in October 2023. In addition, there appears to be less variation in workers' pay rises now than before the Covid-19 pandemic – in particular, people are less at risk of facing big pay falls than they were in 2018-2019 (though they are also less likely to receive very large pay boosts). This is perhaps unsurprising: the biggest driver of falls in weekly earnings is a decline in hours worked (since employers rarely impose nominal pay cuts); in times of hardship, such as the current cost of living crisis, workers are instead more likely to try to increase their hours in order to make up the falls in their living standards.[26]

FIGURE 18: **The variation in pay changes is smaller than pre-pandemic**

Distribution of the reported change in 18-64-year-old workers' net monthly pay over the past year, by survey: UK, 2018-2019 and October 2023



NOTES: Base = all adults aged 18+ who are in work now and a year ago (for the October 2023 YouGov survey, n=3,152). Includes people who moved jobs/employers, changed their working hours or had another change in their employment circumstances. In the YouGov survey, pay changes are calculated based on questions asking respondents about their pay at the time of the survey and a year earlier, and so may be subject to some recall error. In Understanding Society, pay changes are calculated based on pay questions in the 2018-2019 wave compared to the previous wave; the changes have been converted to an annual equivalent for respondents whose interviews were more or less than a year apart; and respondents have been weighted to account for differential probabilities of attrition between the survey waves. Outliers – those whose reported net monthly pay was greater than the upper quartile plus 1.5-times the interquartile range – have been removed.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave; ISER, Understanding Society.

26 T Bell & L Gardiner, Feel poor, work more: Explaining the UK's record employment, Resolution Foundation, November 2019.

That said, there is still considerable variation in the pay changes that people got. Over the year to October 2023, a tenth of workers got a pay rise of more than 28 per cent, while a tenth saw their pay fall by more than 0.1 per cent.

What is happening to pay is a critical determinant of living standards, especially when the cost of living is changing so quickly. And the extent of the variation between the surface is particularly important when it comes to coping with costs that vary drastically between different households – most notably housing costs, to which we now turn.

The extent to which people are exposed to rising housing costs varies widely

Looking first at the working-age population as a whole, Figure 19 shows the distribution of housing cost rises over the year to October 2023 compared to a 12-month period before the Covid-19 pandemic.[27] Over the past year, over two-in-five people (42 per cent) experienced a rise in their housing costs – 12 percentage points more than in 2018-2019 (30 per cent), and indeed more than at any point in the past decade.[28] Over the past year, one-in-seven (15 per cent) have experienced an increase in their mortgage payments, the same share have had a rent rise, and a further one-in-eight (12 per cent) saw their housing costs rise for other reasons (for example, they moved home or had a change in their living situation that meant they were responsible for more of the rent).[29]

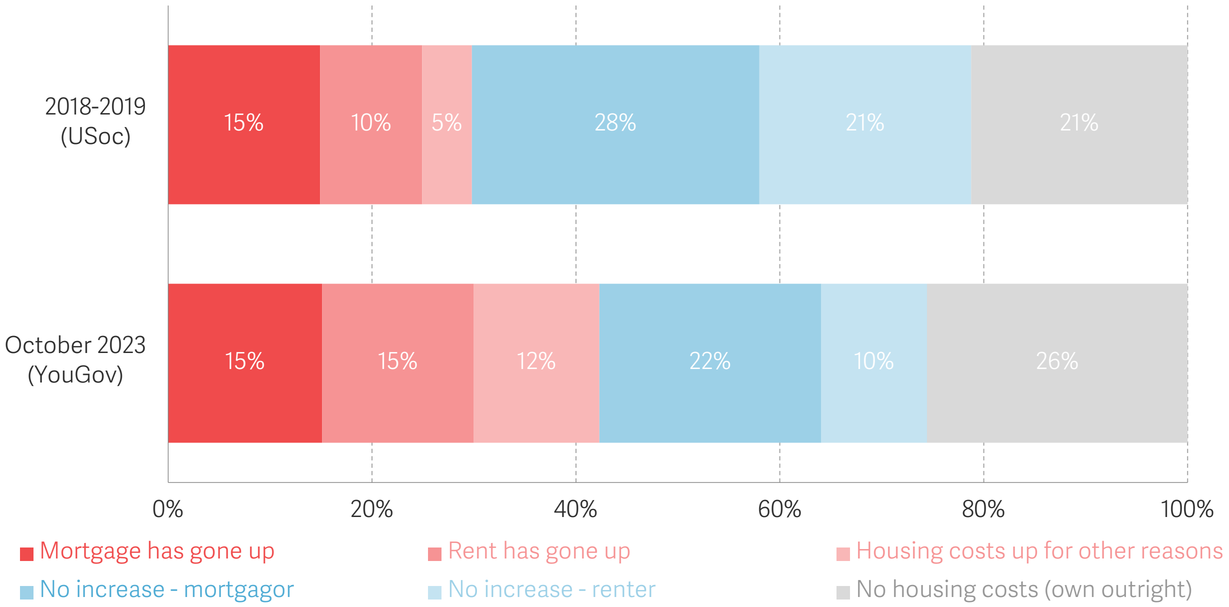
27 Specifically, the pre-pandemic figure is based on people interviewed in wave 10 of the Understanding Society survey, which was in the field in 2018-2019, and looks at changes over the previous 12 months.

28 These figures exclude people who did not pay any housing costs. The maximum share of working-age people who experienced an increase in their housing costs over the Understanding Society waves for which we have comparable data was 34 per cent, which occurred among respondents in wave 3, which was in the field in 2011-2012.

29 The 'housing costs up for other reasons' category is not comparable between Understanding Society and the YouGov survey. When comparing between the two surveys, we therefore recommend focusing on headline numbers of people who have seen housing cost increases.

FIGURE 19: **Two-in-five adults have seen their housing costs rise over the past year**

Whether housing costs have risen among 18-64-year-olds, by survey: UK, 2018-2019 and October 2023



NOTES: Base = all adults aged 18-64, excluding those who are not responsible for housing costs or did not report their housing costs (for the October 2023 YouGov survey, n=4,883). 'Housing costs up for other reasons' could include moving house; changes to household composition (meaning that housing costs are split between fewer people); in the YouGov survey, respondents reporting their housing costs have gone up for 'other reasons'; or in Understanding Society, people who had no housing costs a year ago but now have some. In the YouGov survey, housing cost changes are calculated based on questions asking respondents whether their housing costs had increased over the past year, and if so, why. In Understanding Society, housing cost changes are calculated based on rent, mortgage and overall housing cost variables in the 2018-2019 wave compared to the previous wave; respondents are assumed to be responsible for housing costs unless they are an adult child. living with their parents or are classed as a 'unit in someone else's home' (excluding private renters who are sharing accommodation with other adults); and respondents have been weighted to account for differential probabilities of attrition between the survey waves.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave; ISER, Understanding Society.

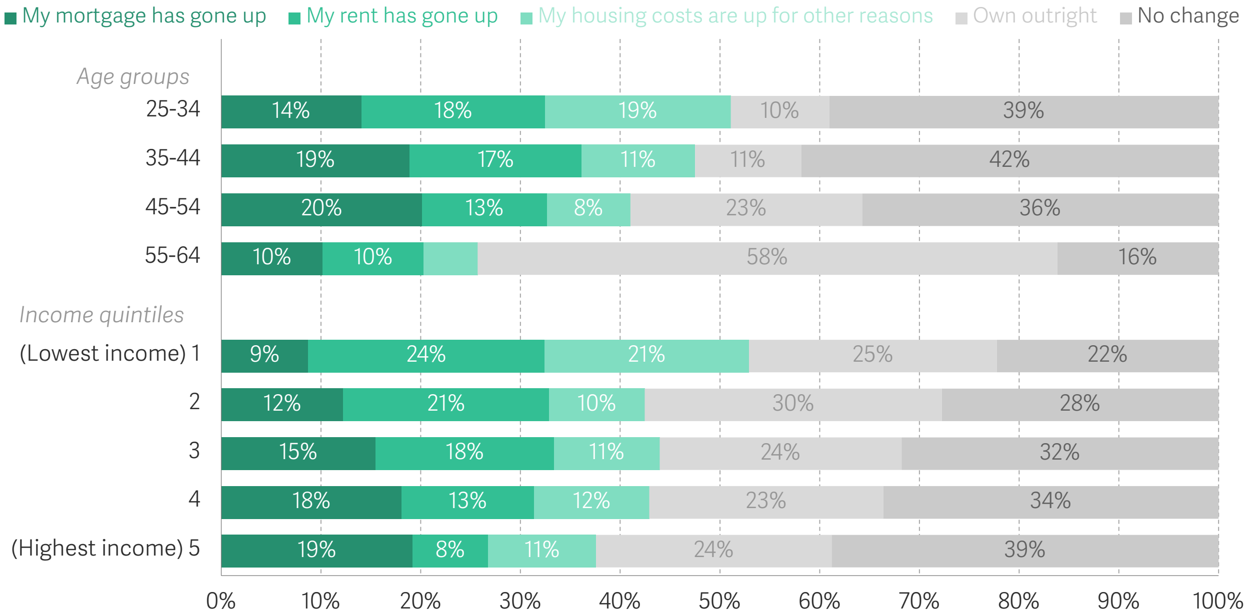
How has this played out across the population? Figure 20 shows that housing cost rises are fairly equal across the income distribution: lower-income families are more exposed to rent rises, but higher-income ones are more exposed to increases in their mortgage payments. But there is far more inequality by age, as Figure 20 shows, largely because older age groups are far more likely to own their home outright.[30] Around two-fifths of each age group under 55 had seen their housing costs go up, compared to just a quarter (25 per cent) of 55-64-year-olds. Housing cost rises were driven particularly by reasons other than rent or mortgage rises for younger age groups, particularly 25-34-year-olds (who are particularly likely to be moving homes); rent rises for 25-44-year-olds; and mortgage rises for 35-54-year-olds. This adds to the evidence that the cost of living crisis is having unequal impacts by age, with our earlier reports showing that older people were

30 We exclude 18-24-year-olds from the age splits due to the high proportion of this group who either say that they are not responsible for housing costs, or did not provide valid responses.

less likely to say that they had to cut back, and less likely to be resorting to unsustainable coping strategies, or to report negative impacts of the crisis on their health and wellbeing.[31]

FIGURE 20: **Younger people were the most likely to see housing cost increases**

Whether housing costs have risen, by age group and family income quintile: UK, October 2023



NOTES: Base = all adults aged 18-64, excluding those who are not responsible for housing costs or did not report their housing costs (n=4883). Base by categories: 25-34 (n=1072); 35-44 (n=1354); 45-54 (n=1177); 55-64 (n=1234); quintile 1 (n=535); quintile 2 (n=626); quintile 3 (n=678); quintile 4 (n=936); quintile 5 (n=1191). 'Housing costs up for other reasons' could include moving house; changes to household composition (meaning that housing costs are split between fewer people); or respondents reporting their housing costs have gone up for 'other reasons'. Housing cost changes are calculated based on questions asking respondents whether their housing costs had increased over the past year, and if so, why. We exclude 18-24-year-olds from the age breakdown (only) due to the high proportion of this group who either say that they are not responsible for housing costs, or didn't give us a valid response to the questions.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

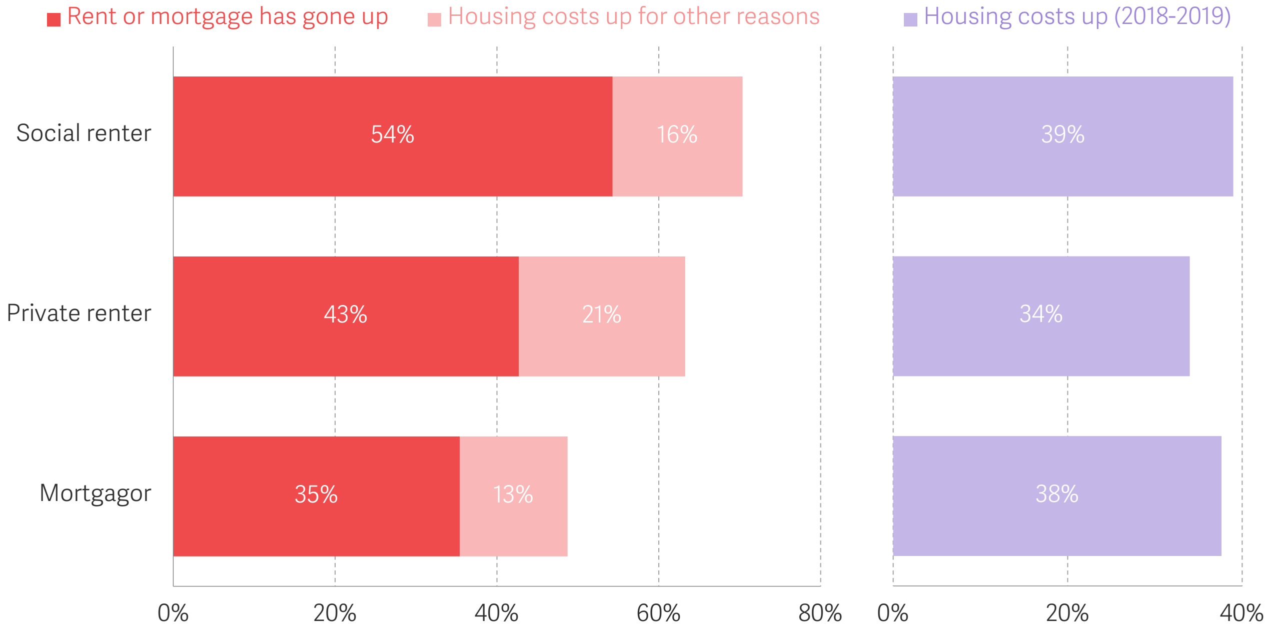
Figure 21 shows how housing cost rises differ across mortgagors, social renters and private renters. We find that renters have been more likely to experience an increase in their housing costs than mortgagors. Two-in-five private renters (43 per cent) have seen their rent rise, compared to a third (35 per cent) of mortgagors seeing a mortgage rise; private renters were also more likely than mortgagors to say their housing costs had gone up for other reasons (21 per cent versus 13 per cent). And social renters were the most likely of all to see a rent rise (54 per cent, with a further 16 per cent reporting their housing costs had gone up for other reasons). This underscores the fact that many mortgagors have thus far been protected from rising interest rates by being locked into

31 M Broome, K Handscomb & L Try, Hoping and coping: How families were faring in March 2023, Resolution Foundation, April 2023.

fixed-rate deals; by contrast, renters have been more vulnerable to having their rent increased already.

FIGURE 21: **Renters were more likely than mortgagors to see their housing costs rise**

Proportion of people who had experienced a rise in their housing costs over the past year, by housing tenure: UK, October 2023 (left panel) and 2018-2019 (right panel)



NOTES: Base = all adults aged 18-64, excluding those who are not responsible for housing costs or did not report their housing costs: mortgagor (n=2,119); social renter (n=561); private renter (n=1,229). 'Housing costs up for other reasons' could include moving house; changes to household composition (meaning that housing costs are split between fewer people); in the YouGov survey, respondents reporting their housing costs have gone up for 'other reasons'; or in Understanding Society, people who had no housing costs a year ago but now have some. In the YouGov survey, housing cost changes are calculated based on questions asking respondents whether their housing costs had increased over the past year, and if so, why. In Understanding Society, housing cost changes are calculated based on rent, mortgage and overall housing cost variables in the 2018-2019 wave compared to the previous wave; respondents are assumed to be responsible for housing costs unless they are an adult child living with their parents or are classed as a 'unit in someone else's home' (excluding private renters who are sharing accommodation with other adults); and respondents have been weighted to account for differential probabilities of attrition between the survey waves.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave; ISER, Understanding Society.

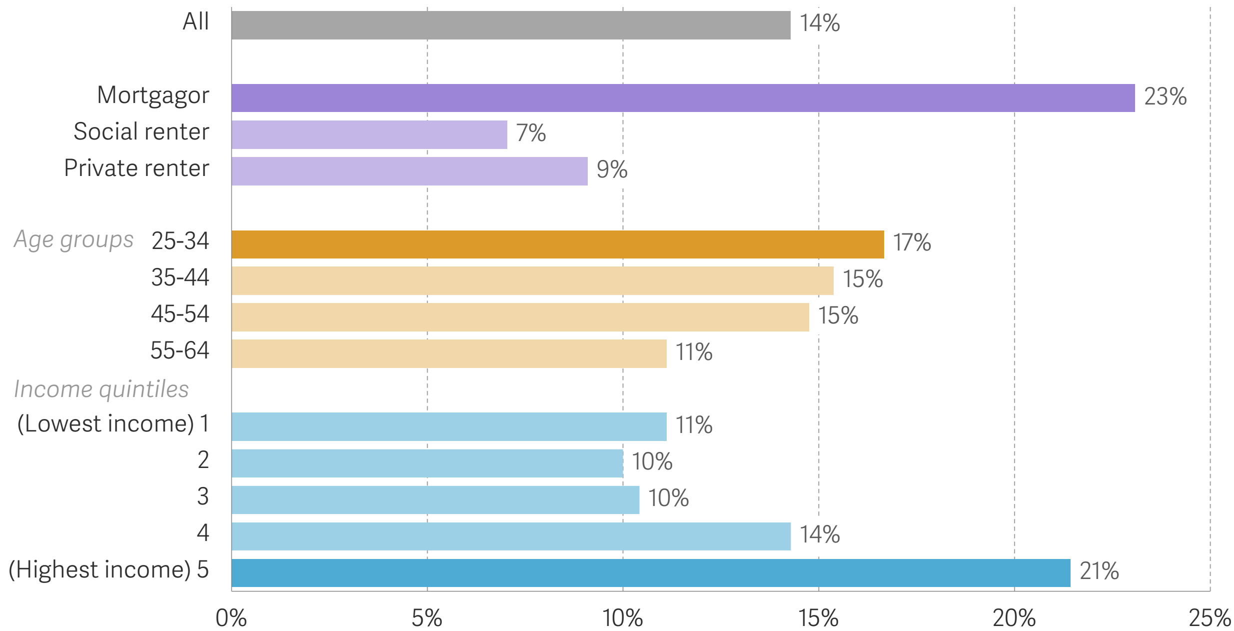
As the right panel of Figure 21 shows, the share of people experiencing a housing cost rise has been higher than 2018-2019 across all tenure groups. Before both the pandemic and the cost of living crisis, the share of respondents reporting a housing cost increase was relatively stable across all tenures (between 34 and 39 per cent). Now, the prevalence of housing cost rises varies from 48 per cent (mortgagors) to 71 per cent (social renters). (In both periods, social renters were the most likely to face housing cost increases – a product of the social housing system where rents usually go up each April, up to a cap set by the Government.[32])

32 Shelter, Rent in social housing, accessed 1 December 2023.

But, although mortgagors were less likely than renters to have experienced a housing cost rise, when they did it was bigger. Figure 22 shows the typical housing cost rise among people who had any rise in their housing costs.[33] Among this group, the median reported housing cost rise over the year to October was 13 per cent – but this varied hugely between mortgagors and renters.[34] Mortgagors whose payments had gone up faced a typical rise of almost a quarter (23 per cent), compared to 7 and 9 per cent for social and private renters respectively.[35] In this regard, being a mortgagor has been riskier than being a renter: although many mortgagors have not yet been hit by high housing costs, those who were unlucky enough to face a rate rise have been hit particularly hard.

FIGURE 22: **Among mortgagors who did see an increase in their housing costs, the typical rise was 23 per cent**

Median year-on-year housing cost rise, by housing tenure, age and income quintile: UK, October 2023



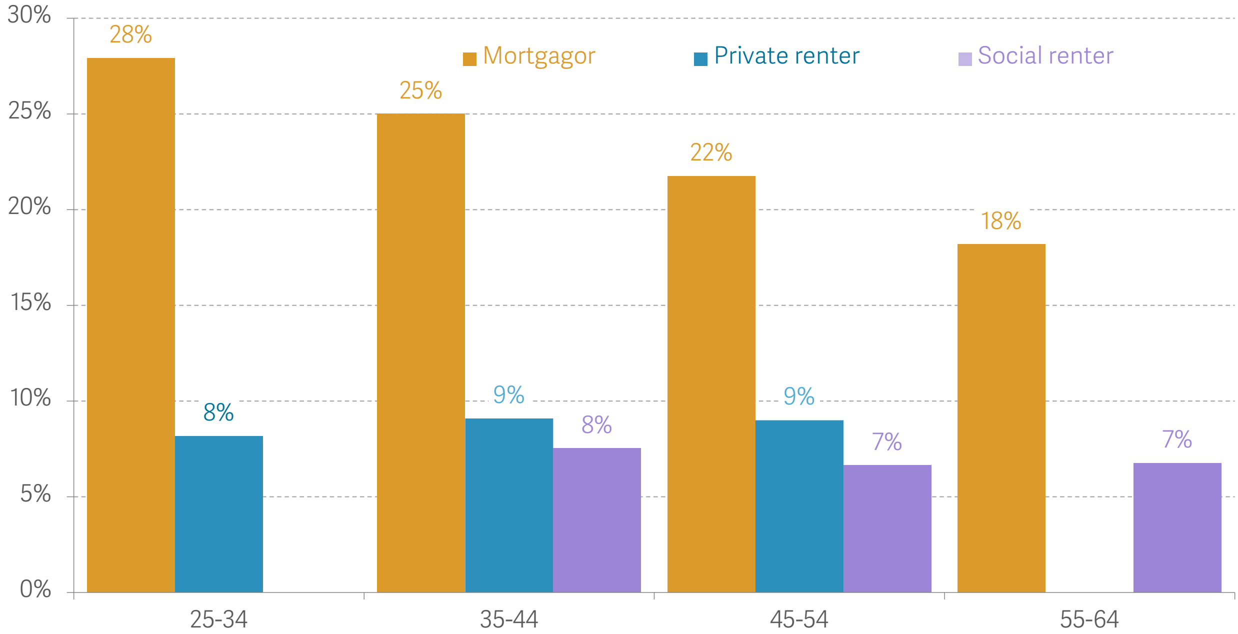
NOTES: Base = all adults aged 18-64 who reported an increase in their housing costs between October 2022 and October 2023, excluding those who are not responsible for housing costs or did not report their housing costs (for the October 2023 YouGov survey, n=1,136). Base by categories: mortgagor (n=577); social renter (n=193); private renter (n=366); 25-34 (n=239); 35-44 (n=360); 45-54 (n=297); 55-64 (n=174); quintile 1 (n=118); quintile 2 (n=197); quintile 3 (n=232); quintile 4 (n=297); quintile 5 (n=319). Housing cost changes are calculated based on questions asking respondents about their housing costs at the time of the survey and a year earlier, and so may be subject to some recall error. We exclude 18-24-year-olds from the age breakdown (only) due to the high proportion of this group who either say that they are not responsible for housing costs, or didn't give us a valid response to the questions.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

33 Our survey aligns well with the experimental longitudinal analysis conducted by the Valuation Office Agency (see: ONS, Changes in private rental sector behaviour, England and Wales: February 2022 to September 2023, November 2023). This reports that in the three months leading to September 2023, approximately 60 per cent of properties visited in England and 43 per cent in Wales were being rented for a higher price than 12 months' earlier . This closely corresponds with our YouGov survey results, where 43 per cent of respondents reported a rent increase. The VOA reported average rental price percentage increases of 9.7 per cent for England and 11.3 per cent for Wales; our survey data showed a median increase of 9 per cent.
34 Mortgage costs here refer to total payments, including both interest and principal repayments.
35 Figure 22 shows the typical change in housing costs and includes those whose cost have risen for various reasons, like moving to a new home, remortgaging to borrow, having fewer people in the house, and other unspecified reasons. For those whose rent is all-inclusive, this measure of housing costs also includes those bills.

High-income respondents (who are more likely to have a mortgage) have had the largest typical increase in housing costs. But by age group it is the youngest who have faced the largest rises.[36] Although typical rent rises were similar across the age group, both for private and social renters, rises in costs for mortgagors were along a steep age gradient among as shown in Figure 23. The typical housing cost rise among 25-34-year-old mortgagors was 28 per cent, compared to 22 per cent among 45-54-year-olds and 18 per cent among 55-64-year-olds – perhaps because they were more likely to have taken out a mortgage recently, after interest rate rises had begun to kick in. Additionally, older mortgagers who have recently mortgaged are more likely to have had their mortgages for a longer period, so are now paying less.

FIGURE 23: **25-34-year-olds saw their mortgage costs rise by a third in the past year**

Median year-on-year housing cost rise, by housing tenure across age groups: UK, October 2023



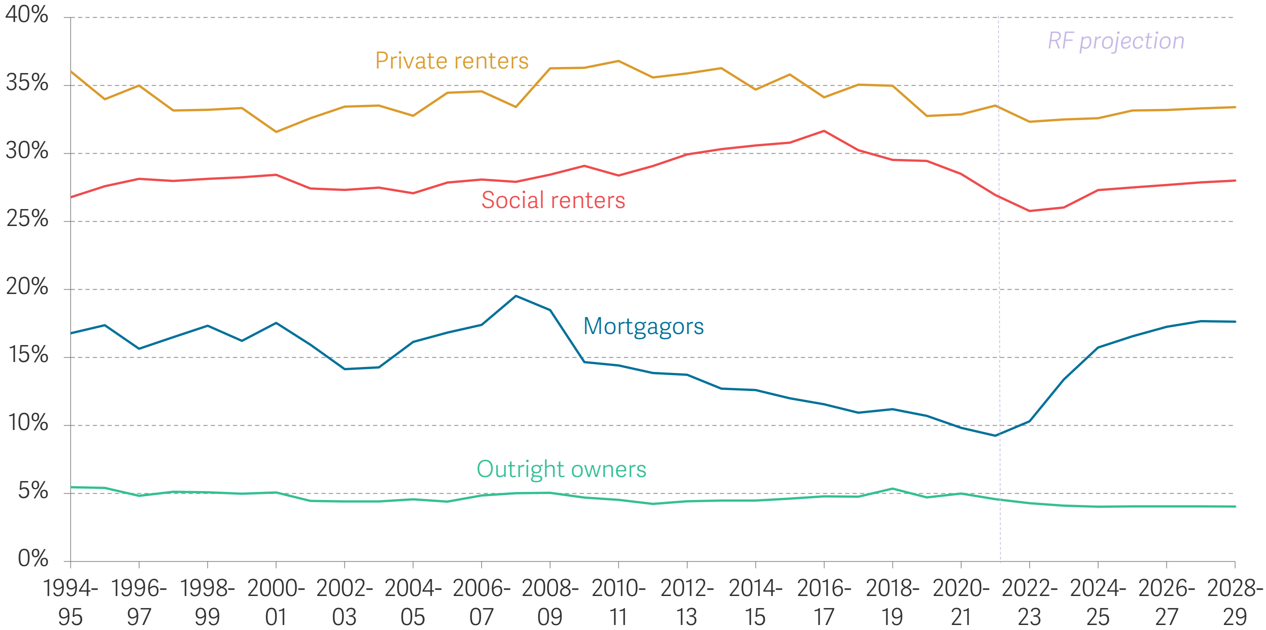
NOTES: Base = all adults aged 18-64 who reported an increase in their housing costs between October 2022 and October 2023, excluding those who are not responsible for housing costs or did not report their housing costs (for the October 2023 YouGov survey, n=1070). Base by categories: mortgagor (n=572); social renter (n=185); private renter (n=313); 25-34 (n=239); 35-44. mortgagors: 25-34 (n=108), 35-44 (n=192), 45-54 (n=190), 55-64 (n=82); social renters: 25-34 (n=25), 35-44 (n=52), 45-54 (n=52), 55-64 (n=56); private renters: 25-34 (n=106), 35-44 (n=116), 45-54 (n=55), 55-64 (n=36). (n=360); 45-54 (n=297); 55-64 (n=174). Private renters, 55-64 and social renters, 25-34 categories have been omitted from the chart due to low sample size. Housing costs refer to rents and mortgages, which include bills. Housing cost changes are calculated based on questions asking respondents about their housing costs at the time of the survey and a year earlier, and so may be subject to some recall error.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

36 Additionally, lower-income renters whose rent increased did face a slightly larger typical rise than higher-income renters, but the difference was small (11 per cent for the bottom income quintile, versus 8 per cent for the fourth income quintile and 10 per cent for the top).

Large and sudden interest rate rises are no doubt a shock for mortgagors that may be hard for many to adapt to. But it is worth putting the typical rise for mortgagors and renters into context. In one sense, the big rises in housing costs starting to be felt by mortgagors is a re-calibration after a period of unusually-low interest rates. Since the financial crisis, mortgagors have benefitted from the extremely low interest rates by historical standards (shown in Figure 12); now that interest rates have returned to levels last seen in the 2000s, mortgage payments are following suit. The impact of this can be seen in Figure 24, which shows the ratio of housing costs to incomes (HCIRs) by housing tenure from historical data, and from a new Resolution Foundation forecast that uses the Office for Budget Responsibility's latest economic forecasts. That shows that HCIRs for mortgagors have been and will continue to rise rapidly through to 2026-27, but that the level of HCIRs for mortgagors will still then be lower than the pre-financial crisis peak in 2007-8.[37]

FIGURE 24: **As interest rates rise, housing costs for mortgagors are catching up with those of renters**

Average ratio of housing costs as a share of disposable income, by tenure group: GB/UK



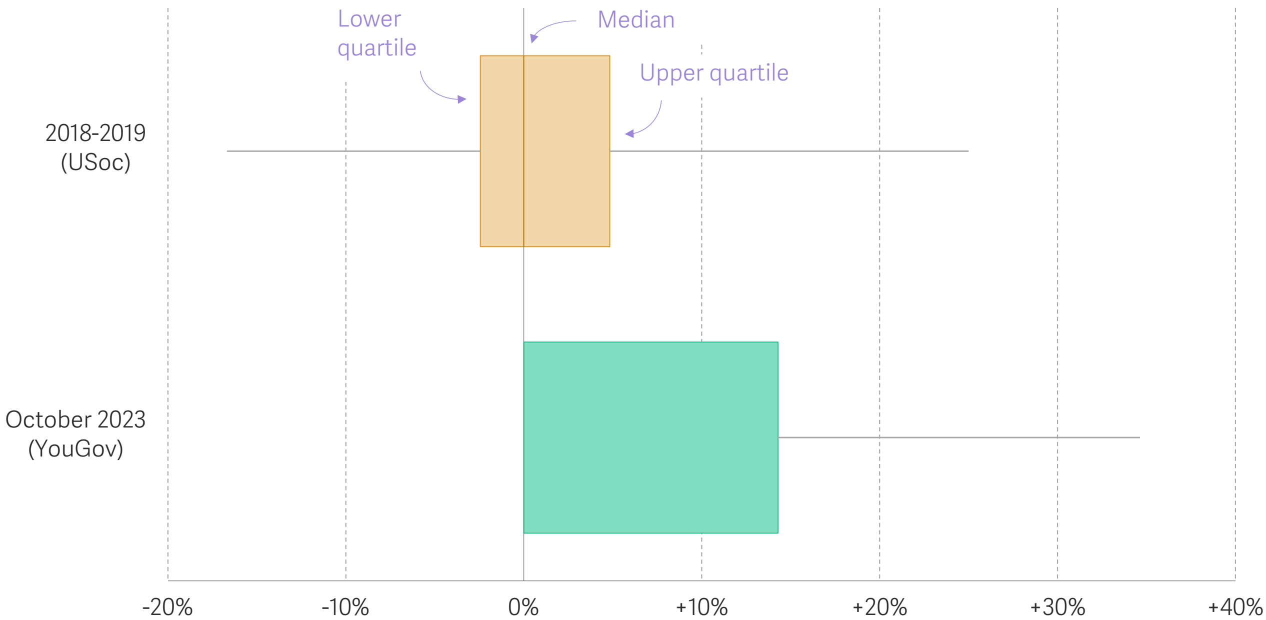
NOTES: GB from 1994-95 to 2001-02. Outright owner housing costs include water, ground rents, service charges and structural insurance.
SOURCE: RF analysis of DWP, Households Below Average Income, and RF projection including use of the IPPR Tax Benefit Model; ONS data; Bank of England, Monetary Policy Report – November 2023; OBR, Economic and Fiscal Outlook, November 2023.

37 For respondents in our survey whose housing costs had grown in the last year, the typical weekly mortgage cost was 13 per cent lower than private rents in October 2022 (£150 versus £173 a week), but, by October 2023, mortgagors whose mortgage had gone up were paying essentially the same (£198 versus £195).

Finally, as with pay, there is substantial variation between individuals. Figure 25 shows the distribution of housing cost changes among working-age individuals over the past year in October 2023 compared to a pre-pandemic period. In both periods, the typical working-age person saw their housing costs stay the same over the course of a year (i.e. the median change was zero per cent). But in October 2023, a quarter of people reported a rise of at least 14 per cent – and one-in-ten people had a rise of more than 35 per cent. By contrast, in 2018-2019 many people saw their housing costs fall, and fewer saw very large rises. Only 15 per cent saw a housing cost rise of more than 14 per cent (the upper quartile in October 2023); three-quarters of people reported their housing costs either fell, stayed the same or rose by less than 5 per cent; and a quarter saw a fall of at least 2 per cent.

FIGURE 25: **A quarter of people had housing cost rises of more than 14 per cent**

Distribution of the reported change in 18-64-year-olds' housing costs over the past year, by survey: UK, 2018-2019 and October 2023



NOTES: Base = all adults aged 18-64, excluding those who are not responsible for housing costs or did not report their housing costs (for the October 2023 YouGov survey, n=2,391). In the YouGov survey, housing cost changes are calculated based on questions asking respondents about their housing costs at the time of the survey and a year earlier, and so may be subject to some recall error. In Understanding Society, housing cost changes are calculated based on rent, mortgage and overall housing cost variables in the 2018-2019 wave compared to the previous wave; respondents are assumed to be responsible for housing costs unless they are an adult child living with their parents or are classed as a 'unit in someone else's home' (excluding private renters who are sharing accommodation with other adults); and respondents have been weighted to account for differential probabilities of attrition between the survey waves. In the YouGov survey, the median, lower quartile and 10th percentile are all 0 (i.e. no change).
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave; ISER, Understanding Society.

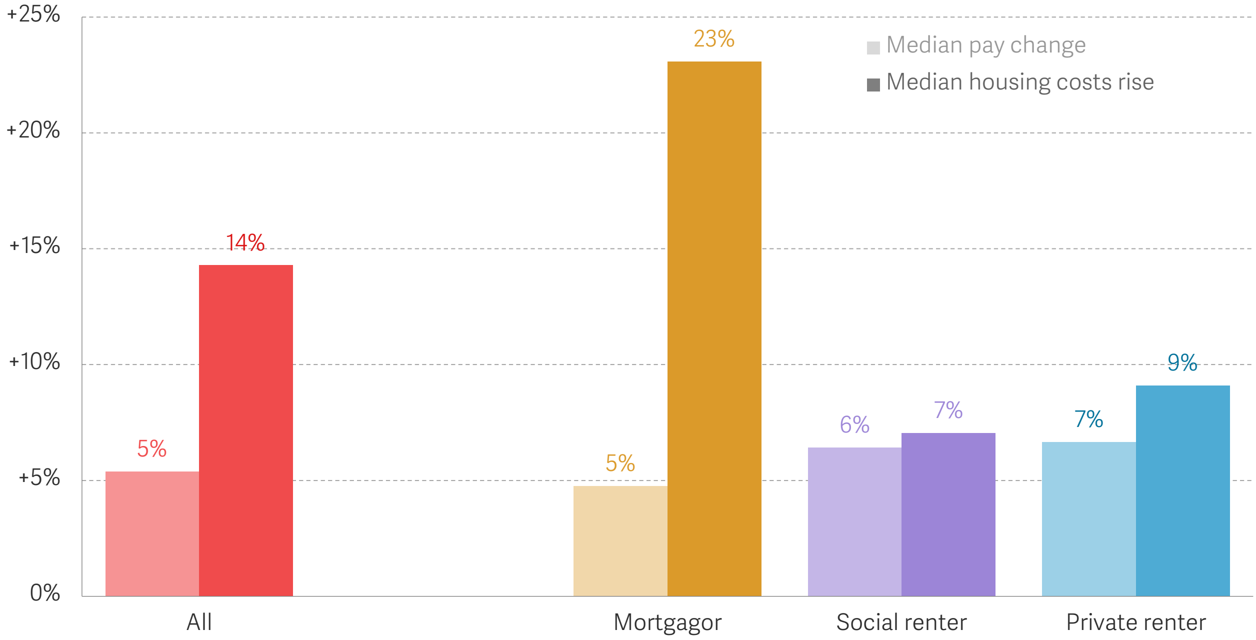
Overall, more people got a pay rise than a housing cost rise – but there are winners and losers

We have shown that housing cost rises have been widespread – and often large, especially for those mortgagors who have been unlucky enough to have faced the recent wave of high interest rates – but many workers have also been getting pay rises. Overall, we estimate that around 7.4 million working-age adults have experienced a housing cost rise over the year to October 2023 – but more than that, at least 13.7 million, got a pay rise.[38]

But, as Figure 26 shows, the typical housing cost rise among those whose housing costs rose was far higher than the typical pay rise among that same group, at 13 per cent and 5 per cent respectively.

FIGURE 26: **Among those whose housing costs rose, mortgagors are seeing the biggest mismatch between changes in costs and changes in pay**

Median change in pay and housing costs among those whose housing costs went up: UK, October 2023



NOTES: Base = all adults aged 18-64 whose pay (dark bars) or housing costs (light bars) went up between October 2022 and October 2023 (n=1,136). Base by categories for median housing costs change). Base by categories: mortgagor (n=577); social renter (n=193); private renter (n=366). Housing cost changes are calculated based on questions asking respondents about their housing costs at the time of the survey and a year earlier, and so may be subject to some recall error.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

38 People who did not report their housing costs or pay are counted as not having a housing cost/pay rise, so these figures are almost certainly underestimates. We calculate these figures by applying the share of all working-age adults that reported a housing cost rise (18 per cent) and the share that got a pay rise (34 per cent) in the YouGov survey to the ONS' latest UK population estimates for 18-64-year-olds: ONS, Population estimates for the UK, England, Wales, Scotland and Northern Ireland: mid-2021, December 2022. The percentages reported here may not match those in other parts of the report due to different bases. Base = all adults aged 18-64 (n=6,250).

And notably, the stark difference in housing cost rises between tenures, as we showed in Figure 22, is not matched by differential pay rises: among mortgagors whose housing costs rose, the typical housing cost rise was almost five times the typical pay rise (23 per cent versus 5 per cent), while for both social and private renters, the typical pay and housing cost rises among those whose housing costs rose were far more similar (9 per cent versus 7 per cent for private renters, and 7 per cent versus 6 per cent for social renters).

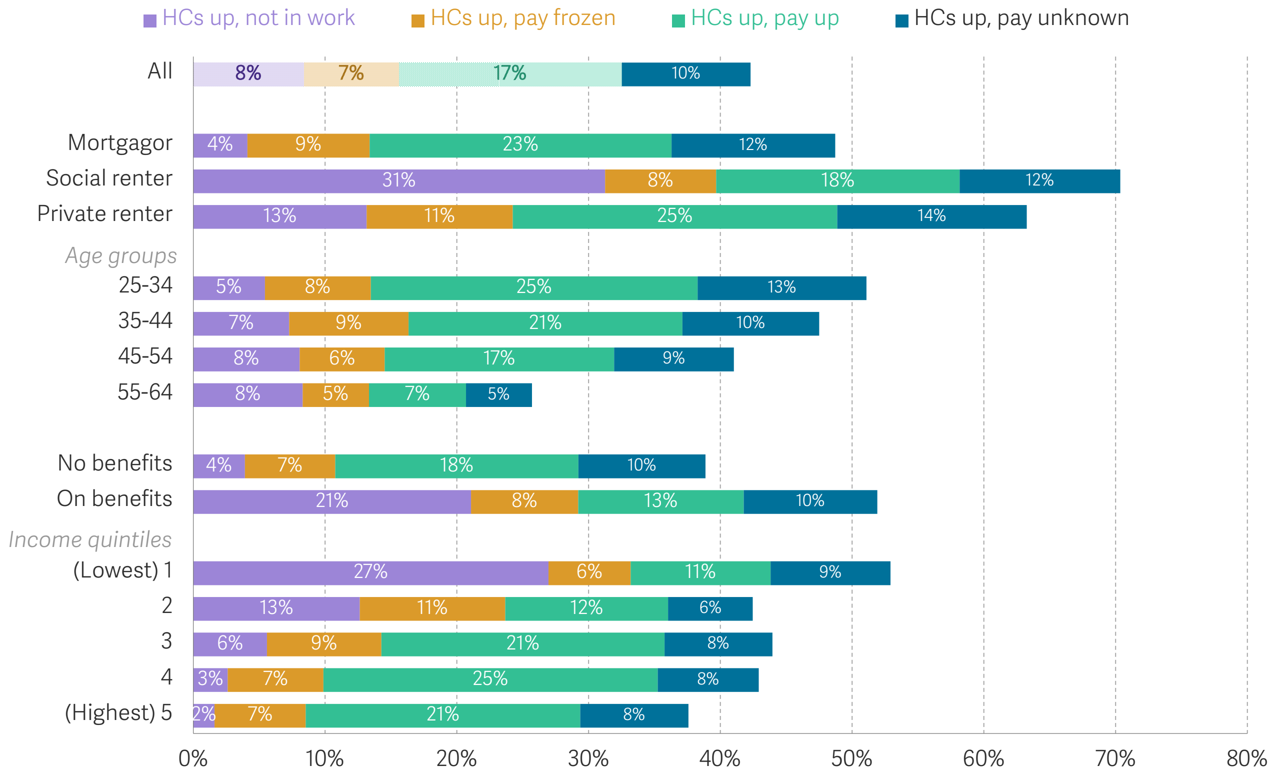
But there are winners and losers beneath the headline figures. Most obviously, outright owner-occupiers – who have no housing costs – have not been affected at all (in terms of cash disposable incomes) by either high mortgage rates or high rental prices. And there are also substantial numbers of people whose housing costs have gone up but whose pay has not risen.

Figure 27 explores this by looking at what share of respondents experienced rising housing costs alongside changes to their pay. About one in six (17 per cent) working-age respondents reported they saw both pay and housing costs increase, with a slightly fewer (one in seven, or 15 per cent) saying that their housing costs rose but either their pay did not or they were not in work.

As we saw in Figure 20, younger adults and those in lower-income families were more likely to experience rises in housing costs, as older and better-off families are more likely to own outright. The nuance provided in Figure 27 is that respondents in low-income families whose housing costs rise are particularly likely to be out of work, whereas respondents in better-off families are more likely to experience the combination of housing costs and pay both rising. When we look at the split by age, although younger respondents were more likely to see housing costs rise than older adults, the likelihood of having a pay rise was also higher for younger adults. Finally, and unsurprisingly given the way that social housing is allocated, social renters are especially likely to see housing costs rise and not be in work at all; for these people, whether the rent rises are providing additional financial pressure will depend on whether their rent exceeds Local Housing Allowance rates, and whether they are subject to the benefit cap.

FIGURE 27: **Younger adults are more likely to see housing costs rise, but also more likely to have had a pay increase**

Proportion of respondents experiencing a combination of housing cost (HC) rises and employment changes, by various characteristics: UK, October 2023



NOTES: Base = all aged 18-64 (n= 4883). Base by categories: mortgagor (n=561); social renter (n=2119); private renter (n=1229); 18-24 (n=336); 25-34 (n=917); 35-44 (n=1279); 45-54 (n=1138); 55-64 (n=1213); quintile 1 (n=535); quintile 2 (n=626); quintile 3 (n=678); quintile 4 (n=936); quintile 5 (n=1191); no benefits (n=3622); on benefits (n=1261). Housing cost and pay changes are calculated based on questions asking respondents about their housing costs at the time of the survey and a year earlier, and so may be subject to some recall error. The chart does not show results for outright owners or those living with someone else who is responsible for housing costs.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

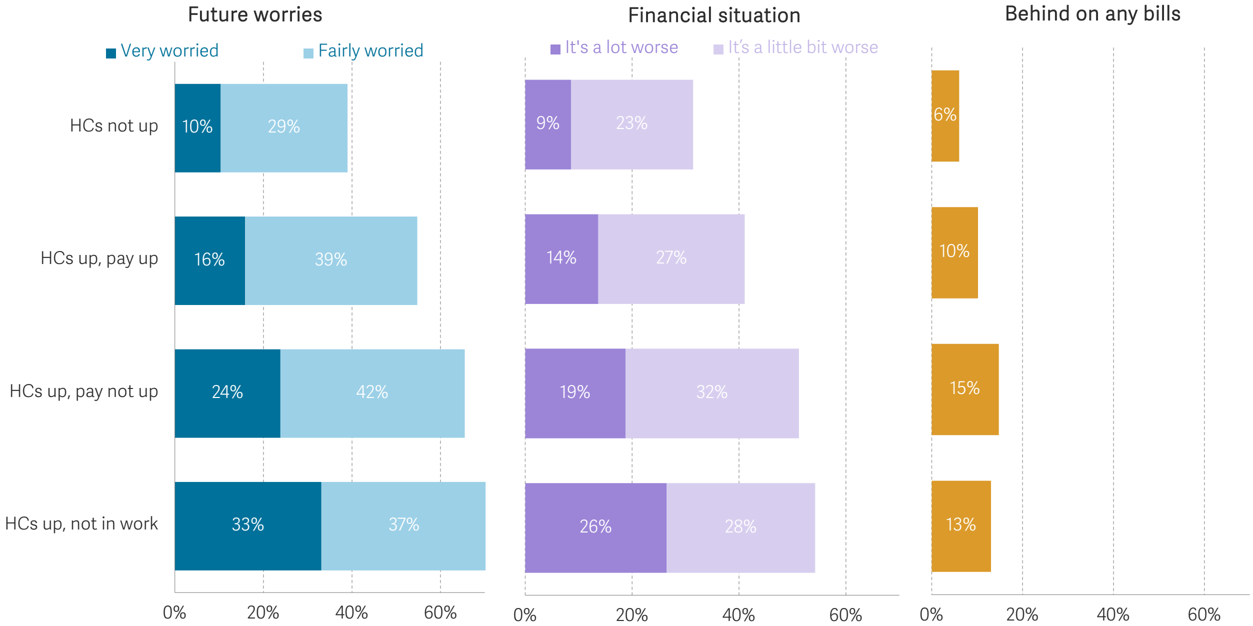
Rising housing costs are causing financial stress and anxiety, especially for those whose pay has not risen

So far, our analysis has explored the way that households have experienced (or not) changes in pay and changes in housing costs, identifying a core group of concern who saw housing costs rise, but not pay (14 per cent of respondents) – 'housing-pinched' households. Figure 28 underscores why we are right to be concerned, by looking at the financial situation and future worries of individuals, broken down by their experience of pay and housing cost changes. It shows that these mismatches between pay changes and housing cost changes are important, as they help predict the differences in how people are experiencing the cost of living crisis.

In particular, when we asked working-age respondents how worried they were about their financial situation, and whether their situation now was better or worse than three months ago, there was a clear hierarchy: those with rising housing costs were more likely to say things had got worse, and that they were more worried about the future, than those whose housing costs had not risen. For example, 30 per cent of those whose housing costs have not risen say that their situation is worse now than three months earlier, but this is over 40 per cent for the three groups whose housing costs had risen. Similarly, 38 per cent of those whose housing costs have not risen are worried about the future, but this is over 55 per cent for the three groups whose housing costs had risen. And 6 per cent of those whose housing costs have not risen are behind on priority bills, rather than between 10 and 15 per cent for the three groups whose housing costs had risen.

FIGURE 28: **Financial concerns were worst among those whose housing costs increased but whose pay had not**

Percentage of respondents reporting the state of their financial situation and future worries, by housing cost (HC) and pay change category: UK, 2023



NOTES: Base = all aged 18-64 (n=6,250). Base by categories: HC not up (n=3,301); HC up, pay up (n=920); HC up, pay not up (n=390); HC up, not in work (n=488). Bars do not sum to 100 per cent because respondents had the option to select multiple answers and the remainder of respondents did not report an increase in their pay in either or both periods.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

Furthermore, among the three groups with rising housing costs, outcomes were worse for those who had not seen a pay rise or who were not in work at all than for those who had seen a pay boost this year. For example, 66 per cent of working-age respondents with higher housing costs than a year ago but the same pay were worried about their finances in the future, compared to 55 per cent of those with both higher housing costs and higher pay. And 51 per cent of working-age respondents with higher housing costs than a year ago but the same pay said their financial situation was worse than three months ago, compared to 41 per cent of those with both higher housing costs and higher pay. In both cases, outcomes were (slightly) worse again for those whose housing costs had risen and were not in work. Box 3 looks at the sort of coping mechanisms that these different groups report to be using.

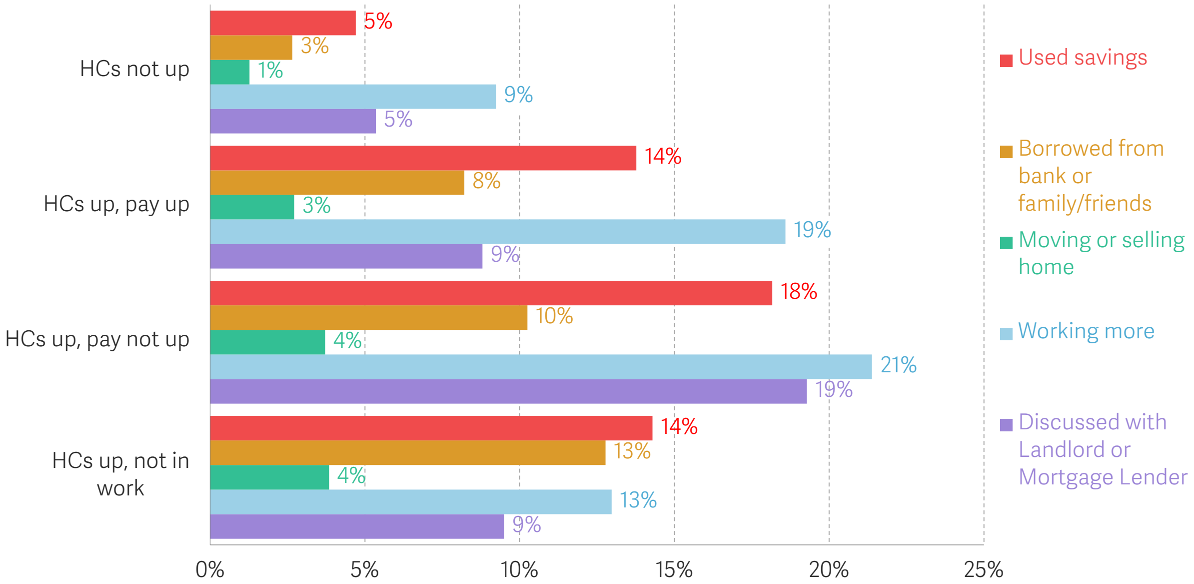
BOX 3: **People are using coping methods such as using savings, borrowing, or working more**

In the face of rising housing costs, many have had to employ a range of strategies to help navigate challenging financial situations. Common coping mechanisms, such as drawing upon savings, borrowing money, and increasing work hours, have become prevalent in the face of these challenges.

Figure 29 further breaks down the various strategies adopted by those who experienced a housing cost rise compared to those that did not. It highlights a clear trend — individuals experiencing housing cost increases are more likely to resort to these coping mechanisms than those whose housing costs have remained stable. Notably, working more emerged as the most widely reported coping mechanism across most groups. Among individuals experiencing a rise in housing costs, those whose pay had not risen were slightly more prone to using their savings, working more, or engaging in discussions with their landlord or mortgage lender. This aligns with the broader findings which indicate that individuals facing both housing cost increases and no pay rise are encountering the most significant challenges.

FIGURE 29: **Those with rising housing costs are more likely to use various coping mechanism than those with stable housing costs**

Reported means of coping with increased housing costs (HC) over the past year, by pay change: UK, October 2023



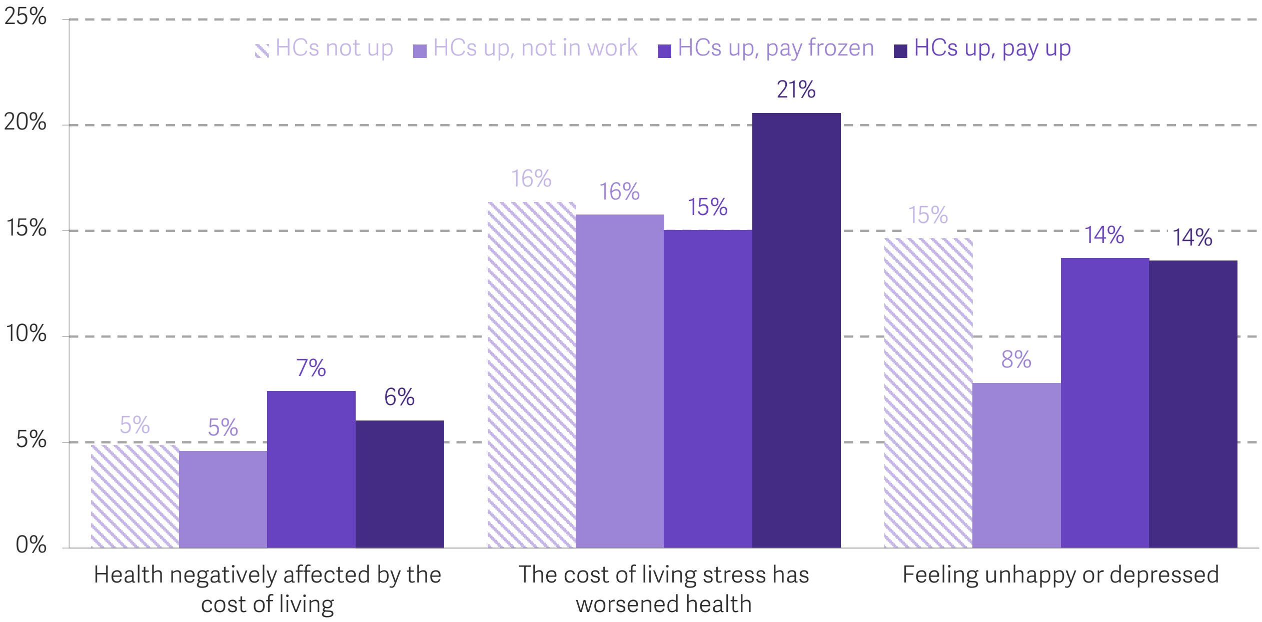
NOTES: Base = all aged 18-64 (n=6,250). Base by categories: HC not up (n=3,301); HC up, pay up (n=920); HC up, pay not up (n=390); HC up, not in work (n=488). Bars do not sum to 100 per cent because respondents had the option to select multiple answers and the remainder of respondents did not report an increase in their pay in either or both periods.
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

The analysis above shows that the interaction between pay and housing costs changes is correlated to financial outcomes, but it is important to also explore whether it has an impact on health and wellbeing. Figure 30 shows that the interplay of housing cost changes and pay rises is not as closely associated with these direct measures of health and wellbeing as it was with people's perception of their financial situation. For example, those who have higher housing costs than a year ago but the same pay were slightly more likely to have poor mental health than those with both higher housing costs and higher pay, and very slightly more likely to say that the cost of living crisis was affecting their health, although the differences are small.

Furthermore, those whose housing costs and pay had increased were most likely to report that stress caused by the cost of living crisis was affecting their health, and those whose housing costs were up, but pay hadn't increased were least likely to report this against expectations.

FIGURE 30: **About one in six people whose housing costs have risen say that stress associated with the cost of living has affected their health**

Proportion of respondents reporting the state of their health, by housing cost (HC) and pay change category: UK, October 2023



NOTES: Base = all aged 18-64 whose housing costs either went up or didn't go up between October 2022 and October 2023 (n=3,690). Base by categories: HCs not up (n=1,577), HCs up, not in work (n=348); HCs up, pay not up (n=268); HCs up, pay up (n=607).
SOURCE: RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

Conclusion

The clear message from our third survey during the cost of living crisis is that, although there have been slight improvements in some outcomes over the past year, most indicators of how families are faring remain at levels that are far more concerning than was the case two or more years ago.

Although the Prime Minister can say that his target of halving inflation in 2023 has been met, taking this as evidence that the cost of living problem is solved would be mistaken; this headline economic indicator is not a good guide to families' lived experience of the cost of living crisis. For example, our survey respondents in October 2023 being twice as likely to report that things had gotten worse over the past three months than better (38 per cent versus 15 per cent). The key reason for this is that the level of prices overall was 16 per cent higher in October 2023 than two years earlier, with the cost of electricity, gas and other fuels 49 per cent higher, and food prices 28 per cent higher. Additionally, 2023 has seen the continued rise in mortgage payments, and this has begun to shift the distributional pain of higher inflation away from lower-income families towards higher-income families. (Looking forward, however, previous work has shown that the ending of

Cost of Living Payments will mean a particular income hit for poorer households in 2024-25).[39]

The second message from this work is the need to examine the variation in people's experiences of pay and price rises to fully understand the pressure that people are under, we. Although average earnings are growing quickly right now, people who have not received a pay rise at all will be far less able to cope with rising prices than the average worker. Similarly, someone who has renewed their mortgage in recent months and seen their repayments double, or who has had to sign a new tenancy agreement, will have faced a bigger increase in their outgoings than those who own their home outright, or whose mortgage or rent is fixed. These mismatches between pay changes and housing cost changes help explain the differences in how people are experiencing the cost of living crisis, with 66 per cent of working-age respondents with higher housing costs than a year ago but the same pay worried about their finances in the future, compared to 55 per cent of those with both higher housing costs and higher pay, and only 38 per cent of those whose housing costs had not gone up. It is the former, 'housing-pinched' households who look most vulnerable as the cost-of-living crisis continues.

39 A Corlett, The Living Standards Outlook – Summer 2023 Update, Resolution Foundation, September 2023.

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