

A hard day's night

The labour market experience of low-
to-middle income families

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Executive Summary

The new Government has two big ambitions when it comes to the labour market – to raise the level of employment, and to drive up job quality. If successful, both would have their biggest impact on the poorer half of working-age Britain, which is where employment rates still have room to rise, and where various types of insecure work are concentrated.

This report provides the context for the Government's ambitions: it describes the labour market experiences of low-to-middle income families and how these have changed over the past quarter century. It explores those families' employment, pay, experiences at work, and their feelings about changing jobs and progressing in work.

This report is part of 'Unsung Britain', a year-long programme of work to explore the lives of families on low-to-middle incomes.

Increases in employment have been concentrated among lower-income households

Increasing employment has been one of the major economic shifts of the past quarter century. During most of the 20th century, the working-age employment rate tended to reach 73 per cent in high-employment periods. But in the 2010s the employment rate reached 76 per cent, an additional 1.3 million workers compared to previous peaks. Workless households – households without any members in work – have become correspondingly rare: they account for 14 per cent of working-age households now, versus 21 per cent in 1996 – a fall of one-third.

The vast majority of this shift has taken place within low-to-middle income families. ('Low-to-middle income' families refers to working-age families (where no member is over the State Pension Age) who have equivalized after-housing-costs (AHC) income in the bottom half of the all-age AHC income distribution. We refer to 'higher-income' families as working-age families with AHC incomes in the top half of the distribution.) Among higher-income families, employment has inched up: the employment rate among 20-64-year-olds in higher-income families was 90 per cent in 1996-97 and 92 per cent in 2022-23. But among low-to-middle income families the change has been dramatic: the 20-64-year-old employment rate rose from 54 per cent in 1996-97 to 64 per cent in 2022-23.

This is not because of changes in who low-to-middle income families are, but instead because employment rates have risen across the board within low-to-middle income Britain. Since 2002-03, among people on low-to-middle incomes, the employment rate has risen 17 percentage points among single parents, and 13 percentage points among people with disabilities. In fact, the make-up of low-to-middle income families has changed in ways which would have been expected to push slightly down on the low-to-middle income employment rate, as groups with below-average employment rates now comprise a larger share of the low-to-middle income population than 25 years ago: for example, the share of low-to-middle income adults with a disability has increased from 18 to 31 per cent over the past 20 years.

Employment remains the most important determinant of family incomes. In 2022-23, the typical incomes of workers sat 34 percentiles higher up the distribution than those of non-workers. This gap is smaller than 25 years ago (in 1996-97 it was 43 percentiles), and it's also the case that in-work poverty has risen in this period: by 2022-23, more than half (54 per cent) of families in poverty had someone in work, up from 44 per cent in 2000-01. But it remains the case that having a job boosts your income significantly.

Low incomes and low pay overlap, but less than you might think

In 2022-23, median hourly pay among low-to-middle income employees was £11.20, compared to £17.65 among workers in higher-income households. Low-to-middle income workers are also more likely to be paid the minimum wage: between 2019-20 and 2022-23, nearly one-in-five (18 per cent) of low-to-middle income workers were paid close to the minimum wage, compared to just 5 per cent of higher-income workers.

This is not a surprise. Lower wages, alongside lower employment and hours worked, contribute to lower earned incomes, and put families into the low-to-middle income category in the first place. It's more interesting to note the extent to which low incomes and low wages don't overlap. In 2022-23, among workers in households in the bottom half of the working-age AHC income distribution, a majority (three-in-four) had hourly pay in the bottom half of the hourly pay distribution, but this still leaves one-in-four with wages in the top half of the pay distribution. Similarly, among workers in the top half of the income distribution, one-in-three have hourly earnings in the bottom half of the hourly pay distribution. This partial overlap has changed very little over the past two decades.

This is one reason why raising the minimum wage has only a limited effect on the incomes of the poorest households. Moreover, relatively few of the lowest-income households are working at all, and they often receive means-tested benefits, which are reduced when their earnings rise. For example, next year's chunky 6.7 per cent increase in the adult minimum wage will have a bigger impact on the disposable incomes of households those in the middle of the income distribution (+0.8 per cent on average for households in the fifth income decile) than near the bottom (+0.6 per cent for those in the second income decile).

A higher share of low- than high-income workers have insecure jobs, and low-to-middle income workers are relatively concentrated in lower-paying industries like retail and social care

There are big differences in the occupations and industries that low-to-middle income and higher-income workers work in. Unsurprisingly, they are more than twice as likely as those from higher-income households to work in sales and customer services roles, at 16 per cent and 7 per cent respectively. More than one-in-ten (11 per cent) low-to-middle income workers work in retail occupations, compared to 6 per cent of those from higher-income families. And workers from low-to-middle income families are less likely than those from higher-income families to work in the public sector, with one-in-five (19 per cent) low-to-middle income workers being in the public sector, compared to a quarter (26 per cent) of higher-income workers.

Lower-income workers are also slightly more likely to work in 'insecure' jobs. This term has no set definition, but we tend to think of jobs as 'insecure' if they are associated with some form of income risk – this can be because they aren't permanent, or because earnings aren't guaranteed or are volatile. The vast majority of low-to-middle income workers are in 'secure' jobs – between 2017-2021 (years are grouped to improve the reliability of estimates), three-quarters (77 per cent) of workers from low-to-middle income families were in 'secure' work (defined as a permanent job which is not a zero-hours contract or gig job or solo-self-employment). But this still leaves a significant minority in insecure work. Across the years 2017-2021, among workers in low-to-middle income families, 2.0 per cent of workers reported being on zero-hours contracts (versus 1.6 per cent in higher-income households), 12.8 per cent were 'solo' self-employed (that is, they were self-employed without anyone working for them – compared to 8.7 per cent of higher-income workers), and 10.9 per cent were on temporary contracts (versus 9.2 per cent of higher-income workers). Additionally, in 2021-2022, 1.7 per cent of low-to-middle income workers were doing 'gig' work as a driver or courier, compared to 1.3 per cent of higher-income workers.

Low-to-middle income workers want jobs that they enjoy, that offer security, and where they have good relations with colleagues

Despite differences in the sorts of jobs that low- and higher-income workers do, they want broadly the same things from work. When asked about the aspects of work that are important to them, an overwhelming majority of low-to-middle income and higher-income workers emphasise liking the work they do, having job security, and having good relationships with colleagues and bosses. Notably, for both low-to-middle income and higher-income workers, 'good pay' ranks well below these job considerations.

This echoes what we heard in focus groups with low-to-middle income workers, who reflected that money isn't everything. Instead, participants spoke about the importance of having good relationships at work, both with colleagues and managers. They emphasised both the enjoyment that comes with working alongside people you get along with and consider friends ("I'm really, really lucky that I love my job, but without the team I've got, would I love my job as much? Dunno. We get on so well. I have a better time with my colleagues than I do my friends."), as well as the importance of having managers who they trust will deal with problems that arise ("You need a manager who's going to deal with it, but deal with it in an appropriate way.").

Low-to-middle income workers have lower job satisfaction than higher-income workers, with frustrations including bad managers and a lack of control over hours

The vast majority of workers are satisfied with their job, and this has increased very slightly over the past decade. In 2010-2011, 78 per cent of workers were satisfied with their job, rising to 80 per cent in 2022-2023. There is a small but persistent satisfaction gap between low-to-middle and higher-income workers, with the former consistently 2-3 percentage points less likely to express satisfaction with their job than the latter. The gap is larger between workers on the very lowest and highest incomes: in

2022-23, around three-quarters (77 per cent) of workers in the bottom income quintile reported being satisfied with their job, compared to 84 per cent of those in the top quintile. This is perhaps not surprising, given what we know about the lowest-income workers being more likely to be in low-paid and insecure jobs.

But other features of work contribute to job satisfaction, too: we heard from low-to-middle income workers about their frustration with working irregular hours, especially when these are decided with little notice. This was particularly the case for those in some public sector jobs, where staff shortages mean that the pressure to work overtime is especially strong. And alongside these 'concrete' factors which contribute to job satisfaction, 'softer' factors, like relationships with colleagues and managers, matter too. Even if a job scores well in terms of pay and security, bad relationships can override this.

Job mobility is evenly spread across the income distribution, but some workers face barriers to moving jobs

With workers in low-to-middle income families being more likely to face low pay, insecure work, and unsatisfactory conditions, we might wonder why more workers do not switch jobs in search of something better. In fact, the rate of job moves is fairly flat across the income distribution: 7 per cent of workers in the first (lowest) and fourth quintiles of the household income distribution moved job within a year between 2017-2022. (It is only when we look at the top income quintile that job moves decline, with 4.5 per cent of these workers making a job move.)

But although there is not a clear gradient to job mobility across the household income distribution, there are clear differences between household types. For example, even after holding other characteristics constant, women with children are less likely than average to voluntarily move job (-15 per cent), a trend that is also true for those who provide care to a sick, disabled or elderly person (-11 per cent). And differences are even more striking when we look at age: older adults aged 55-64 are considerably

less likely than the average worker to choose to change job, holding all else constant (-72 per cent). This underscores a key finding from our focus groups: workers are often all too aware of the disadvantages of their current job, yet feel unable to 'risk' moving to another job due to family constraints. For some, this is because a new job would have to meet specific criteria, such as flexible hours or a short commute time. But more generally, we heard from many workers that being secure in a job with unsatisfactory elements was preferable to taking a gamble and moving to a job that might be better; as one participant put it, "Better the devil you know."

Finally, it's not just changing jobs that workers are wary of – many are put off the idea of 'progressing' at work altogether. We heard this loud and clear in our focus groups, especially among women with young children, and those nearing the end of their career. When asked about the prospect of progressing into a higher-paying role, we heard that "I wouldn't want the responsibility". There are financial barriers to progression, too, with those in receipt of means-tested benefits facing high marginal effective tax rates (METRs) as benefits are withdrawn when earnings rise. Strikingly, low-to-middle income couples with children face METRs of 42 per cent, and these rise to 56 per cent for low-to-middle income single parents. These barriers to progression are consistent with trends we see in earnings data: average hourly wages for non-graduates, and especially female non-graduates, actually decline after 30 years of work (or, after age 50 for someone who entered work at age 20).

Employment policy must work with, rather than against, the realities of low-to-middle income families' lives

For a Government committed to "Get Britain Working" and "Making Work Pay", these findings are important. Employment policy that starts from an understanding of the reality of families' working lives – and that works with, rather than against, the grain of what families want – is more likely to be successful. To this end, we set out some takeaways for policy makers from the research undertaken for this paper.

First, the aim of raising job quality is a good one. The Government's reforms in the Employment Rights Bill (including giving workers a right to a contract with guaranteed hours and extending Statutory Sick Pay coverage to the lowest-earning workers) will improve working life for many low-to-middle income families. But we should also remember that not everything that makes work difficult can be legislated away. Some things are for employers to deal with – including treating workers with greater respect and improving management quality.

Second, some workers are not interested in or face barriers to changing jobs or progressing in work. This underlines the need for the state to act to improve pay and conditions. But it also suggests the Government should exercise caution in applying work search 'conditionality' to low earners receiving benefits – some of whom, such as those with young children or nearing the end of their career, may struggle to raise their earnings.

Third, while the Government's commitment to the minimum wage is welcome, it is important to be realistic about what the minimum wage can achieve. Even among families who are working, the impact of the minimum wage on the incomes of poorer families is muted, in large part due to the high marginal deduction rates they face in the benefits system. For families reliant on income from the social security system, benefit levels need to rise to ensure these families share the gains from increased growth.

Section 1

Introduction

This report – part of ‘Unsung Britain’, a year-long programme of work to explore the lives of families on low-to-middle incomes – focuses on the labour market, and examines those families’ employment and pay, their experiences at work, and the choices and constraints they face related to work. Future reports in this programme will cover topics including housing, consumption, health and caring, and sources of income.¹

The labour market is clearly a vitally important source of income: earnings comprised more than four-fifths – 83 per cent – of total gross household income among working-age families in 2022-23.² As such, any comparison of high- and lower-income families will find lower labour income among the latter; it will be a large part of why those families are in a lower income category in the first place. So it is unsurprising that low-to-middle income households are less likely to be in work than higher-income households, and if in work, more likely to be low paid. Between 2021-22 and 2022-23, the employment rate among people in low-to-middle income families was 61 per cent, compared to 90 per cent among people in higher-income families. And among those in work, those from low-to-middle income families are especially likely to be in the bottom 20 per cent of the hourly pay distribution (what we refer to in this report as ‘low pay’).³ More than a third (35 per cent) of those in low-to-middle income families were in low pay in this time period, compared to 11 per cent of those in higher-income families. This is set out in Figure 1.

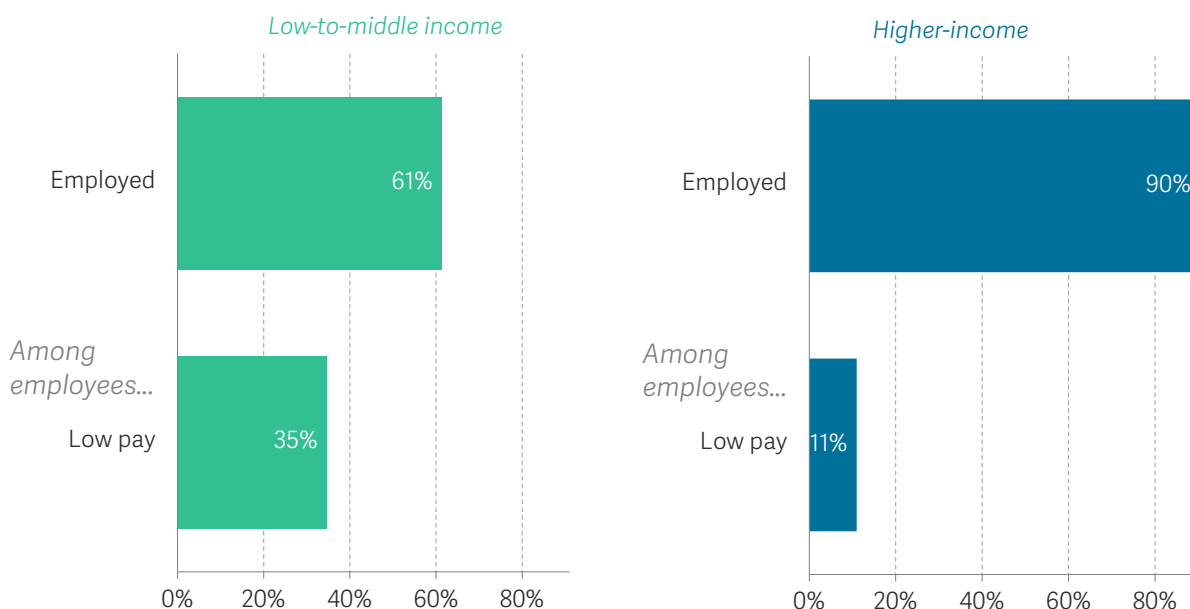
1 Throughout the report we focus on low-to-middle income families, often drawing a distinction with higher-income families. We define ‘low-to-middle’ families as non-pensioner families (families where no one is above the State Pension Age (SPA)) who have equivalized disposable income below the whole-population median. We refer to ‘higher-income’ families as non-pensioner families with disposable incomes above the whole-population median. Pensioner families are generally excluded from our analysis. In 2022-23, low-to-middle income families included those with disposable annual income of £30,000 or below, with the typical disposable income among low-to-middle income families £19,000, compared to typical disposable incomes of £44,000 among higher-income families. See Box 1 in: M Brewer et al, *Unsung Britain: The changing economic circumstances of the poorer half of Britain*, Resolution Foundation, November 2024.

2 RF analysis of DWP, Households Below Average Income.

3 For the remainder of this report, we use the term ‘low pay’ to refer to hourly pay in the bottom 20 per cent of the distribution, to allow for clear comparisons over time. Note that the most common definition of ‘low pay’ is slightly different, with the term often referring to those below two-thirds of median (hourly) earnings.

FIGURE 1: Adults from low-to-middle income families are less likely to be in employment and more likely to be in low pay than those from higher-income families

Employment and low-pay status of adults aged 20-64, for those in low-to-middle income families (left) and those in higher-income families (right): UK, 2021-22-2022-23



NOTES: Low pay analysis includes employees only. 'Low pay' refers to those in the bottom 20 per cent of the hourly pay distribution. Estimates of hourly wages are based on a combination of: a derived measure based on weekly earnings divided by hours worked (for those earning at or above the minimum wage), and an hourly wage rate imputed from the directly observed hourly wage rate variable in the Labour Force Survey (for those with derived hourly pay below the minimum wage).

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey; ONS, Labour Force Survey.

But there is a lot to unpack beneath these basic figures. Why do low-to-middle income families work at the rate they do, and how do they make those decisions? Could low-to-middle income families work more, and if not, what is stopping them from doing so? What are low-to-middle income families' experiences of work – including beyond their pay levels? How does work fit in with other parts of their lives? How effective has the minimum wage been in lifting incomes among lower-income families?

The rest of the report explores these questions, and is organised as follows:

- Section 2 sets out facts relating to employment rates and pay.
- Section 3 sets out facts relating to the types of work done by low-to-middle income workers, beyond pay.
- Section 4 describes low-to-middle income workers' experiences of work – including what they want out of work.

- Section 5 considers the constraints workers face in making changes, be it working more or changing jobs.
- Section 6 concludes and offers some reflections on what the above material implies for labour market policy.

This report used a 'mixed-methods' approach. Alongside analysis of secondary datasets, we also undertook two focus groups with workers from low-to-middle income families, exploring with them the questions we describe above. We spoke to 18 people living in Worcester, all from low-to-middle income families. The participants came from different walks of life: men and women, of differing ages, with and without children, who were main and second earners in the family. We segmented the focus groups by type of employment. The first focus group was with workers in secure employment, while the second was with workers in insecure employment.⁴ The responses we heard from participants informed the direction of our research and the areas we focused on, and we have also used quotes from those groups to illustrate points throughout the report.

⁴ When recruiting for our focus groups, we defined workers as being in 'insecure employment' if they were: solo self-employed; on a temporary contract or doing casual work; on a zero-hours contract; working for an agency; in a job with variable hours from week to week, meaning their pay was unpredictable; or had experienced unemployment in the last year.

Section 2

Employment and pay

Over the past 25 years, there has been significant employment growth in the UK – and this has been concentrated at the bottom of the household income distribution. This has narrowed the employment gap between rich and poor: the employment rate gap between working-age adults in families at the 20th and 80th income percentiles has fallen by a third between 1996-97 and 2022-23.

This fall is not a result of compositional changes: in fact, these have acted in the opposite direction, and we would have expected these to reduce the low-to-middle income employment rate by 4 percentage points since 1996-97. But instead, the actual low-to-middle income employment rate has increased by 5 percentage points over this period: this reflects rising employment rates within all the different groups of low-to-middle income families.

It's clear that low-to-middle income families tend to earn less than higher-income families. But the relationship between low pay and low-to-middle income status is not perfect: in 2022-23, a majority (three-in-four) of low-to-middle income workers had hourly pay in the bottom half of the hourly pay distribution, a sizeable minority had wages in the top half of the pay distribution. And, although minimum wage earners are concentrated at the bottom of the household income distribution, we should not see a rising minimum wage as the best way to boost incomes for low-to-middle income families. For example, while next year's 6.7 per cent increase in the minimum wage will effectively boost earnings, the impact on household incomes is both small and not uniformly progressive: incomes will rise by 0.8 per cent on average for households in the fifth income decile, more than the 0.6 per cent rise expected in the second income decile.

Increases in employment over the past 25 years have been concentrated among lower-income households

There is currently a great deal of consternation about the UK's employment rate, with the official data suggesting a lasting downwards shift in the working-age employment rate of

1 per cent post-pandemic, a change not seen in other rich countries. Recent Resolution Foundation research using administrative data sources has argued that official estimates (produced from the Labour Force Survey by the Office for National Statistics) overstate the fall.⁵ But this view is not yet the consensus, and policy makers have responded to the official statistics by looking for ways to boost employment.⁶

Falling employment (in the eyes of the official statistics) would be a shock to the system for the UK. The past two decades – especially post-financial crisis – have seen sustained improvements in the UK's employment rate. This has arguably been one of the most important changes in 21st century Britain. In the 20th century, the working-age employment rate tended to reach 73 per cent in high-employment periods. In the 2010s this shifted so that by 2019 the employment rate reached 76 per cent, equivalent to an additional 1.3 million workers. Workless households – households without any members in work – have become increasingly rare. They account for 14 per cent of working-age households now, versus 21 per cent in 1996 – a fall of a third.⁷

The vast majority of this shift has taken place within low-to-middle income families. Among higher-income families, employment has only inched up – the employment rate among 20-64-year-olds in higher-income households was 90 per cent in 1996-97 and 92 per cent in 2022-23. Among low-to-middle income households the change has been dramatic: the 20-64-year-old employment rate rose from 54 per cent in 1996-97 to 64 per cent in 2022-23.

Figure 2 sets out the employment rate across the full income distribution for men and women, comparing 2022-23 with 1996-97. The picture of stronger employment growth among lower-income families is true for both men and women. Female employment has risen across the distribution but has risen the most among poorer families. At the 20th income percentile, among 20-64-year-olds, the female employment rate rose from 43 per cent in 1996-97 to 60 per cent in 2022-23, while it rose from 89 per cent to 93 per cent at the 80th percentile. Families in the bottom three income deciles account for half (53 per cent) of higher female employment since 1996-97. Among men, the concentration of employment growth at the bottom of the income distribution is more pronounced, with the bottom three income deciles accounting for 86 per cent of higher male employment.⁸ At the 20th percentile, the male employment rate among 20-64-year-olds rose from 56 per cent in 1996-97 to 73 per cent in 2022-23. At the 80th percentile, the increase was just 2 percentage points.

⁵ A Corlett, [Get Britain's Stats Working: Exploring alternatives to Labour Force Survey estimates](#), Resolution Foundation, November 2024.

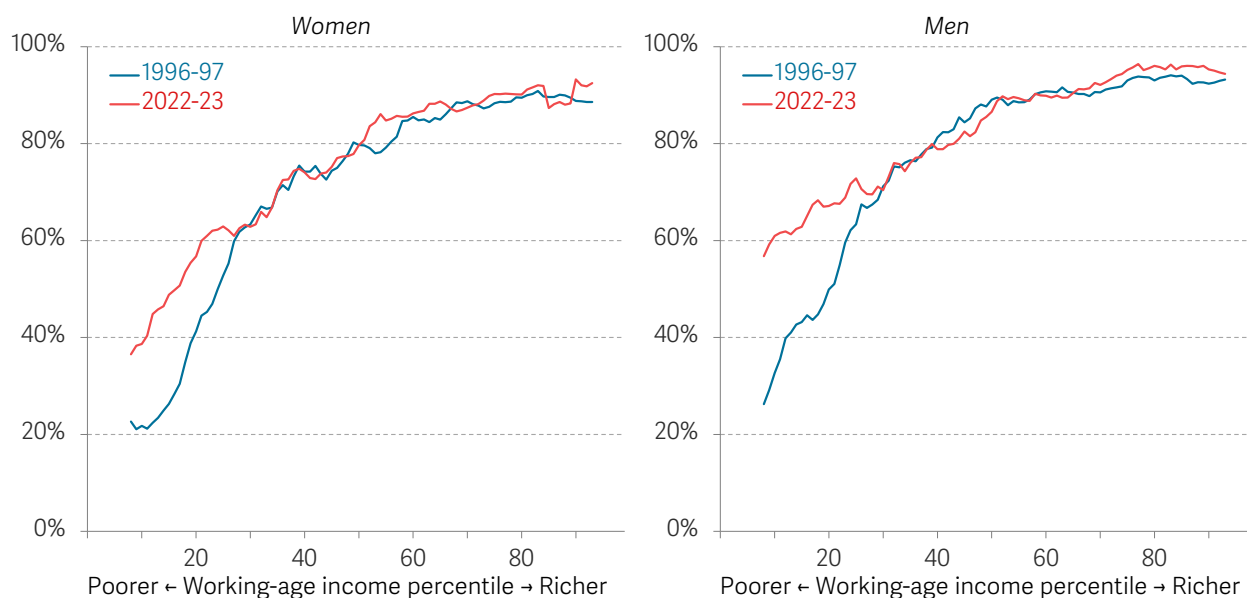
⁶ Department for Work and Pensions, [Get Britain Working White Paper: The government's proposals to reform employment, health and skills support to tackle economic inactivity and support people into good work](#), November 2024.

⁷ RF analysis of ONS, [Working and workless households in the UK](#), November 2024.

⁸ For more on the bottom-heavy nature of recent employment gains, see Box 3 in: M Brewer et al., [Sharing the benefits: Can Britain secure broadly shared prosperity?](#), Resolution Foundation, July 2023.

FIGURE 2: There has been significant employment growth at the bottom of the income distribution over the past 25 years

Employment rate for adults aged 20-64, by working-age household disposable income percentile, for women (left) and men (right): UK, 1996-97 and 2022-23



NOTES: Bottom and top 5 percentiles are excluded. Chart series are moving 5-percentile averages. Percentiles are calculated using after-housing-costs income.
SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

Rising employment among low-income families has helped narrow the employment gap between rich and poor households – the employment rate gap between 20th and 80th income percentile households has fallen by a third – from 44 percentage points in 1996-97 to 29 percentage points in 2022-23. A parallel trend has been that ‘working’ families (those with at least one adult in work) now comprise a greater proportion of the families in poverty than in the past: in 2022-23 just over half (53 per cent) of families in poverty were working, compared to 38 per cent in 1996-97. Box 1 sets out the facts on in-work poverty, but argues that employment remains a very important driver of family incomes: it remains the case that working families are on average much richer than non-working families.

BOX 1: Despite rising in-work poverty, employment remains a fundamental driver of incomes

Rising employment among lower-income families has come with the associated trend that a rising share of families in poverty are ‘working’

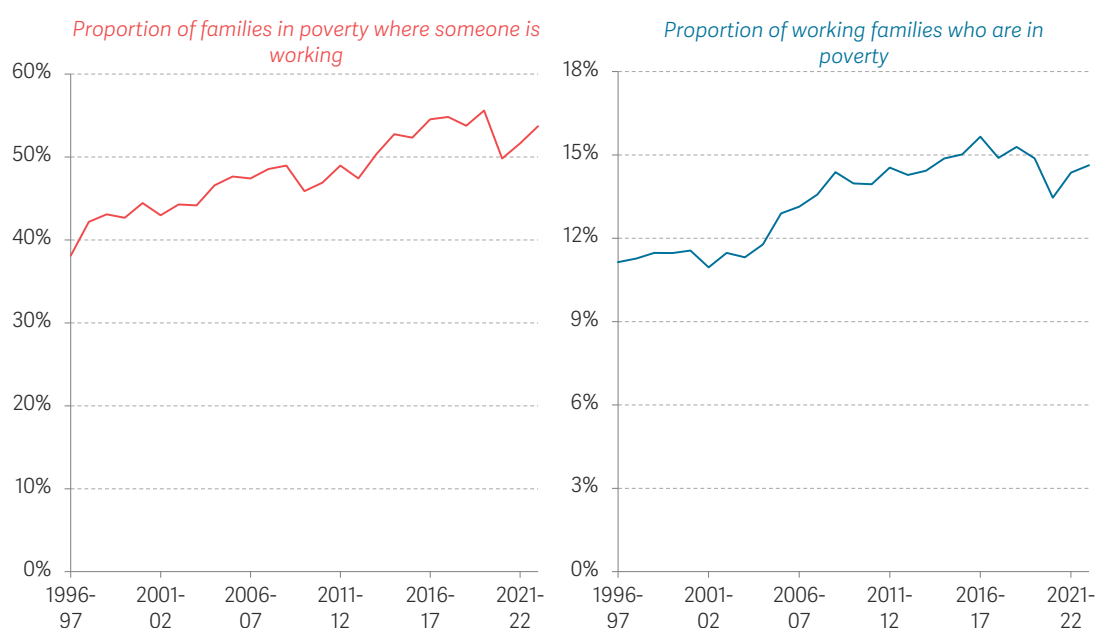
families – meaning at least one adult in the family is in work. The reverse is also true – a higher share of working families are in relative poverty (with

equivalized after-housing-cost incomes lower than 60 per cent of the median). These trends are set out in Figure 3, below. The left panel shows the share of families in poverty where someone is working – this has risen from 38 per cent in 1996-97 to 53 per cent in 2022-

23. The right panel shows the share of working families (families with at least one adult working) who are in poverty. This has risen from 11 per cent in 1996-97 to 15 per cent in 2022-23 (down from a high of 16 per cent in 2016-17).

FIGURE 3: More than half of families in poverty now have at least one person in work, but among working families, only a minority are in poverty

Working-age families by employment status (left) and relative poverty status (right): UK



NOTES: Working-age families are those where at least one adult is below the State Pension age. Relative poverty is defined as a household after-housing-cost income below 60% of the median among all households.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

It would be tempting to conclude from these charts that employment is no longer an important contributor to families' prosperity. If one-in-seven working families is in poverty, is employment really that important? There is some truth to this claim – those statistics show that having someone in work isn't itself a guarantee

against poverty, and this has become increasingly true.

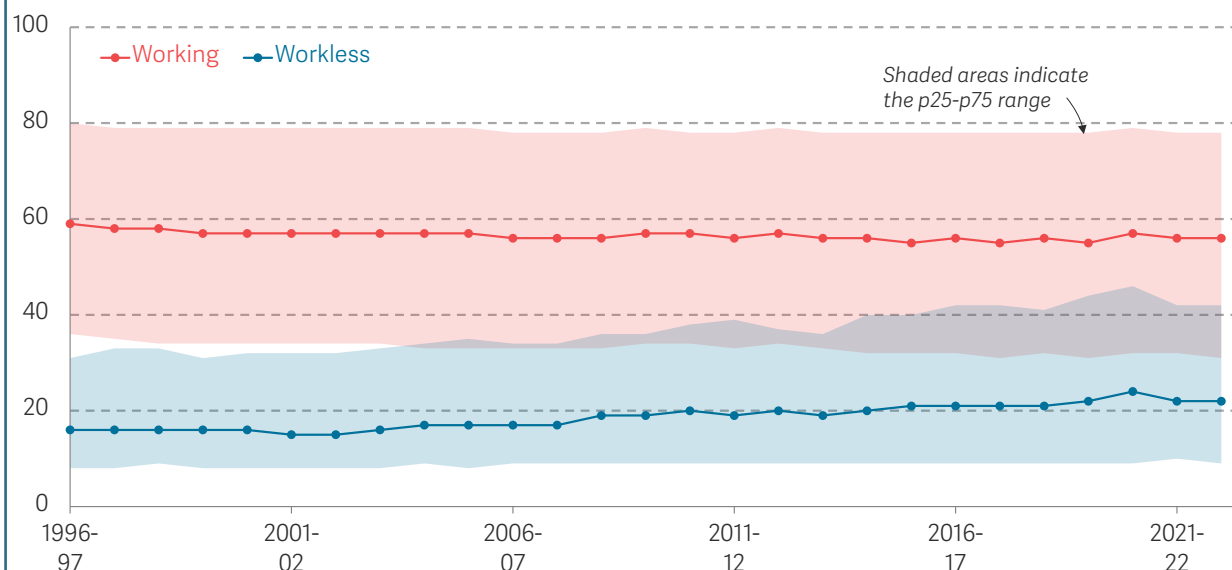
But to focus on the trend misses the more important point about the levels in these charts. Employment continues to be a good defence against poverty, if not a guarantee. The one-in-seven working households in poverty (in 2022-23) compares to almost one-in-

two (47 per cent) among non-working non-pensioner households. Moreover, there is still a very large gap between the typical incomes of those in work and those not. This is set out in Figure 4, which shows the typical income percentile of families by work status.

In 2022-23, working families (with at least one person in work) had a typical income percentile of 56, and someone not-working a typical income percentile of 22 – a gap of 34 percentiles. This is smaller than the 43-percentage gap in 1996-97 but is still large.

FIGURE 4: Income gaps between working and workless families have fallen but remain large

Median and p25-p75 range of household disposable income percentile of working-age families by work status: UK



NOTES: Household income distribution measured after housing costs. 'Working' families are those with at least one person working, 'workless' families are those where no one is working.

SOURCE: RF analysis of DWP, Households below average income; DWP, Family Resources Survey.

Increasing family employment (by increasing the number of workers in the family, or by working more hours) also remains an important route through

which individual families can escape poverty.⁹ We will present this analysis in a future *Unsung Britain* paper on income dynamics.

Rising employment among lower-income families is not linked to compositional changes

Why has employment risen among lower-income families? We have written about this in the past, and argued that higher labour supply among low-income families is linked to

⁹ L. Judge & H. Slaughter, *Working Hard(ship): An exploration of poverty, work and tenure*, Resolution Foundation, February 2020. Resolution Foundation

the stagnation in real wages and real incomes which many families experienced after the financial crisis. In that view, higher labour supply was a way for families to protect family incomes.¹⁰

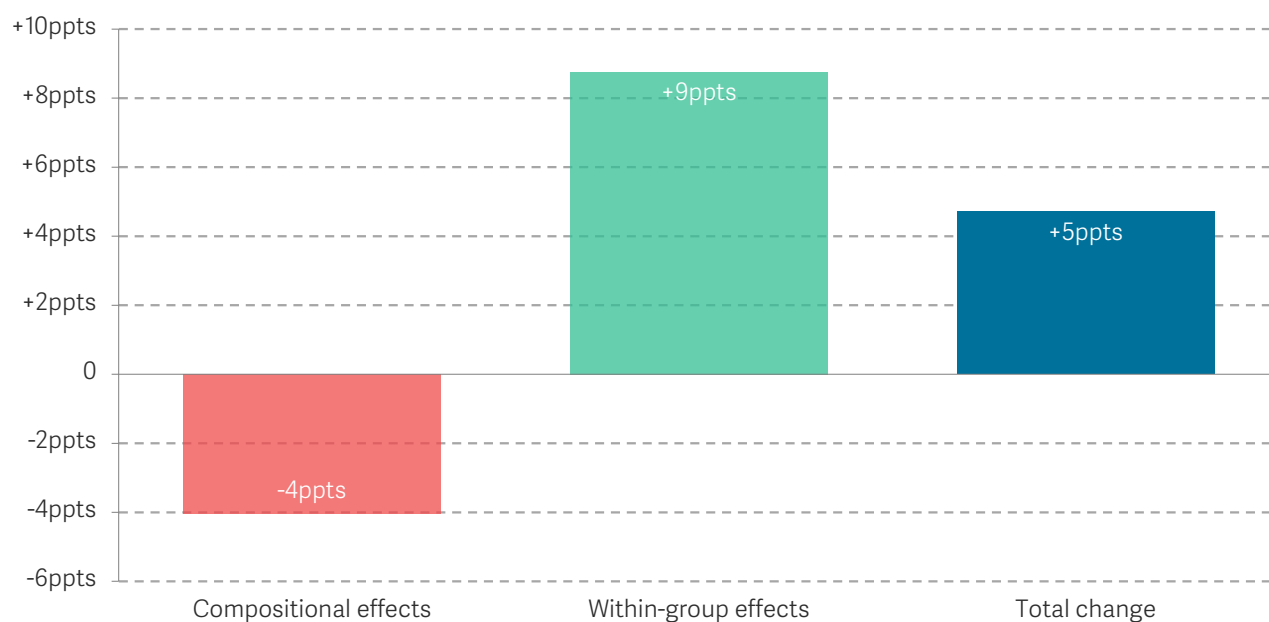
An alternative way to look at the increase in the employment rate among low-to-middle income families over the past two decades is that it has happened despite – rather than because of – compositional changes. Low-to-middle families' employment rates might have increased over time if people with above-average employment rates (such as those with higher-level qualifications, or in the middle of their working life) had formed a rising share of lower-income families. But overall, the opposite has happened – compositional changes have exerted a small downwards pressure on low-to-middle income employment over the past 25 years. For example, the share of low-to-middle income adults with a disability – whose employment rate in 2022-23 was 30 percentage points lower than workers without a disability – has increased from 18 per cent in 2002-03 to 31 per cent in 2022-23. Similarly, the share of low-to-middle income adults who are in a household headed by someone of Pakistani ethnicity – whose employment is 7 percentage points below the overall rate – has more than doubled since the 1990s. And although some compositional changes have pushed in the other direction (for example, there are a larger number of low-to-middle income adults today who have higher level education, with the share of low-to-middle income adults who left education at age 22 or later rising from 4 per cent in 1996-97 to 17 per cent in 2022-23), these only partially offset other changes. Overall, compositional changes would have been expected to reduce the low-to-middle income employment rate among 20-64 year olds by 4 percentage points since 2002-03.¹¹

¹⁰ T Bell & L Gardiner, [Feel poor, work more: Explaining the UK's record employment](#), Resolution Foundation, November 2019.

¹¹ We have chosen this reference point rather than a year in the mid-late-1990s because after the early 1990s recession it took until the early 2000s for the economy to return to its previous employment high point. These results are based on undertaking a 'Oaxaca' decomposition, which decomposes differences between groups into within- and between- group effects (in the normal language of Oaxaca decompositions these are referred to as 'coefficient' or 'endowment' effects). For this decomposition the sample was adults aged 20 to 64 in financial years 2002-03 and 2022-23, the dependent variable was the employment rate, and independent variables were: age, age left education, sex, ethnic group (with categories 'White', 'Mixed/Multiple ethnic groups', 'Indian', 'Pakistani', 'Bangladeshi', 'Chinese', 'Any other Asian background', 'Black / African / Caribbean / Black British', 'Other ethnic group'), disability status, and family type (with categories of single parent, single without dependent children, couple with children, and couple without dependent children).

FIGURE 5: Higher low-to-middle income employment has happened despite a compositional shift towards groups with below-average employment

Decomposition of change in employment rate among adults aged 20-64 in low-to-middle income households from 2002-03 to 2022-23: UK



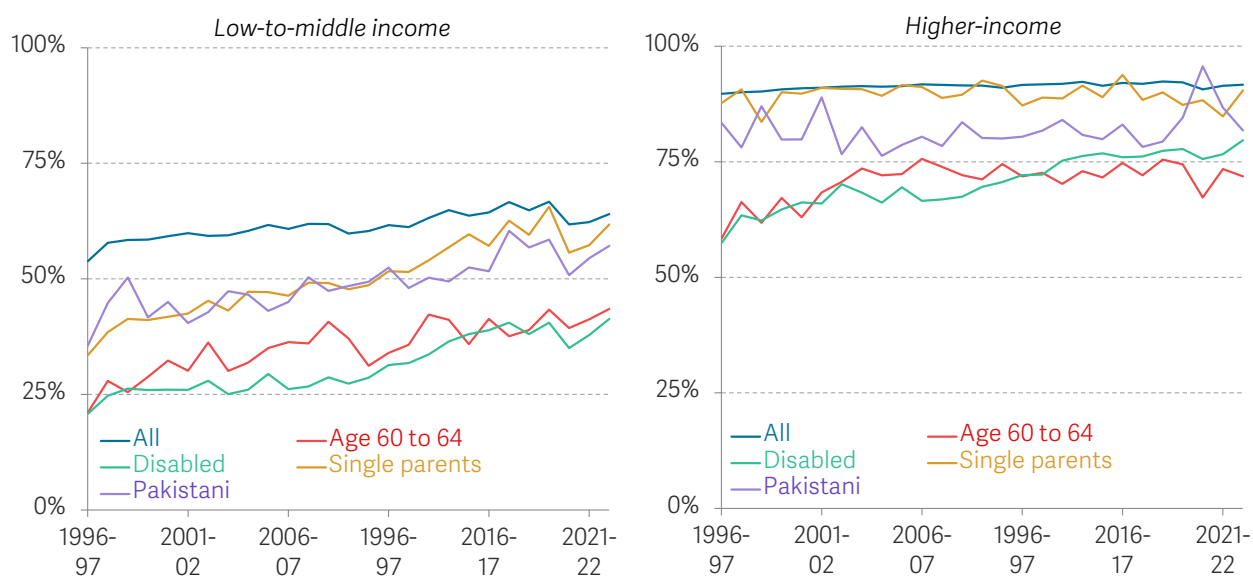
NOTES: Results are from a 'Oaxaca' decomposition, including age, household type, ethnicity, disability, education level, gender.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

But of course, far from falling, the actual low-to-middle income employment rate has increased by 5 percentage points since 2002-03. This means that the employment rate within all the different groups comprising low-to-middle income families has risen sufficiently to more than offset compositional changes. Figure 6 presents some examples of the employment rate among subsets of the low-to-middle income population. Since 2002-03, the employment rate has risen 17 percentage points among low-to-middle income single parents, 13 percentage points among low-to-middle income adults with disabilities, and 11 percentage points among low-to-middle income adults of Pakistani ethnicity.

FIGURE 6: Lower employment among adults in low-to-middle income families compared to those in higher-income families is due to lower within-group employment rates

Employment rate for adults aged 20-64 in low-to-middle income households (left) and in higher-income households (right), by selected demographics: UK



SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

A similar point about population composition can be made about the difference in employment between low-to-middle income and higher-income families. Differences in composition explain only a small fraction (2 percentage points) of the overall 28 percentage-point difference between employment rate among low-to-middle income families and higher-income families.¹² This small compositional difference is mostly down to there being more people with disabilities among low-to-middle income families than among higher-income families (31 per cent versus 16 per cent). The large employment rate differences between low-to-middle income and higher-income families is instead because of large within-group differences in employment. This can be seen by comparing the left and right panels in Figure 6. For example, in 2022-23, low-to-middle income lone-parents had an employment rate of 62 per cent, compared to 90 per cent of higher-income lone-parents.

There is a significant overlap between low pay and low income – but it's far from complete

Alongside lower employment rates, the other central labour market fact we outlined about low-to-middle income families in the introduction is that low-to-middle income workers tend to earn less than higher-income workers. This isn't surprising – the

¹² This is again the result of a Oaxaca decomposition. See previous footnote.

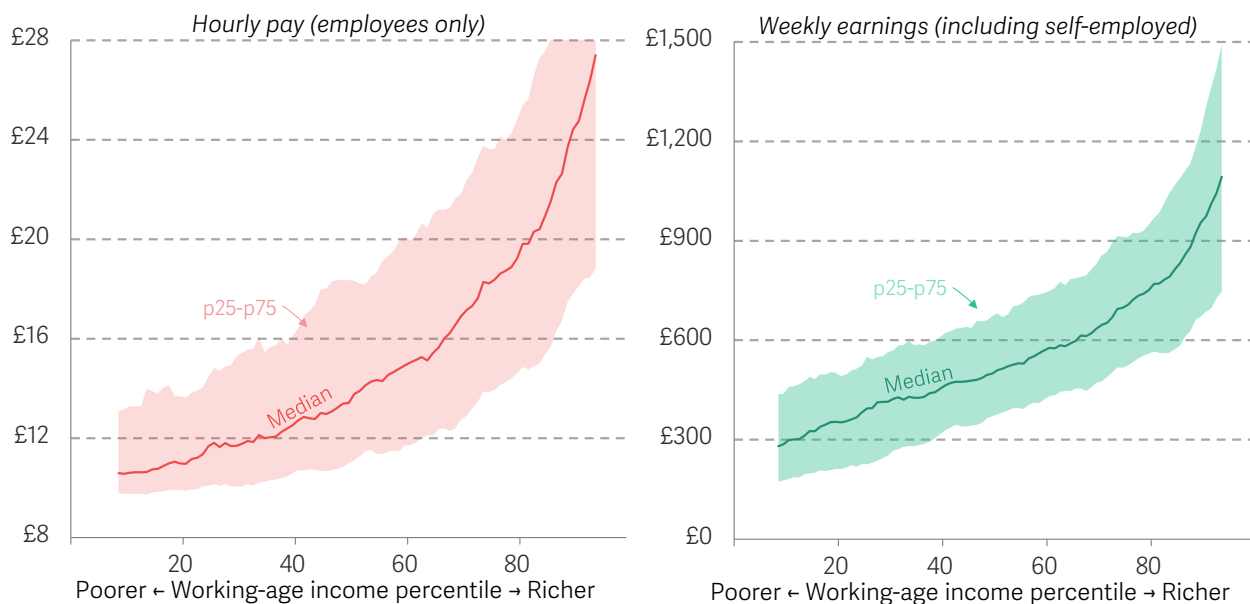
combination of families' employment status and earnings is after all what determines families' labour income, and, given that labour income is such an important part of overall family incomes among working-age families, employment and earnings go a long way to determining families' position in the income distribution. In 2022-23, median hourly pay among low-to-middle income employees was £11.20, compared to £17.65 among workers in higher-income households, while median weekly earnings were £391 among low-to-middle income employees compared to £675 among higher-income employees.

Nevertheless, the relationship between low pay and low income is far from a perfect one, so it's useful to set out more fully the wage and earnings characteristics of low-to-middle income workers. In 2022-23, among low-to-middle income workers, while a majority (three-in-four) had hourly pay in the bottom half of the hourly pay distribution, a sizeable minority (one-in-four) had wages in the top half of the hourly pay distribution. Among higher-income workers, one-in-three had hourly earnings in the bottom half of the hourly pay distribution, leaving two-in-three with hourly earnings in the top half.

Figure 7 provides a more detailed look at the relationship between pay and income – it plots typical hourly and weekly pay right across the income distribution, and also plots the interquartile range to give a sense of the distribution of pay within income percentiles. The chart offers two take-aways. The first is that pay clearly does rise in line with family incomes. At the 20th income percentile, in 2022-23 prices and pooling years 2021-22 and 2022-23, typical hourly wages were £10.97, compared to £19.81 at the 80th income percentile (please see the footnote after Figure 7 for information on how these estimates are derived). In the same years, and again in 2022-23 prices, typical weekly earnings were £352 at the 20th income percentile, and £770 at the 80th income percentile. The relationship between incomes and weekly earnings is therefore stronger than with hourly wages – hourly wages are 80 per cent higher at the 80th income percentile than the 20th, while weekly earnings are 120 per cent higher.

FIGURE 7: Typical pay rises with income, but some low-income workers earn more than workers in much higher-income families

Distribution of hourly wages (among employees, left), and weekly earnings (among all workers, right), by income percentile of the worker's household: UK, 2021-22-2022-23, in 2022-23 prices



NOTES: Bottom and top 5 percentiles excluded. Chart series are moving 5-percentile averages. Percentiles are calculated using after housing costs income. Estimates of hourly wages are based on a combination of: a derived measure based on weekly earnings divided by hours worked (for those earning at or above the minimum wage), and an hourly wage rate imputed from the directly observed hourly wage rate variable in the Labour Force Survey (for those with derived hourly pay below the minimum wage).
SOURCE: RF analysis of DWP, Household Below Average Income; DWP, Family Resources Survey; ONS, Labour Force Survey.

A second take-away, however, is that there is a surprising amount of variation in earnings within income bands, which means that some workers in low-income families earn more than some workers in much higher-income families. For example, at the 20th percentile, 25 per cent of workers have hourly wages of £13.63 or higher. This is higher than the hourly wage of at least 25 per cent of workers at the 75th income percentile. Because of the stronger relationship between weekly earnings and incomes, there is less variation in weekly earnings within income percentiles.

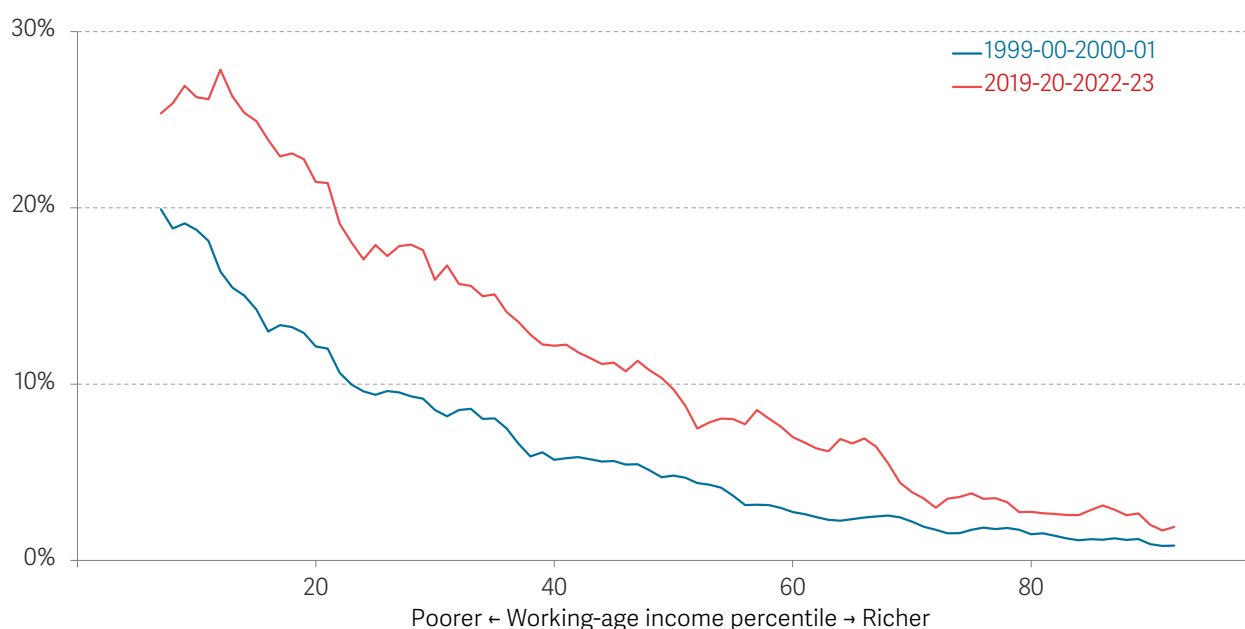
Low-income workers are more likely than higher-income workers to earn the minimum wage, but the minimum wage is not the best way to raise incomes among low-income families

With low-income workers typically on lower hourly wages than workers in higher-income families, it is not surprising that low-income workers are also more likely to earn the minimum wage. Between 2019-20 and 2022-23, nearly one-in-five (18 per cent) of low-to-middle income workers were paid close to the minimum wage, compared to just 5

per cent of higher-income workers.¹³ These estimates are set out in Figure 8, which also shows estimates for 1999-20 to 2001-21. In those years – just after the introduction of the minimum wage in 1999 – the minimum wage was set at 45 per cent of median hourly pay among the eligible age group, compared to 67 per cent today, and there were fewer workers on the minimum wage. A higher minimum wage has brought more workers onto the wage floor, and this has happened more or less proportionally across the income distribution.

FIGURE 8: A higher minimum wage has increased the number of minimum-wage earners across the income distribution

Proportion of employees with hourly pay at or below the minimum wage, by working-age income percentile of the worker's household: UK



NOTES: Bottom and top 5 percentiles excluded. Chart series are moving 5-percentile averages. Percentiles are calculated using after housing costs income. Estimates of hourly wages are based on a combination of: a derived measure based on weekly earnings divided by hours worked (for those earning at or above the minimum wage), and an hourly wage rate imputed from the directly observed hourly wage rate variable in the Labour Force Survey (for those with derived hourly pay below the minimum wage). These statistics refer to financial years 1999-00 and 2000-01, and 2019-20, 2021-22 and 2022-23. 2020-21 data is considered less reliable, partly as there were difficulties undertaking the survey during the pandemic but also because millions of workers were on furlough for at least some of the year.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey; ONS, Labour Force Survey.

The concentration of minimum wage earners at the bottom of the income distribution could suggest that raising the minimum wage – which has been an important plank of the UK's labour market policy over the past two decades – is a good way to raise incomes among the poorest families. However, the minimum wage is in fact quite

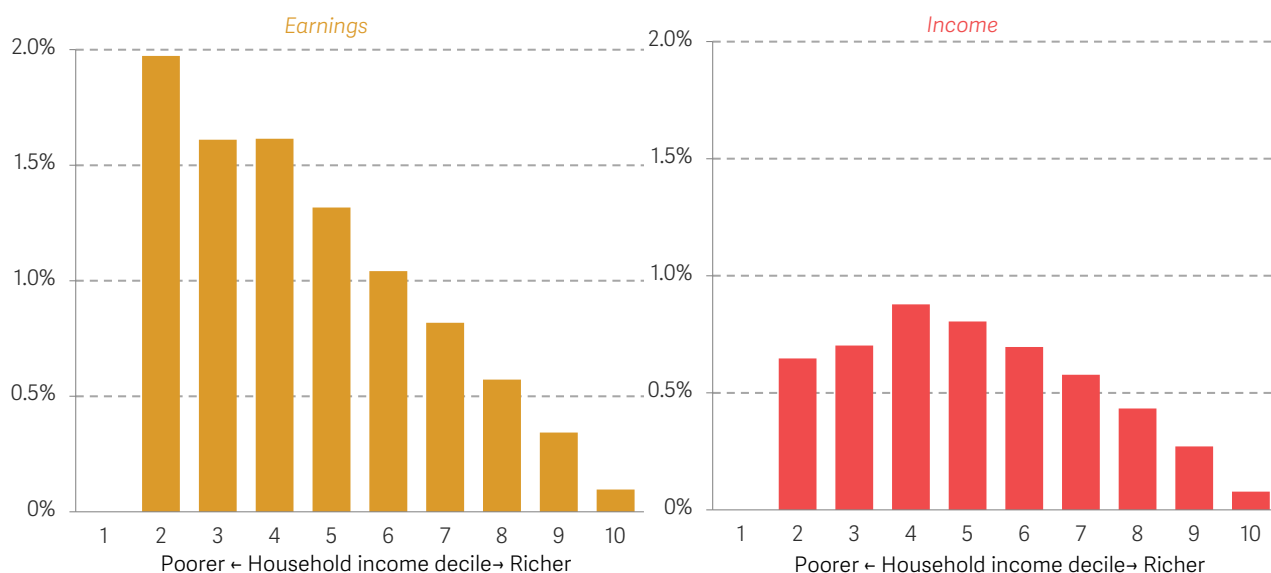
¹³ These statistics refer to financial years 2019-20, 2021-22 and 2022-23. 2020-21 data is considered less reliable, partly as there were difficulties undertaking the survey during the pandemic but also because millions of workers were on furlough for at least some of the year.

limited as a tool for raising bottom incomes. This is for two main reasons. First is that, as set out above, low-income families have lower employment rates, and of course minimum wage increases don't help those not working (the concentration of minimum wage earners among low-income families shown in Figure 8 is conditional on being in work). A second reason is that lower-income families are much more likely than higher-income families to be receiving means-tested benefits, which means that increases in earnings are subject to a taper. Currently the taper rate within the Universal Credit system is 55 per cent. Workers not in receipt of means-tested benefits also face earnings withdrawal via the tax system, but these are less steep (see Figure 23 in Section 5 for a plot of the marginal tax rates faced by lower- and higher-income families).

These two factors mean that, while minimum wage increases have their biggest proportional impact on the earnings of the poorest households, the impact on incomes is actually biggest in the middle of the distribution. Figure 9 provides a stylized example – it models the proportional impact on families' earnings, and on families' incomes, of a 6.7 per cent increase in the minimum wage – which is the increase set to take place in April 2024. Unlike actual policy in April 2024, however, this exercise holds constant all other elements of the tax and benefit system (as well as employment and hours worked), so as to isolate the impact of the minimum wage itself. The results are clear. The impact on earnings is strongest at the bottom of the income distribution (+2.0 per cent in the second income decile) and weaker in the middle, and weaker still at the top. But when it comes to incomes, the impact is smaller, and biggest in the middle of the income distribution: +0.8 per cent on average for households in the fifth income decile, compared to +0.6 per cent on average for households in the second income decile.

FIGURE 9: The impact of minimum wage increase on household incomes is less progressive than the impact on earnings

Impact on household earnings (left) and household incomes (right) of increasing the minimum wage by 6.7 per cent, by income decile: UK, 2025-26



NOTES: Modelling compares the announced increase to the minimum wage (which will apply during the 2025-26 financial year and is set to take effect on 1 April 2025) to a scenario where the minimum wage is kept at 2024-25 levels. This equates to a 6.7 per cent increase for the National Living Wage (the minimum wage rate that applies to workers aged 21+). We exclude the bottom 10 per cent, due to concerns about the reliability and volatility of data for this group. Deciles are calculated based on equivalised household income after housing costs. We show the change in household earnings (left) and unequivalised household income after housing costs (right), both on a per person basis.

SOURCE: RF analysis of DWP, Households Below Average Income using the IPPR Tax Benefit Model.

This report is far from the first to note this feature of the minimum wage, but it is important to remind policy makers that while the minimum wage is effective at raising the wages of the lowest earners, its effectiveness as a progressive incomes policy is much more muted.¹⁴

In the next section we move on from employment and pay and explore the types of jobs done by low-to-middle income workers, with a focus on insecurity at work.

¹⁴ For other discussions of the impact of the minimum wage on family incomes, see: M Brewer & P De Agostini, [The National Minimum Wage and its interaction with the tax and benefits system: a focus on Universal Credit](#), Low Pay Commission, February 2013; M Brewer & P De Agostini, [The National Minimum Wage, the National Living Wage and the tax and benefit system](#), Low Pay Commission, October 2017; J Cribb et al, [The impact of the National Living Wage on wages, employment and household incomes](#), Institute for Fiscal Studies, December 2021.

Section 3

Types of work

Workers in low-to-middle income families are more likely than those in higher-income families to be self-employed (16 per cent vs 10 per cent), work part time (31 per cent vs 15 per cent), and are less likely to work in the public sector (19 per cent vs 26 per cent).

Because of the correlation between low pay and low incomes, insecure jobs like zero-hours contracts are also more concentrated among low-income than high-income households. Between 2017-2021, almost a quarter (23 per cent) of workers from low-to-middle income families were in insecure work, compared to 18 per cent of those from higher-income families. And low-to-middle income workers face a somewhat higher rate of employment exit (8.6 per cent) than higher-income workers (7.0 per cent).

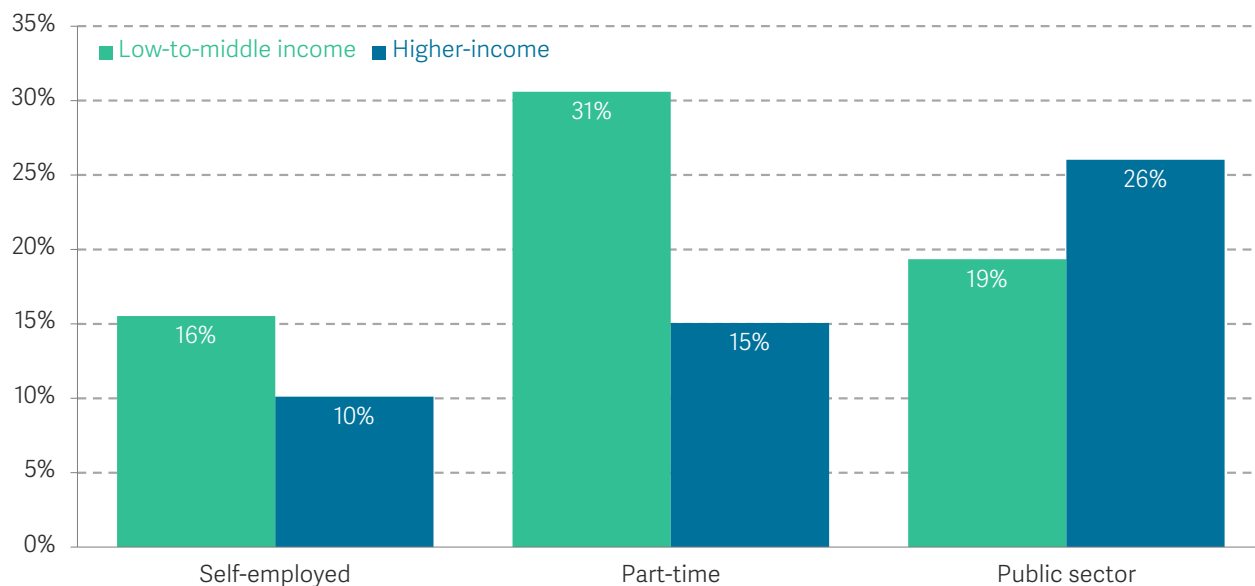
Compared to higher-income workers, low-to-middle income workers are more likely to be self-employed, to work part-time, and to work in lower-paying industries

We have already set out that, conditional on being in work, people in low-to-middle income families tend to earn less than people from higher-income families. It won't then come as a surprise that, in general, low-to-middle income workers are more likely to do the sorts of jobs that tend to have lower earnings. For example, low-to-middle income workers are more likely than higher-income workers to be self-employed (16 per cent, compared to 10 per cent among higher-income workers, in 2022-23), twice as likely to work part-time (31 per cent, compared to 15 per cent among higher-income workers), and less likely to work in the public sector (19 per cent, compared to 26 per cent among higher-income workers). These figures are set out in Figure 10. In each case, low-to-middle income workers are found in relatively larger numbers in these typically lower-paying types of work than higher-income workers.¹⁵

¹⁵ In the Family Resources Survey 2022-23 dataset, average weekly earnings were £128 lower for self-employed workers than for employees, while hourly pay and weekly pay were £3.11 lower and £465 lower for part-time workers than for full-time workers. Differences between the public and private sectors are less clear-cut. Historically, earnings have been higher in the public sector, both on a weekly and hourly basis. However, following many years of public sector pay restraint, differences are much smaller than in the past, and conditional on worker characteristics, there is no longer a public sector wage 'premium'. See: N Cominetti et al, [Labour Market Outlook Q2 2023](#), Resolution Foundation, August 2023.

FIGURE 10: Compared to higher-income workers, low-to-middle income workers are more likely to be self-employed or to work part-time

Proportion of workers in different job types, by household income status: UK, 2022-23



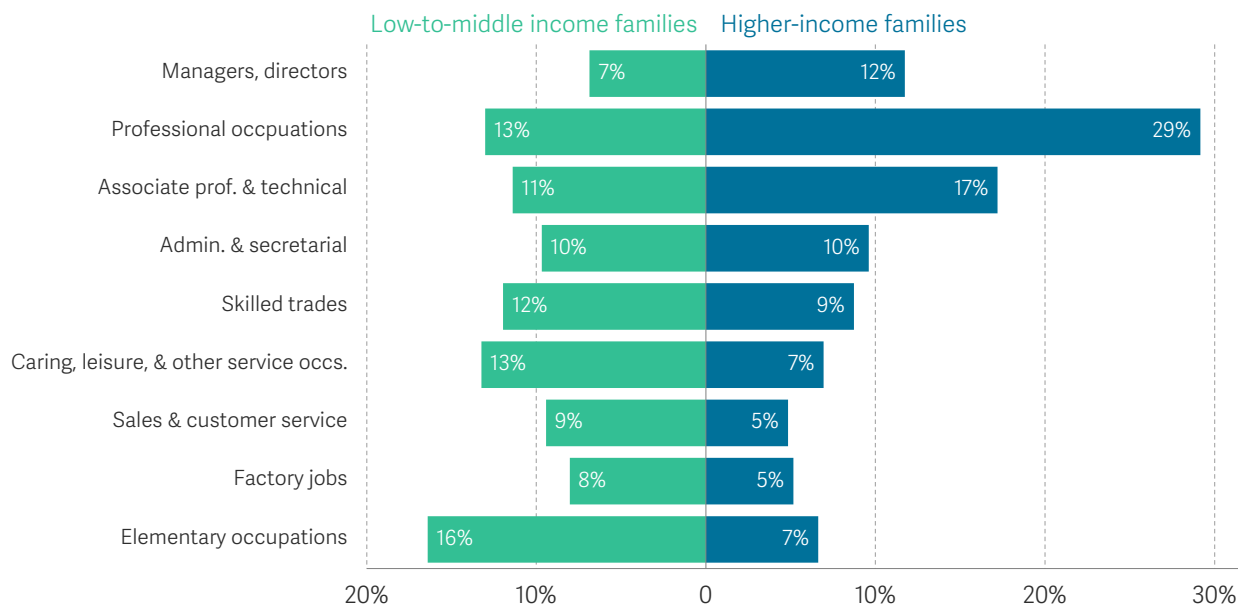
NOTES: Includes working-age adults only.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

This is also true when looking at types of occupations and industries. Low-to-middle income workers are significantly less likely than higher-income workers to have jobs in the highest-paying occupation groups. 7 per cent of low-to-middle income workers are Managers, Directors, and Senior Officials (compared to 12 per cent of higher-income workers), and 13 per cent work in 'Professional occupations' compared to 29 per cent of higher-income workers ('Professional occupations' includes jobs like scientists, doctors, lawyers, journalists and consultants). Low-to-middle income workers are more likely to work in lower-paying occupations like Caring and leisure occupations (13 per cent, compared to 7 per cent of higher-income workers), and in 'Elementary occupations' (16 per cent, compared to 7 per cent of higher-income workers). 'Elementary' occupations include workers such as labourers, cleaners, bar staff, and entry-level jobs in retail and manufacturing. These numbers are set out in Figure 11.

FIGURE 11: Low-to-middle income workers are less likely than higher-income workers to work in well paid occupations

Proportion of workers in broad occupation groups, by household income status: UK, 2018-19-2022-23



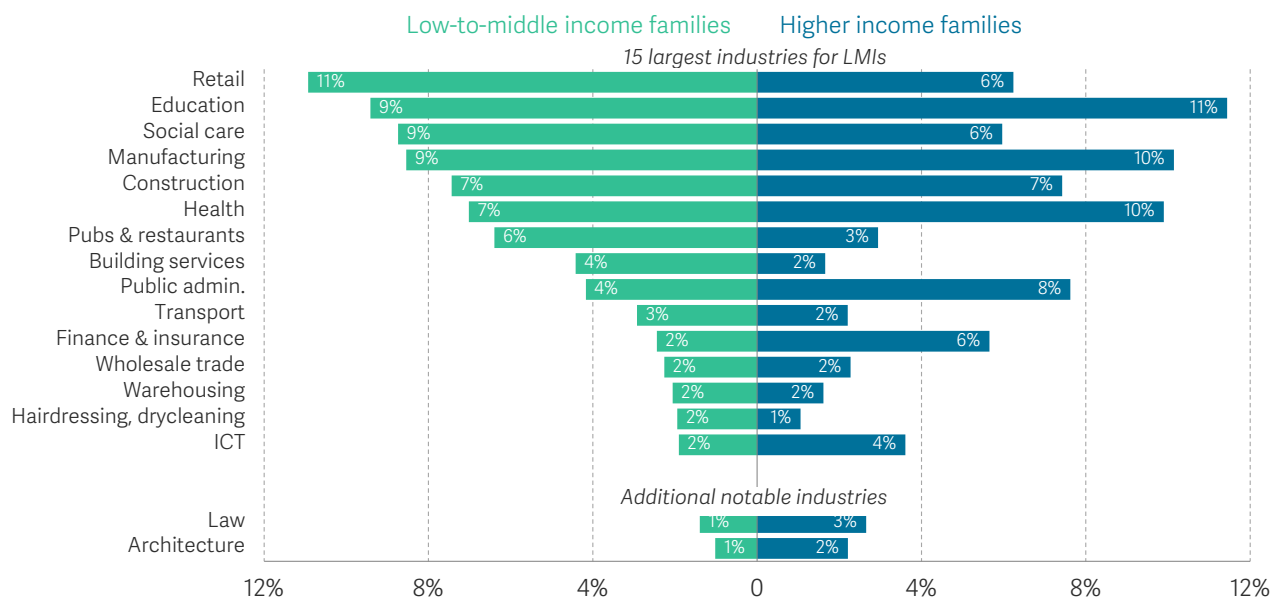
NOTES: Includes working-age adults only.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

There is a similar story on industries – low-to-middle income workers are relatively (compared to higher-income workers) concentrated in industries where pay is lower. For example, a larger share of low-to-middle income than higher-income workers work in retail (11 per cent compared to 6 per cent), in social care (9 per cent compared to 6 per cent), and in pubs and restaurants (6 per cent compared to 3 per cent). Low-to-middle income workers are comparatively unlikely to work in some higher-paying industries like finance (2 per cent, compared to 6 per cent among higher-income workers) and law (1 per cent, compared to 3 per cent of higher-income workers).

FIGURE 12: Low-to-middle income workers are relatively concentrated in retail, social care, and hospitality

Proportion of workers in different industries, by household income status: UK, 2018-19-2022-23



NOTES: Includes working-age adults only.

SOURCE: RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey.

Low-to-middle income workers are more likely than higher-income workers to have insecure jobs

Another important feature of work associated with lower pay is insecurity. Insecurity in the context of work has no single meaning but generally refers to jobs which carry an income risk – either because there is a risk of the work ending (such as a temporary contract) or because a worker’s hours and/or earnings are not guaranteed (such as zero-hours contracts, solo self-employment, or gig work). We summarise the most prominent definitions of work insecurity in Box 2 below.

BOX 2: Defining work insecurity

Although there is no single definition of ‘insecure work’, this term usually refers to work that carries some sort of income risk. For example:

- Work from Donald Hirsch and Eleni Karagiannaki uses a relatively broad definition of insecure work. Under this classification, insecure workers are those who: are self-employed, have been working for their employer

for less than two years (or less than three years if working part time), or are in very low-paid full-time jobs.¹⁶

- Work from the Living Wage Foundation uses a narrower definition. They define insecure work as workers who are either in non-permanent work, underemployed, have volatile pay or hours and have a low income, are on a zero-hours

contract, or are self-employed with low pay.¹⁷

- Previous Resolution Foundation work has used narrower definitions, for example focusing on those who are at risk of losing their job, risk facing unexpected changes in hours, or who don't work as many hours as they would like to.¹⁸

To be clear, the majority of workers are in secure employment. Between 2017-2021, four-in-five (81 per cent) of workers were in secure employment. But insecure jobs like zero-hours contracts are more concentrated among low-income than high-income households. Between 2017-2021, almost a quarter (23 per cent) of workers from low-to-middle income families were in insecure work, compared to 18 per cent of those from higher-income families. Overall, in 2022-23 we estimate that 2.5 million people in low-to-middle income families in Britain were employed in a job that is insecure in one of these ways.¹⁹

Digging beneath the surface, from 2016 to 2022, 2.0 per cent of low-to-middle income workers were on a zero-hours contract compared to 1.6 per cent of higher-income workers (according to the Understanding Society dataset); in 2021-2022, 1.7 per cent did gig work as a driver or courier, compared to 1.3 per cent among higher-income workers; from 2016-2017 to 2020-2021, 12.8 per cent were solo-self-employed (i.e. self-employed without any staff working for them) compared to 8.7 per cent among higher-income workers; and 10.9 per cent were on a temporary contract, compared to 9.2 per cent among higher-income households. Figure 13 provides a breakdown of these four examples of insecure job types across income quintiles.

Of course, the underlying factor is that insecure work is primarily associated with low-paid jobs rather than low-income workers.²⁰ But differences in the incidence of insecure work across income groups exist (and are statistically significant).

¹⁶ D Hirsch & E Karagiannaki, *Caught in the middle: Insecurity and financial strain in the middle of the income distribution*, abrdr Financial Fairness Trust, February 2024.

¹⁷ J Richardson, *Precarious pay and uncertain hours: Insecure work in the UK Labour Market*, Living Wage Foundation, August 2023.

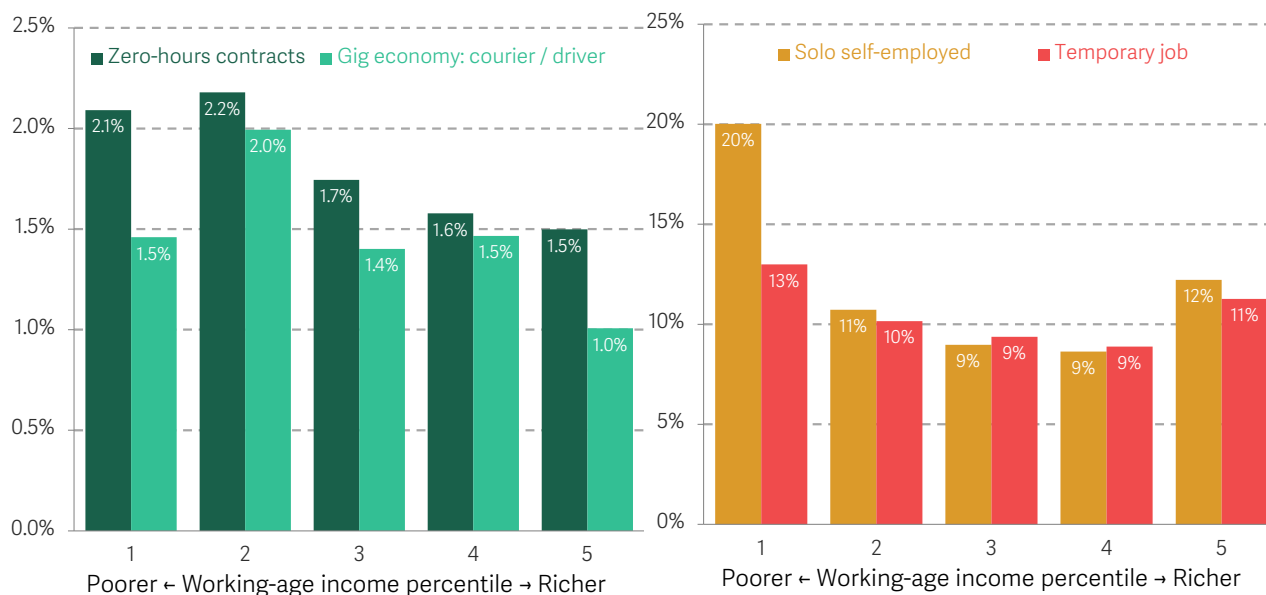
¹⁸ N Cominetti et al, *Low Pay Britain 2022: Low pay and insecurity in the UK labour market*, Resolution Foundation, May 2022.

¹⁹ RF analysis of DWP, Households Below Average Income; DWP, Family Resources Survey; ISER, Understanding Society.

²⁰ For example, among workers with hourly pay in the bottom fifth of the hourly pay distribution, 8 per cent are on a zero-hours contract, compared to just 0.6 per cent among the best-paid fifth of the workforce. N Cominetti, *Low Pay Britain 2024*, Resolution Foundation, September 2024.

FIGURE 13: Workers in low-income households are more likely to be in an 'insecure' job type than higher-income workers

Proportion of workers in selected job types, by disposable income quintile of worker's household: UK, 2016-2022



NOTES: Categories are not mutually exclusive. Data for zero-hours contracts, solo-self employment, and temporary work are averages across years 2016-2017, 2018-2019 and 2020-2021. Gig economy questions only asked in 2021-2022 survey. Quintiles are calculated using after housing costs income.

SOURCE: RF analysis of ISER, Understanding Society.

In our focus groups, we heard about the impact that being in an insecure job can have. Put simply, for low-to-middle income families who do not have much of a financial safety net, the risk of having your pay or hours cut makes things even worse. One participant reflected on a previous job with an insecure contract:

“You were at risk of losing part of your hours or losing your job completely...for about six years I had my contract cut several times until I was eventually made redundant. That [lack of] job security, particularly as a lone parent, which I am, and a homeowner, that was really tough. Really really tough.”

Another of the reasons insecure job types matter is that they can lead to volatile incomes. This is most obviously the case for zero-hours contracts or similar work arrangements such as gig work or casual work. It is difficult to know the extent of such volatility because few datasets measure it. But some researchers are nonetheless doing so, often via creating novel datasets. Box 3 provides a summary of some recent work on income volatility.

BOX 3: Income volatility

Researching income volatility is difficult in traditional, cross-sectional survey datasets: these datasets don't tell us much about weekly or monthly fluctuations in household income. But Nest Insight has recently published research on this topic using longitudinal data collected on a custom app. This data includes income and expenditure transactions over 3-10 months for 51 low-to-moderate income households across the UK. Their measure of income is broad and does not just reflect labour market insecurity: they measure fluctuation in wages, benefits, pensions and other payments.²¹ They find that income volatility does not just affect the lowest earners: four-in-five low-income earners, and two-thirds of moderate-income earners, experience volatile pay.²² And this

income volatility is substantial: on average, households included in the research project experience more than £500 in volatility each month (with volatility being defined as the variation of month to month income from mean monthly income). Income volatility has wide-ranging impacts. Financially, households experiencing income volatility often incur financial penalties such as fees for falling behind on bills. But they also experience heightened feelings of stress and fear and are often unable to save for their future.

Income volatility is a topic that the Resolution Foundation will publish more work on in coming months, using HMRC PAYE data to explore trends in income volatility for different types of workers.

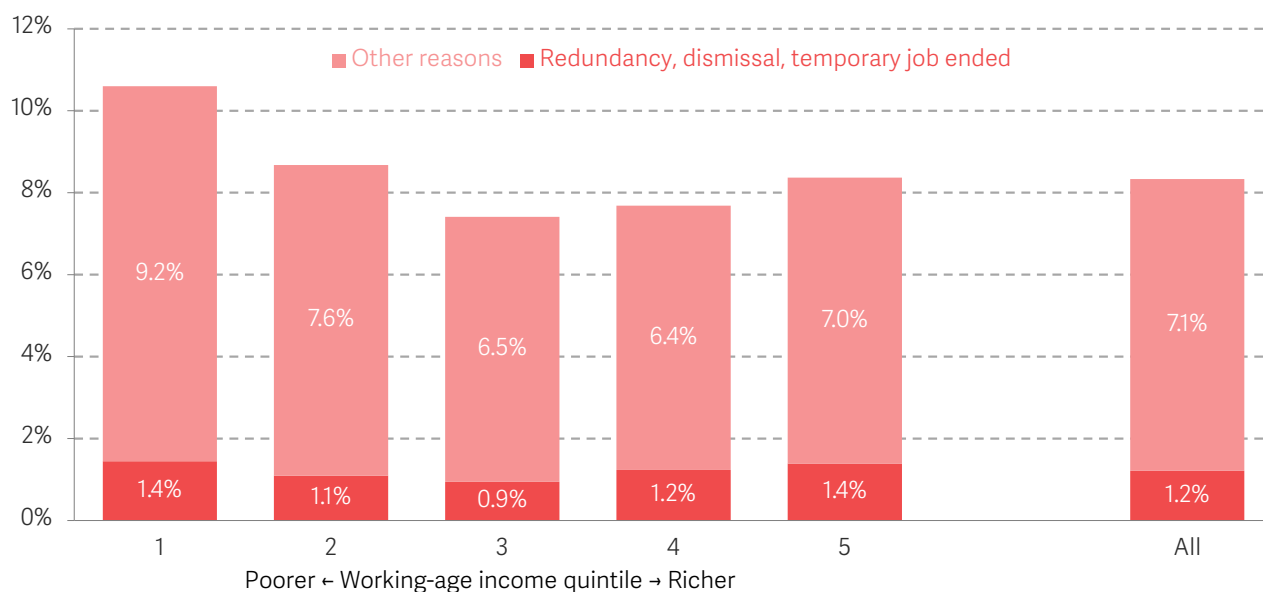
In addition to contractual work arrangements, we can also measure insecurity by looking at workers' risk of job loss. Figure 14 sets out estimates from the Understanding Society dataset from years 2016 to 2021 of the share of workers who were not working when re-surveyed the following year. Workers in the lowest income quintiles left employment at a higher rate (10.6 per cent per year) than did workers in other income groups, and overall low-to-middle income workers face a somewhat higher rate of employment exit (8.6 per cent) than higher-income workers (7.0 per cent). These differences are statistically significant but not large, and as with contractual insecurity largely fall away when controlling for hourly pay. When looking only at employment exits that were specifically involuntary (where the worker said the reason for leaving work was due to redundancy, dismissal, or because a temporary job ended) differences between low-to-middle income and higher-income groups are very small: 1.2 per cent per year among low-to-middle income workers and 1.1 per cent per year among higher-income workers, between 2016 and 2021.

²¹ www.nestinsight.org.uk/research-projects/real-accounts, accessed 2 December 2024.

²² Nest Insight, *Fluctuation Nation: Lifting the lid on the millions of people managing a volatile income*, November 2024.

FIGURE 14: Low-income workers are more likely to leave employment in a given year than higher-income workers

Proportion of employed individuals not working a year later, by income quintile of the worker's household: UK, 2016-2021



NOTES: Quintiles are calculated using after housing costs income.
SOURCE: RF analysis of ISER, Understanding Society.

We do not want to overstate the scale of insecure work: most of the forms of insecurity we have outlined are only experienced by a small minority of low-to-middle income workers. However, it is true that low-income workers tend to work 'insecure' jobs at higher rates than higher-income workers, and we know that jobs like gig work, and jobs with zero-hours contracts, are likely to give rise to earnings volatility, which can in turn lead to income volatility, and this can be hard for families to deal with. And even though only a small proportion of low-to-middle income households face involuntary job loss, the impacts that this can have on family finances and well-being are large. As one focus group participant who was recently unemployed put it:

"It has been pretty rough yeah. I've got a side-pot of savings which I've pretty much eaten away through in the last couple of months...There's no security at the moment, coming up for Christmas as well, and I've got the next one on the way due in March, so it's quite stressful at the moment."

That said, when we asked a focus group of low-income workers all on some form of insecure contract, insecurity in the form of earnings volatility or risk of job loss wasn't generally the first thing they mentioned in terms of aspects of work they'd like to change. Instead, it was pay, relationships with colleagues, and control over hours – but in the sense of not wanting work to intrude on their personal lives via unexpected extra shifts, rather than in the sense of the risk to earnings and incomes. We discuss this in more detail in the following section, where we focus on workers' experiences at work.

Section 4

Experiences at work

People in low- and high-income families largely want the same things from work: a job they enjoy, which offers security, and where they get on with the people they work with. People in the lowest income quintile rate enjoyability, security, good relationships with colleagues and bosses, and being able to use one's abilities as the five most important aspects of a job – and four of these five aspects of work are also ranked in the top five by people in the highest income quintile. These themes were also prominent in the focus groups we undertook.

It may be surprising that pay is not higher up the list of workers' priorities. Pay is important to a large majority of people from both low- and high-income families (70 per cent of those in bottom quintile families said good pay was 'essential' or 'very important'), but we heard in focus groups that good pay can't make up for a job being unpleasant in other ways.

But although adults from low-to-middle income and higher-income families want the same things from work, low-to-middle income workers are less likely to get these things. This is reflected in job satisfaction is lower among low-to-middle income workers than higher-income ones: 77 per cent of low-to-middle income workers are satisfied with their job, compared to 84 per cent of higher-income workers. In our focus groups, three things stood out as contributions to low-to-middle income workers' frustrations: a lack of control over hours worked in the week, stress at work, and having to deal with bad managers.

People in low- and high-income households want similar things from work

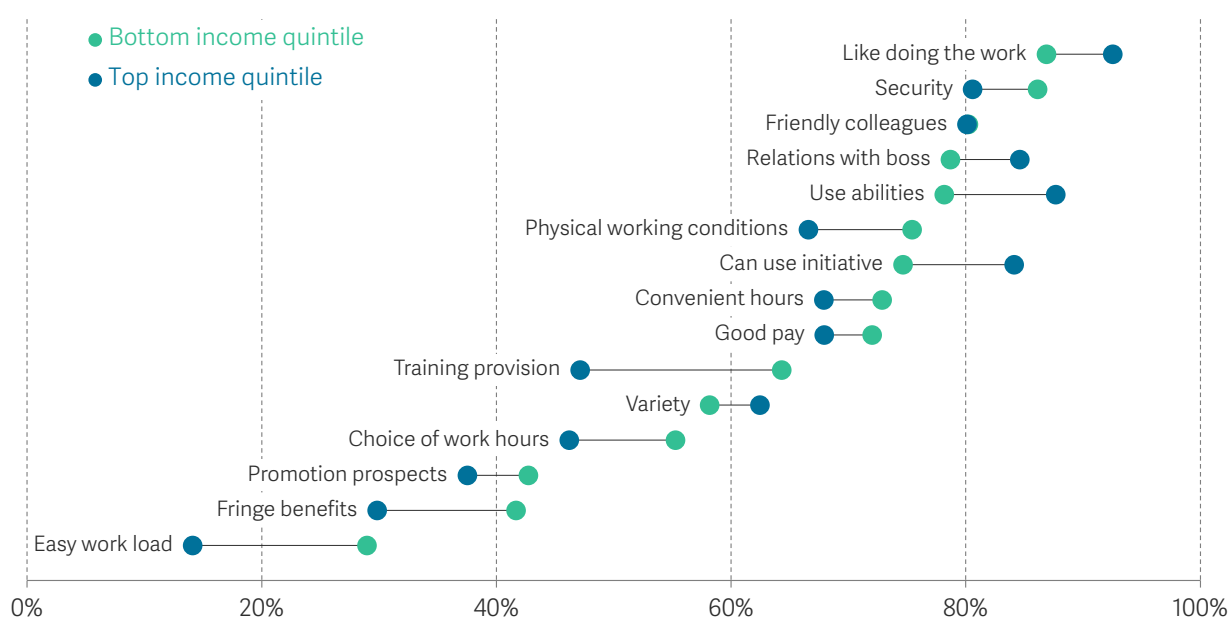
What do people in low-income families want from work? In the previous section, we showed that they are more likely to be in lower-paid jobs and in lower-paying industries, and are more likely than higher-paid workers to lack contractual security (although this only accounts for a small minority of low-to-middle income workers).

Is it possible these differences arise in part out of different preferences about work on the part of low-to-middle income workers? The evidence suggests not. For the most part, people in low-income families want much the same things from work as do people in high-income families. Figure 15 provides some support for this. It plots responses to a question in the Understanding Society survey about what aspects of work matter.²³ The responses are revealing. Among people in the bottom income quintile, the five aspects of work considered most important were enjoyability (87 per cent said this was 'essential' or 'very important'), security (86 per cent), friendly colleagues and good relations with one's boss (80 per cent and 79 per cent), and being able to use one's abilities (78 per cent). Four of these aspects are also ranked in the top five by people from the highest income quintile – the exception being 'friendly colleagues', which ranked sixth most important.²⁴

This is compelling evidence that most people want similar things from work – a job they enjoy, which offers security, and where they get on with the people they work with.

FIGURE 15: Workers from low- and high-income households both consider liking doing one's work, security, and relations with colleagues are important

Proportion of people saying aspect of work is 'essential' or 'very important': UK, 2012-2013



NOTES: This question was asked to people who were in work, looking for work or who would like to have a job. Quintiles are calculated using after housing costs income.

SOURCE: RF analysis of ISER, Understanding Society.

These themes were also prominent in the focus groups we undertook. Participants were asked to name the things that made their work good, or which had made past jobs good; we explore these below.

²³ Unfortunately the data is from 2012-2013, since this was the only occasion the Understanding Society survey included a direction question of this type.

²⁴ 'Being able to use one's initiative' was the other category in the top five for high-income workers.

Relationships with colleagues and managers

A number of participants in our focus groups mentioned the importance of good relationships at work. For some, having good colleagues simply made going to work more enjoyable, with many reflecting that work relationships can develop into friendships:

“I’m really really lucky that I love my job, but without the team I’ve got, would I love my job as much? Dunno. We get on so well. I have a better time with my colleagues than I do my friends. For me, I never thought I’d have that.”

And some participants who lack these good relationships at present – including those who work from home and have less frequent interaction with colleagues – reflected on this being a downside of their job:

“Now I’ve got a remote job where I work from home, and I miss, when you were talking about relationships, I do miss that terribly.”

“I work from home now since lockdown... I do miss the social interaction and the fact you’re not putting a uniform on and leaving the house, it feels like you’re always in the house, so there’s pros and cons.”

But for others, the importance of relationships with colleagues was different. Not only did having good colleagues make work more enjoyable, many participants reflected that working in a cohesive team that gets on with each other makes it easier to get the job done well.

“You’re all parts of the machine. To be able to work fluidly, you need to be able to trust each other and work okay with each other, and if someone’s being difficult, you’ve lost the smoothness.”

“When you’re all singing off the same hymn sheet, the day runs smoothly.”

Relatedly, when asked what they disliked about their job, or about past jobs, many workers mentioned occasions when they felt unfairly treated by their manager. But many mentioned something a bit different: they had experiences of managers who were polite and well-meaning, but who didn’t do enough to ensure work was shared fairly across the team, leaving them to pick up the slack left by colleagues, or to take on extra hours to cover absences or to get something over the line. We heard about the impact this can have on people’s experiences at work:

“You need a manager that’s going to deal with things...I had a colleague who was constantly, constantly off sick, which meant I was then covering her classes, and I had a manager who didn’t deal with it. So the resentment and the relationships were really difficult. And I don’t know how to this day it didn’t get picked up by HR,

but it didn't. You need a manager who's doing to deal with it, but deal with it in an appropriate way."

This chimes with a 2022 study on Walmart workers in the US that found being treated with respect and fairness by supervisors was among the most highly valued 'amenities', and tangibly so – workers were willing to sacrifice wages to find a job where they were treated better.²⁵

Pay

It may be surprising that 'good pay' is not higher up the list of priorities in Figure 15. To be clear, it is important to a large majority of people from both low- and high-income families (70 per cent of those in bottom quintile families said good pay was 'essential' or 'very important'). But it's noteworthy that it doesn't rank as highly as job enjoyment, security, and relations with colleagues and managers.

To some extent, this echoes what we heard in our focus groups. Good pay can't make up for a job being unpleasant in other ways:

"Job satisfaction [is important]. I wouldn't get anything out of swiping something [i.e. in a supermarket], that's just not me. They could offer me £50 an hour, but doing that all day? Not a chance."

[Reflecting on a well-paid, but unenjoyable, job] "Money isn't everything."

But pay not appearing top of the list in Figure 15 could also be because people think about pay differently to other aspects of work, and not as something which can be 'traded off' against other things. For many people, the bottom line is that bills have to be paid, and this gives rise to minimum earnings expectations or requirements.

"We all work to live don't we, not live to work. It's not a choice. As much as I love my job and it's really rewarding, I have to go cause I have to pay the bills."

"The reality is, money is the primary motivator, particularly if you're a single earner, which I am. Regardless of the job you're doing and how much you're helping people, or what the job role is, money is the significant deciding factor. There are jobs I'd love to do but can't afford to. I think it [money] is hugely important, as embarrassing as it is to say that. We want to work because we love our jobs et cetera, but actually money is a huge factor."

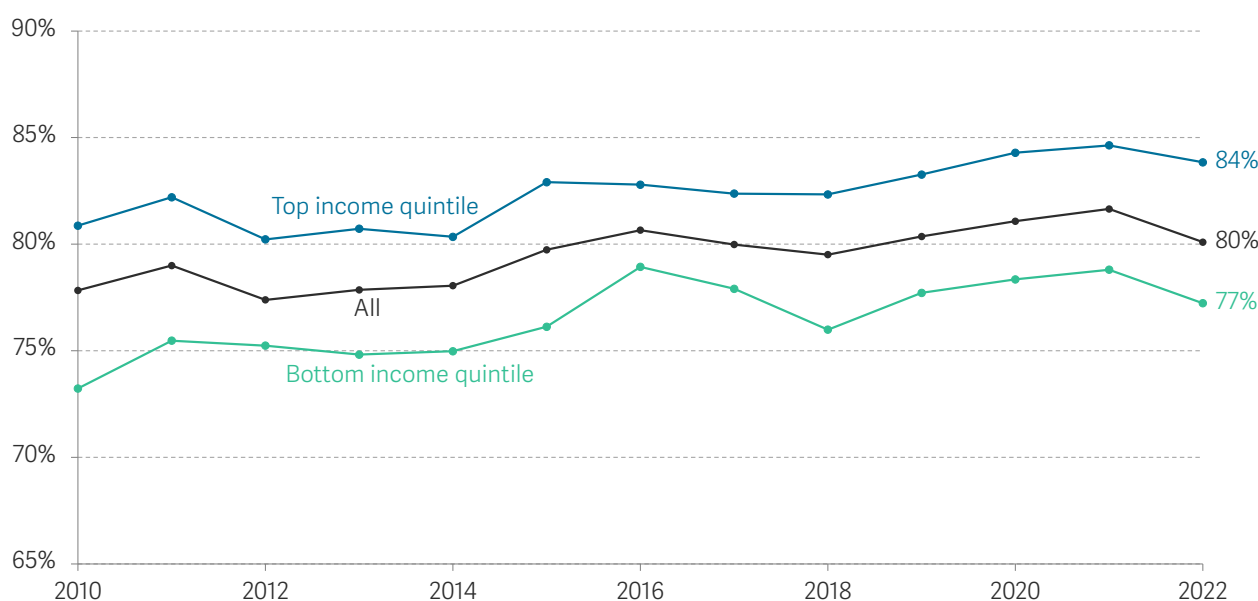
²⁵ A Dube et al, *Power and Dignity in the Low-Wage Labor Market: Theory and Evidence from Wal-Mart Workers*, NBER, September 2022.

Job satisfaction is lower among low-to-middle income workers than among higher-income workers

Having established what those from low-to-middle income families want from work, the natural question which follows is: do they get it? The big picture is that most workers are satisfied with their job. In 2021-2022, among workers in the bottom income quintile, 77 per cent were 'very' or 'fairly' satisfied with their job. That is good news. What is less positive is that low-income workers are less satisfied with their jobs than high-income workers (those in the top income quintile), whose satisfaction rate in 2021-2022 was 84 per cent. Higher job satisfaction among higher-income workers was not a one-off in 2021-2022—there has been a consistent satisfaction gap between low- and high-income workers of around 6 percentage points since the Understanding Society survey began in 2009-2010.²⁶ This is set out in Figure 16.²⁷

FIGURE 16: Workers from low-income households have lower job satisfaction than workers in higher-income households

Proportion of workers satisfied with their job, by household income quintile: UK



NOTES: Quintiles are calculated using after housing costs income.

SOURCE: RF analysis of ISER, Understanding Society.

²⁶ There is some evidence that, in the 1990s and 2000s, low-paid workers (and, by extension, workers from low-to-middle income households) had a 'satisfaction premium' over high-paid workers. For example, see Figure 3 in: K Shah & D Tomlinson, *Work experiences: Changes in the subjective experience of work*, Resolution Foundation, May 2021.

²⁷ Interestingly, unlike the differences in contractual job insecurity between low- and high-income workers, job satisfaction differences between low- and high-income workers don't disappear when controlling for workers' personal characteristics (including age, gender and household type) and job characteristics (including hourly pay and industry). These controls only bring down the job satisfaction gap between bottom and top income quintile workers by a fifth. This is based on a logistic regression using the Understanding Society dataset of a binary 'satisfied with job' variable. The comparison being made is between the predicted margins on bottom- and top-income quintile workers in two regressions: one with only income quintiles and year effects, and one with, additionally, age, gender, household type, hourly pay quintile and industry.

Low-to-middle income workers dislike unexpected overtime, stressful working conditions, and bad managers

So why might low-to-middle income workers have lower job satisfaction? While not forgetting that a large majority of low-to-middle income workers are satisfied with their work, our conversations with low-to-middle income workers suggested that three important reasons could be: a lack of control over hours worked in the week, stress at work, and dealing with bad managers.

A lack of control over the working week

Several of our focus group participants said that having to work extra hours at late notice was the thing that most annoyed them about their job. Sometimes this took the form of their manager asking them to take on an additional shift...

"You can get contacted on Friday, "We've cancelled your rest days, it's mandatory, everybody's in". And that's it – there's nothing you can say or do about it – "You do them or we'll discipline you for it.""

...Whereas sometimes this overtime is to cover for an absent colleague:

"I always feel like if someone's off, I'll offer to come in, cause if your team's short then everything just spirals."

And many focus group participants (particularly those working in the public sector, such as healthcare or social care) commented on the necessity to stay late at work to make up for short staffing:

"It's when you go to work and you're unexpectedly still at work five or six hours after you were due to finish, cause you will always volunteer to do it cause other people won't do it...it's always the same people who end up working over."

Finally, sometimes working overtime was a result of an unwritten expectation that putting in extra hours was expected, either due to the type of job they do (e.g. being a teacher) or due to their personality (being seen as the sort of person who will say yes to doing overtime):

"If your schools got, you know, a fete on a Saturday morning, you may be told you have to go in, or they may say "If you want to come in, come in", but you kind of feel obliged."

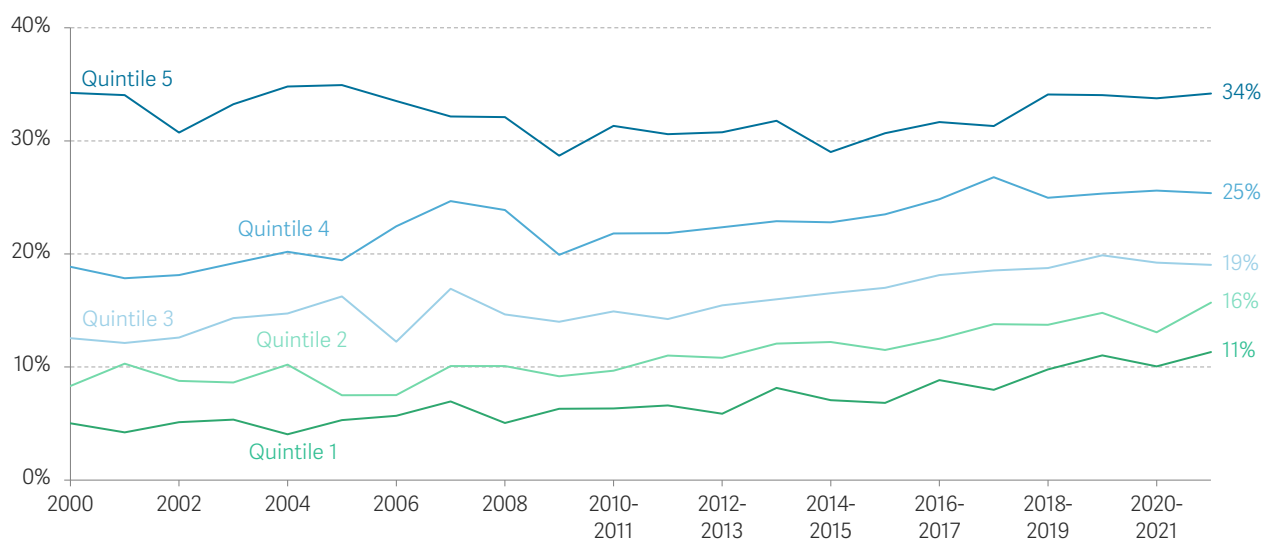
"I think once you've said yes [to working overtime], that's it though isn't it, you're marked aren't you like, you'll do it...They rely on you to keep doing it then."

These examples are useful reminders that it's not just workers on zero-hours contracts who experience unexpected changes in hours, and that earnings volatility isn't the only cost of having a job where hours can change, or where unexpected overtime is common. There is also simply the impact on the worker's time, and the fact of their job intruding on what would otherwise be leisure time, or time spent with family.

Low-income workers are, in fact, significantly less likely than higher-paid workers to do overtime that is unpaid; this is perhaps unsurprising, since low-income workers are more likely to work in jobs where they are paid hourly, where unpaid overtime is less common. But the share of workers in bottom income quintile families reporting this happens in a normal week has risen over time (from 5 per cent in 2000 to 11 per cent in 2021-2022).²⁸ This is set out in Figure 17.

FIGURE 17: The proportion of employees in low-income households who do unpaid overtime has doubled since 2000

Proportion of employees who report working unpaid overtime in a normal week, by household income quintile: GB/UK



NOTES: Quintiles are calculated using after housing costs income. Last data point refers to 2021-2022. SOURCE: RF analysis of ISER, British Household Panel Survey & Understanding Society.

This suggests the problem our focus group participants described might not (just) be that they are taking on extra hours and not being compensated for them, but more that they resent the unexpected intrusion of work into their non-working time. Indeed, even when unusual working patterns are communicated well in advance, participants in our

²⁸ The picture is slightly different when it comes to paid overtime. The proportion of low-paid workers (those in the bottom income quintile) who report working paid overtime in a normal week has fallen over time, from 19 per cent in 2000 to 14 per cent in 2019-2020. And it is middle-income workers who report doing the most paid overtime: 18 per cent of those in the middle income quintile (and just 9 per cent of those in the top income quintile) reported doing paid overtime in 2019-2020.

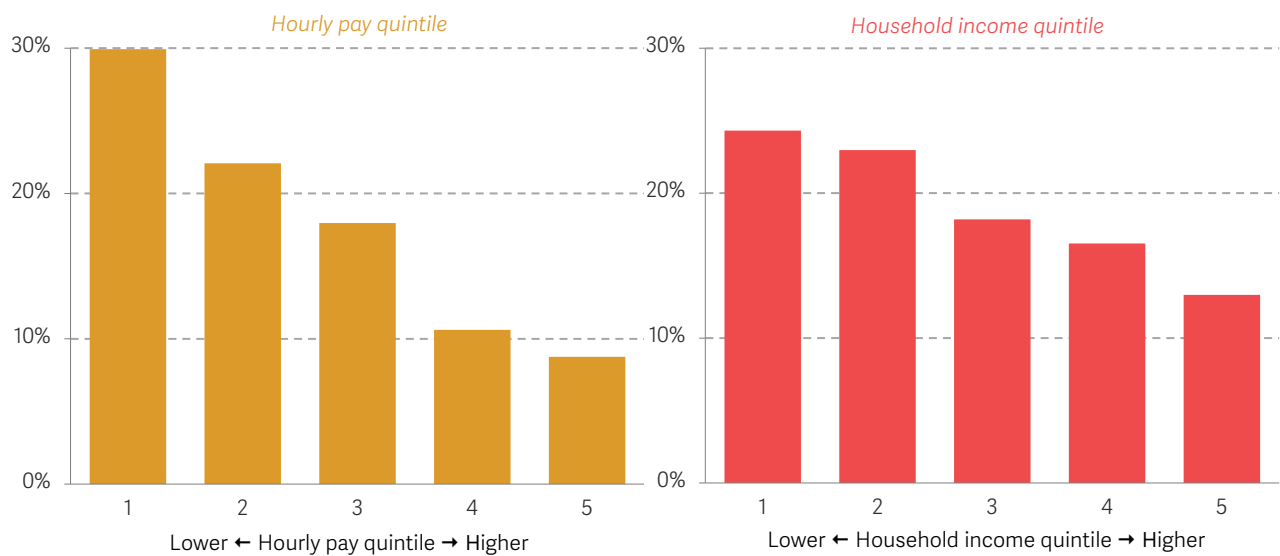
focus group still spoke about the burden that working during evenings, weekends and holidays can place on family life:

“I’m working Christmas Day, I didn’t have a choice. I can’t explain it to the kids, “Sorry you’ve got to have your Christmas dinner at 11 o’clock before I go to work.””

And there is a clear income gradient to weekend working: workers in the bottom income quintile are about twice as likely as workers in the top income quintile to work on weekends (see Figure 18). As was the case for insecure jobs, the stronger relationship is with hourly pay: bottom earners are three-times more likely to work on the weekend than top earners.

FIGURE 18: A quarter of employees from the lowest household income quintile regularly work at the weekend

Proportion of employees working most or every weekend, by hourly pay quintile (left) and by household income quintile (right): UK, 2020-2021



NOTES: Household income quintiles are calculated using equivalized after housing costs income. 2020-2021 is the most recent year where data is available relating to weekend working.
SOURCE: RF analysis of ISER, Understanding Society.

Stress at work

Our focus groups also cited stress and overly high work intensity as factors that make work less enjoyable.

Sometimes this was a standard feature of the job:

“We have to do telephony since lockdown. And you’re timed on each call, and you literally have got to go onto the next call, and the next call. And if you spend more

than, say, 7 minutes on a call, which you can't dictate cause of whoever's calling up, it could be an elderly person and they don't know what to do with online banking, but you're penalised for it. So you're constantly panicking how long you've been on the call doing your job really."

On other occasions stress at work was linked to under-staffing – for example a colleague being off sick and no extra staff being brought in to cover.

[What would be the one thing you'd change about your work?] "Mine would probably be more staff as well, because if we don't have bank staff that turn up, we don't get to go home either. You can't leave somebody that's dying and say "that's me going home now", so yeah, just making sure there's enough staff. It's good for team morale as well, knowing you've got staff to hand over to, it takes a lot of pressure off."

In a 2021 report, we explored the fact that workers on low earnings used to enjoy a satisfaction premium over better paid workers, which has now disappeared, leaving job satisfaction roughly even across the pay distribution.²⁹ Our central explanation was that work has become more stressful and work intensity has risen (with more workers saying they feel 'used up' at the end of the day) over the past 30 years, and that this change was particularly pronounced among lower-paid workers.

Bad managers

A third strong negative that our focus groups discussed was having to deal with bad managers. Bad management took various flavours. One participant felt their treatment was tantamount to bullying:

"They've always got in place a non-bullying policy, you know, "We will not accept bullying". But it's okay for your company to bully you."

Some described managers who failed to ensure an equal balance of work across the team:

"Some people just don't work as hard as others, do they. So you're all getting paid the same money, but you might be doing twice the amount of work that somebody else is doing, and they get away with it. That can be annoying"

While others thought their manager or company didn't treat people with kindness or respect:

"You want to be spoken to the way you'd speak to other people. A bit of respect doesn't hurt anybody."

²⁹ K Shah & D Tomlinson, *Work experiences: Changes in the subjective experience of work*, Resolution Foundation, September 2021.

“I’m quite well-rewarded financially, but that didn’t make up for the fact it was just a really horrible relationship on a day-to-day basis, the way they [the manager] went about it.”

“I work in care so, like, I feel rewarded by what I do for the residents, cause I know what I’m doing makes a difference to them. But, you know, you kind of just feel a bit pood on by the company, because, they just, they don’t care.”

And others felt taken for granted, and highlighted instances where managers didn’t give much leeway (for example, docking people’s pay if they took time off for a medical or dental appointment):

“They just take everything for granted...whatever you’re doing, they just expect more. Cause nothing’s good enough.”

“What we give [to employers], there’s not a lot of give back is there.”

Of course, these examples from our focus groups alone can’t explain why low-income workers have lower job satisfaction than higher-income workers. It’s possible that higher-income workers would highlight many of the same issues.

One possibility might be that experiences at work are mediated by income. The same set of negative work experiences might be less tolerable for someone who also knows their earnings leave them struggling to get by. Or it could be that better-paid workers have more ability to exert control over their situation or change their circumstances by seeking alternative employment. This is something we explore in the next section: the constraints low-to-middle income workers face when considering changing jobs or seeking to raise their earnings.

Section 5

Making changes

An obvious route out of a poorly-paid, insecure or unpleasant job is to find a new one. But there is almost no relationship between income and the rate at which workers change jobs: between 2017 to 2022, the share of workers working for a different employer by the following year's survey is roughly 7 per cent among the bottom four income quintiles, at lower (at 5.5 per cent) for those in the top quintile.

However, a low rate of job mobility is perhaps not surprising when we think about the various constraints and worries faced by low-to-middle income workers. In our focus groups, workers spoke about how their family circumstances are important in constraining their job options. This chimes with that we see in the data: women with children, those with caring responsibilities, and those nearing the end of their working life are less likely than average to make voluntary job moves.

It's not just job moves that low-to-middle income workers are resistant to – many workers are put off the idea of 'progressing' at work altogether. To many, moving to a higher-paying job did not feel 'worth it' when they considered the extra responsibility and stress. But low-to-middle income workers also face financial barriers to progression. Workers in low-to-middle income families are much more likely to be in receipt of means-tested benefits than those from higher-income families (at 20 per cent and 2 per cent respectively). As a result, they can face very high marginal effective tax rates (METRs), dampening the impact of an increase in earnings. These METRs are especially high for low-to-middle income families with children, at 42 per cent for low-to-middle income couples with children and 56 per cent for low-to-middle income single parents.

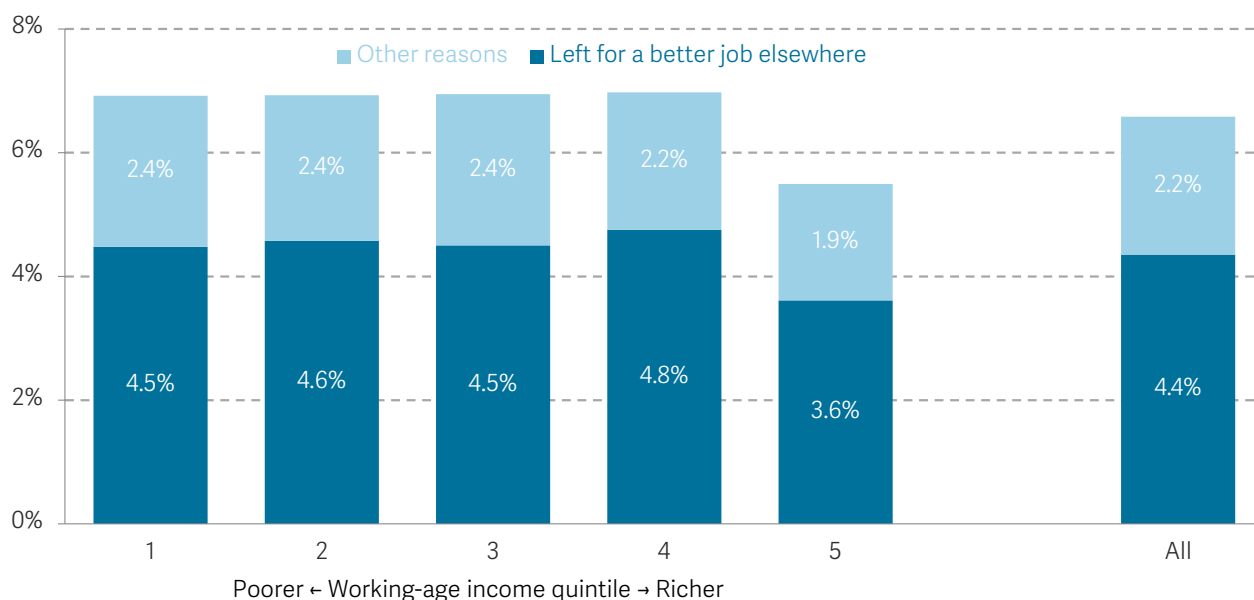
Low-to-middle income workers change jobs at a similar rate to higher-income workers

The findings presented so far prompt the question: why don't workers in low-to-middle income families who are unsatisfied move into a job they enjoy more, or with higher pay?

In fact, income has little relationship with the rate at which workers change jobs. Between 2016 and 2021, the share of workers working for a different employer from the following year's survey is roughly 7 per cent among the bottom four income quintiles, although somewhat lower at 5.5 per cent among workers in the top income quintile, reflecting the finding in the previous section that the highest-income workers have the most job stability (see Figure 19). Rates of job moves are also fairly even across the income distribution (again, apart from among the richest workers) if we look at obviously voluntary job moves – those where the worker self-reported as having left their previous job for a better job elsewhere.

FIGURE 19: The rate at which workers move jobs is similar across the income distribution

Proportion of individuals employed in current and following year who change employer within year, by household income quintile: UK, 2016-2021



NOTES: Quintiles are calculated using after housing costs income.

SOURCE: RF analysis of ISER, Understanding Society.

This flat job mobility across the bottom four income quintiles may come as a surprise, as we might have expected low-income workers to change jobs more frequently than higher-income workers: both because low-income workers' lower job satisfaction would suggest they might have greater need to change jobs, and because low-income workers are more likely to have temporary jobs. So next we explore why workers stay in a job they don't like, and why low-income workers are no more likely than middle-income workers to change job.

Low-to-middle income workers face various constraints and worries when it comes to changing jobs

The low-to-middle income workers we spoke to described a number of reasons why they don't change jobs, despite describing various things they dislike about their current job. These came in two main forms. First were those whose family circumstances meant they were very constrained in the types of jobs they could do. For others, changing jobs just felt risky – they couldn't be sure that a different job would be any better.

Family circumstances

People with caring responsibilities – typically young children or elderly parents – will need to fit work around those responsibilities, and this limits the kinds of jobs they are able to consider. Given how society continues to allocate its unpaid care work, these factors mostly affect women.

Several female participants described how they could only take jobs with hours which didn't get in the way of looking after their children after school:

"I can only work at certain times. So I have no choice with what I can work. So we both work, and I work when the kids are at school, I haven't got any other time when I can do it."

"I used to work behind bars and waitressing and stuff, before I had children, so it was any hours: night hours, Christmas day ... But when I had the children, I had to change... I had to change it to weekday work. And now I'm a single parent as well, it has to fit in with the children at school. And that's why I changed. In an ideal world, I would have kept the other job but it was an impossibility."

Other participants didn't describe specific hours constraints, but did indicate that making time for their children was an important reason for their choice of work.

"I've got a three-year-old son and another one on the way. A few years ago I wasn't really thinking too much about what hours, I was working Monday-Friday, but I wasn't really thinking about what sort of hours I was working. Now it's one of my major considerations when job searching, you know, what sort of hours do they want me to start and finish, because I want to be able to see my son as much as possible."

Another way family caring responsibilities can constrain job options – alongside hours – is location, because longer commutes mean less time at home.

[Asked about criteria for a new job] "Distance, from where I am, because that feeds into the work/life balance. I mean, if I'm having to travel an hour each way for

work, then I've got no time with my son, and the next one coming up, so there's no point in that as far as I'm concerned."

"When I was younger without a family, I lived in Worcester and worked in Birmingham in a school, and I went on the train to Birmingham every day and it wasn't a problem cause it was just me living alone and that commute wasn't a major issue, but I think your life circumstances change."

Both of these factors – availability of suitable hours, and the need to work closer to home – serve to limit the pool of available jobs to these workers. For example, we know that women have significantly shorter commute times than the men, and this 'commuting gap' only opens up when people reach their mid-20s, suggesting much of this difference stems from having children.³⁰ And recent research using data from Denmark finds that women with children are much more likely to leave their job if they have a long commute, a finding which does not apply to men.³¹ Meanwhile, Timewise have repeatedly documented the scarcity of good-quality part-time jobs. In 2022 they estimated that there were 600,000 people specifically seeking part-time work, but that there were only 156,000 vacancies for 'decently-paid' (above Living Wage) part-time jobs.³²

One trend which may be helping to expand the number of available jobs for workers with caring constraints is the growth of working from home since the pandemic. The share of workers who 'usually' work from home more than doubled after the pandemic (from 14 per cent in 2019 to 30 per cent in 2022).³³ One impact of this appears to have been an increase in employment among parents – according to the Labour Force Survey the number of people 'economically inactive' because they are looking after their family is currently 1.7 million, down on 1.9 million pre-pandemic.³⁴ Some of our participants mentioned that the availability of remote jobs meant they were better able to combine work and family life.³⁵

"I work from home now since lockdown... it fits in with school hours and I don't have to commute."

"Now I've got a remote job where I work from home. Not having a commute is brilliant, I can brush my teeth while I'm logging on, that sort of thing, and then when I switch the computer off at 4.30 - that's it, I don't have to think about work."

³⁰ ONS, [Gender differences in commute time and pay](#), September 2019.

³¹ M Borghorst, I Mulalic & J van Ommeren, [Commuting, gender and children](#), Journal of Urban Economics, Vol 144, November 2024.

³² Timewise, [4 people chasing every part-time job](#), November 2022.

³³ ONS, [Home working by region and month UK April 2017 to March 2023](#), February 2024.

³⁴ ONS, [Labour market overview, UK](#), November 2024.

³⁵ However, it is worth noting that our participants rarely said remote working was a perfect solution. Many were clear-eyed about the downsides of working from home, notably that it was less enjoyable than working outside the home when you interact with colleagues face-to-face. As one participant put it, "Now I've got a remote job where I work from home, and I miss, when you were talking about relationships, I do miss that terribly." Another said, "I work from home now since lockdown...I do miss the social interaction and the fact you're not putting a uniform on and leaving the house, it feels like you're always in the house, so there's pros and cons."

Finally, it's worth considering that another reason that a hectic family life might make changing jobs harder is that it means there is less mental bandwidth available to use for changing jobs. One of our participants gave a sense of just how busy her days are:

"I work shifts and it's two earlies, two lates, two nights. So this morning I was up at 5 o'clock, and this is my day off. But I have to pre-plan to make sure I can do everything on those days off. And the days I'm going on an early I have to get up at that time to start prepping the tea for when I've finished, otherwise I'd have no time when I came home...My calendar is always full and I've always got to know like six weeks in advance what we're going to be doing."

Family-related constraints will affect workers across the income distribution, but more so those in lower-income families, because they are more likely to have young children, or to be caring for parents. For example, in 2022-23, more than a third (35 per cent) of low-to-middle income families had dependent children, compared to only a quarter (24 per cent) of higher income families.³⁶ And when it comes to caring responsibilities, one-in-eight people in low-to-middle income families reported having caring responsibilities in 2021-22, compared to one-in-twelve people in higher-income families, and the prevalence of adults with caring responsibilities has risen over the past three decades.³⁷ And, of course, having a higher income makes it easier to manage or adapt to these sorts of constraints.

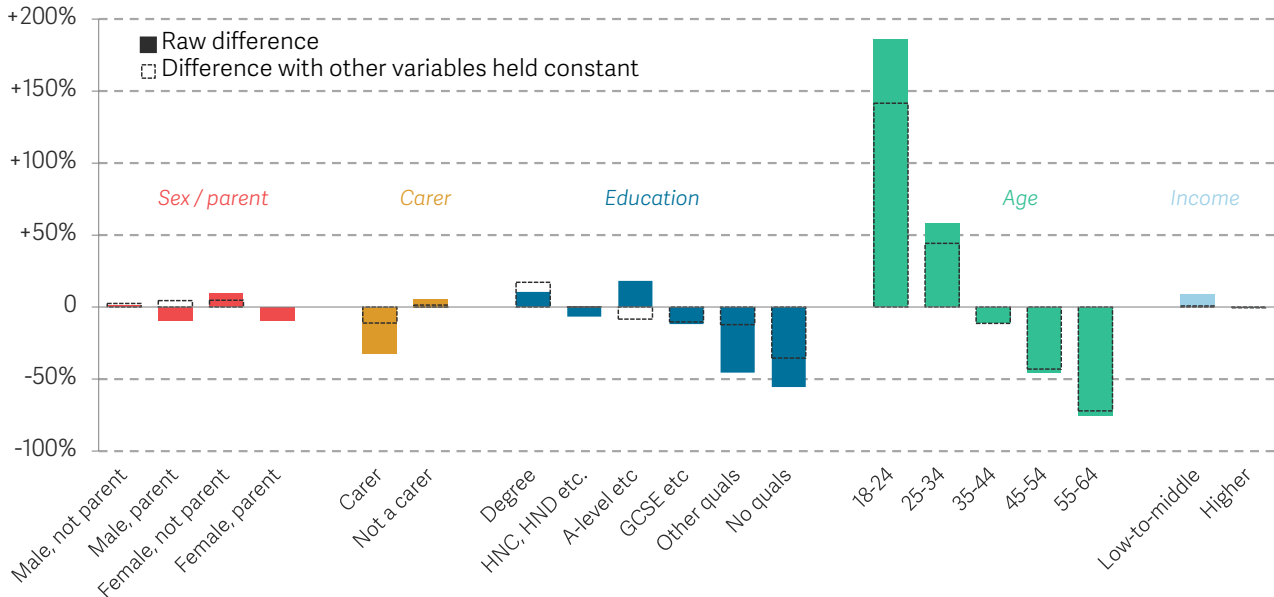
Figure 20 shows how these constraints impact on voluntary job changes. It is clear that age plays the biggest role in explaining workers likelihood of choosing to change job: workers aged 18-24 are more than twice as likely than average (+142 per cent) to make a voluntary job change, even after holding other variables constant. On the other hand, older workers aged 55-64 are less likely than average (-72 per cent) to make a voluntary job change. But it is also true that mothers, those caring for someone disabled or elderly, and those with low or no educational qualifications are all less likely than the average worker to make a voluntary job move.

³⁶ RF analysis of DWP, Households Below Average Income.

³⁷ See Figure 18 in: M Brewer et al, [Unsung Britain: The changing economic circumstances of the poorer half of Britain](#), Resolution Foundation, November 2024.

FIGURE 20: Older workers, workers with lower-qualifications, and women with children, are less likely than other groups to make voluntary job moves

Likelihood of workers making a voluntary job change between one year and the next, compared to average: UK, 2009-2022



NOTES: ‘Voluntary job move’ defined as worker in sample and employed in current and following year, working for a different employer in following year, and in following year says left previous job “to find a better job elsewhere”. Variables ‘controlled for’ are those shown, as well as others not shown: sector, hours worked, and employer size. Estimates are obtained using the ‘margins’ command following a logistic regression. Sample limited to workers aged 18 to 64. SOURCE: RF analysis of ISER, Understanding Society.

Changing jobs is seen as risky

A second important constraint to job mobility that our focus group participants raised was that changing jobs was simply seen as too risky, even if there were aspects of their current job they didn’t like. “Better the devil you know” was a common (explicit or implicit) refrain.

“Better the devil you know though, so I don’t know. I keep looking and I’m always looking. If I’ve got half an hour I’m always on the job page having a look to see what vacancies are there and what the hours are. So there’s always a temptation. But like I said, you know your job, you know what you’re going to do, and it’s like a change isn’t it? You do get a bit stuck in a routine.”

“I suppose it’s that thought, I might hate what I’m doing or I’m not happy where I am so I’m going to move, but what if that’s worse?”

“I’m not a risk taker. It’d have to be guaranteed and backed up a million times, I’m a worrier as well.”

One woman was asked why she didn't leave the job which she said she really didn't like at all but had been doing for 11 years – despite often thinking about finding a better job, she hadn't.

[Have you ever thought about moving jobs?] “Yeah, every day. Yeah, I couldn't. I like to be stable and secure, I don't like risk...Just going through my mind, I wonder what if I did this or I did that. But not actually...no...”

For others, there was a fear of 'starting again' – having to prove themselves in a new workplace and build new relationships.³⁸

[What holds you back from switching job?] “Probably the fear of starting all over again. If you went to do something completely different, you've worked in one place so long and you know it so well...”

“I know my job, I can go to work and know my way around and not have to think much about it.”

Other constraints on job mobility

These were the two main barriers to job mobility raised in our focus groups, but there are of course others. One important factor may be workers' beliefs about what alternative jobs are available to them. A study on German workers found that workers tend to under-estimate their ability to find higher-paying work elsewhere. The study found that workers who, based on their characteristics, would expect to experience a 10 per cent wage increase if switching jobs, in fact only expected that they could experience a 1 per cent wage increase.³⁹ Similar effects may apply beyond pay – the 'better the devil you know' attitude implies a doubt that a different job really would be better. Indeed, some participants in our focus groups reflected that, after hearing about others' bad experiences, they saw their own job in a more positive light.

“Honestly listening to the group, I wouldn't change nothing, it's just made me realise how lucky I am where I am. From the hours to the money, to how my colleagues are, the incentives. It has made me realise, I'm not in a bad place. “

Finally, when thinking about job mobility, it came out loud and clear in our focus groups that people's experiences of changing job often related to external 'shocks', such as family illness or redundancy, rather than individual economic decision-making. One of our participants described how she was now in a better job than previously, after being

³⁸ Of course, many of these reservations apply to workers in higher income families too. For example, in past focus groups with high earners, we heard about their wariness of change. See: K Handscomb, L Judge & H Slaughter, [Listen up: Individual experiences of work, consumption and society](#), Resolution Foundation, May 2021.

³⁹ S Jäger et al, [Worker Beliefs About Outside Options](#), Quarterly Journal of Economics, August 2024.

unhappy in her previous job for a long time – but she changed job only because she had been made redundant, not because she had proactively left.

“The trigger for me was redundancy. I’d been possibly unhappy for a number of years, the insecurity, the colleague who didn’t carry her weight. But that imposter syndrome of “I can’t do anything else but this, I’d been here for 18 years, I’m too afraid to move.” I would have carried on and I would have stayed there. So redundancy was the kick.”

For other participants, the shock related to their family circumstances.

“As a family we were “work work work”: my dad was a shopkeeper, did 6 days a week, on the 7th day he did the books, so 7 days a week effectively. And that’s how we’ve always been until there’s a crisis...It was quite a serious crisis and then my wife changed her job.”

It’s not just changing jobs – many workers are put off the idea of ‘progressing’ at work altogether

The above constraints don’t just apply to looking for work at a different employer – they apply to ‘progressing’ in work more generally. Given many of the participants in our focus groups were low-paid, or in jobs which had aspects they didn’t like, it was striking how little interest in ‘progressing’ into a better-paid job many participants had, even when this was described as moving into a higher-paid job with the same employer.

The issue was that workers expected that progressing into a more senior job with higher pay would also mean additional responsibilities or stresses, and they did not consider the extra pay worth it. There were many examples of this kind of attitude.

“No, I couldn’t cope with any more [responsibility]. Just with home life and everything else, it’s just you fall into bed at night and you’re back up in the morning, you’re doing it all again, mentally I couldn’t cope with any more.”

“I could have the opportunity to go to a [higher grade] but I wouldn’t want the responsibility, not with my family life as it is.”

Some participants, especially those further towards the end of their career and women with children, had proactively made the opposite change – they had ‘traded down’ to a job with fewer responsibilities, either to be able to spend more time with their family, or because they felt they didn’t have the energy to work at the same pace. Again, this serves as a reminder that people’s approach to making changes at work often relate more to their family circumstances than their individual economic position.

“I spent 25 years in London and eventually ended up as a headteacher. The pressure and the workload and the full-time nature of that; there were some casualties in the family...so I decided to move back to Worcester and just take down a few days, and also take down a few responsibilities.”

“There was a few family conversations. They said, you might be doing well at that, but the rest of us in the house aren't really enjoying you doing that job. And the money would have been fantastic, it was a significant amount of money more, but at some point, you just decide it's not right.”

And in fact, some participants regretted not having 'traded down' to a less pressured job sooner, speaking frankly about their belief that working in high-pressure (and often higher-paying, or higher-status) jobs negatively affected their family life.

“My biggest mistake was putting everything into my job and taking my eye off the ball with my family.”

“My daughter went down the wrong route in life and I think that was the fact I wasn't always there for her cause I was already at work looking after other people's children.”

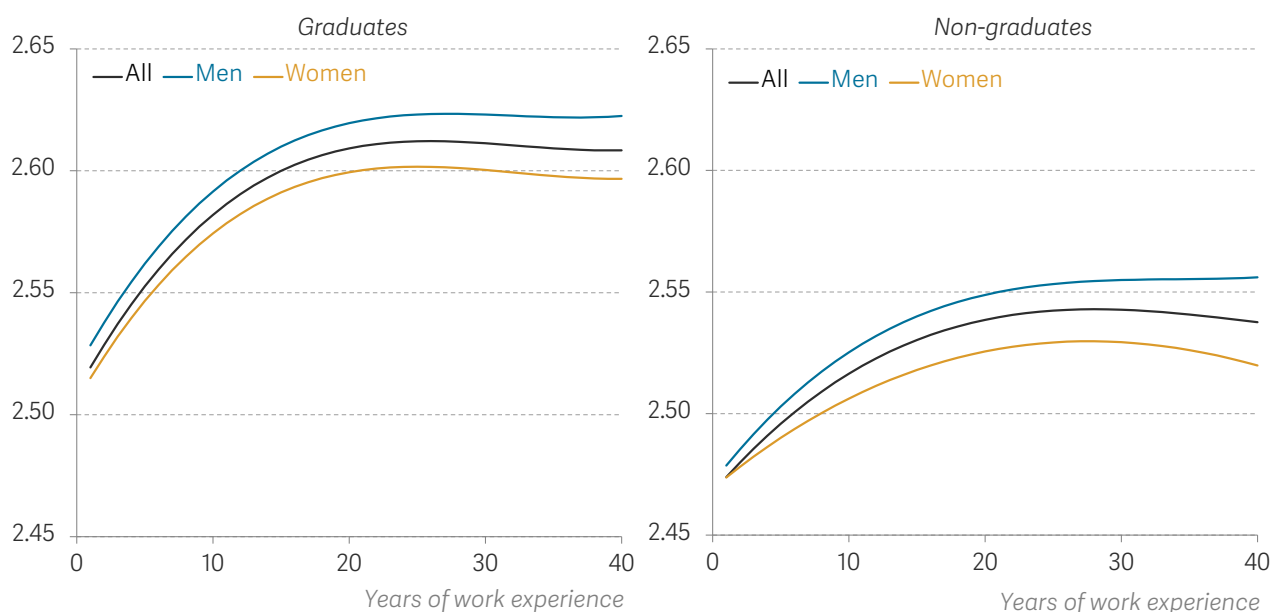
“I enjoyed the responsibilities when I had them, but then when I stopped and turned to look over my shoulder and see what was going on in the background, I then realised, hang on a minute, I've been enjoying myself for too long in the role that I'm doing, looking after other people's kids and I've left mine, I've totally neglected them.”

These experiences of 'trading down' – especially common among the older workers we spoke to – chime with the data on how earnings tend to change across workers' careers. On average, workers' wages don't tend to rise beyond the first 20 years of their working lives (which means after age 40 for someone entering the labour market at age 20). For non-graduates, and especially female non-graduates, average hourly wages actually start declining after 30 years of work (or, after age 50 for someone who entered work at age 20). These life-cycle wage curves are plotted in Figure 21, using Labour Force Survey data from 2011 to 2019.⁴⁰

⁴⁰ In Figure 21 we have plotted curves for hourly wages rather than weekly earnings as these are likely to more strongly capture the extent to which workers are 'progressing' into higher paid jobs.

FIGURE 21: Most earnings growth happens in the first half of workers' careers

Average hourly wages (log scale) by years of work experience: UK, 2011-2019



NOTES: These estimates are obtained by pooling together all employees between 2011 and 2019, while controlling for year effects and full-time employment status. A version of this chart (with industry rather than sex and graduate breakdowns) was first published in: R Costa et al, Learning to Grow: How to situate a skills strategy in an economic strategy, Resolution Foundation, October 2023.

SOURCE: RF analysis of ONS, Labour Force Survey.

We extend the picture further by using longitudinal data to measure which workers tend to achieve earnings progression. Figure 22 presents estimates of the share of workers on low wages (with hourly pay in the bottom 20 per cent of the hourly pay distribution) who achieve earnings progression (moving into a higher hourly pay decile) in a given year, conditional on being employed in both years.

Before comparing groups, we should be clear that this form of earnings progression is fairly common across all low-paid groups: across the 2010s, half (54 per cent) of workers in low hourly pay had moved into a higher hourly pay decile in the following year. This is good news. Even among groups with the lowest progression rates (for example, workers without formal qualifications), progression was still fairly common. On average in the 2010s, 45 per cent of low-paid workers without formal qualifications had moved into a higher hourly pay decile by the next year.⁴¹

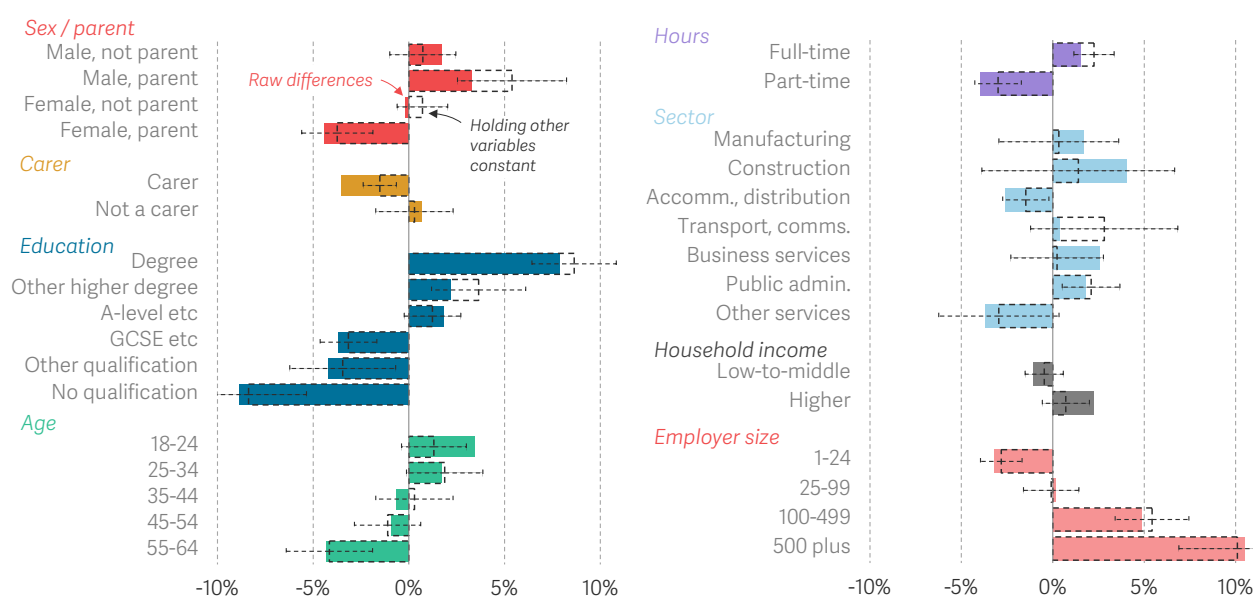
Nevertheless, the relative incidence of wage progression among low-paid workers is revealing, and chimes with the factors affecting progression discussed earlier in this section. Among the low-paid, progression was less common during the 2010s than average for older workers (aged 55 to 64), women with dependent children, and

⁴¹ That said, this measure sets the bar for 'progression' low. If progression is instead defined as 'escaping' the bottom hourly pay quintile rather than just moving to a higher wage decile (potentially still within the bottom quintile), average annual progression rates among low-paid workers fall from one-in-two to one-in-three.

people with caring responsibilities, and people working part time, each of which was 4 percentage points less likely to achieve wage progression than average among the low-paid. This is shown in Figure 22.⁴²

FIGURE 22: Hourly wage progression is negatively associated with being a mother, being older, and having less education

Among workers in bottom hourly wage quintile, likelihood of progressing to higher hourly wage decile in following year, compared to average likelihood (percentage point difference): UK, 2009-2022



NOTES: Only includes workers in work in both relevant years. Estimates are obtained using the 'margins' command following a logistic regression, including the variables shown as well as year effects. Sample limited to workers aged 18 to 64.

SOURCE: RF analysis of ISER, Understanding Society.

Having lower-level qualifications is also an important negative factor, as is working for a very small employer. Low-to-middle income low-paid workers were very slightly less likely to progress than low-paid workers from high income families, but the difference compared to average progression rates was not statistically significant.

Taken together, the qualitative and quantitative evidence paints a clear picture: among low-income workers, family circumstances – such as caring for young children or elderly relatives – can place real constraints on people's willingness or ability to change job or progress in work.

⁴² The coloured bars in Figure 22 show the 'raw' differences between groups, with only year-effects 'controlled' for. The empty dashed line bars estimate the differences between sub-groups when other variables are held constant. In many cases, differences between sub-groups are still important even holding other variables constant – for example, older workers remain less likely than other workers to progress even when their education, sector of work, gender, parental and caring status, family income and employer size are 'controlled' for. Differences in progression rates between low-to-middle income and higher-income workers (in low-hourly pay) disappear when all those other factors are included.

Financial incentives also matter for in-work progression, and the way that Universal Credit is withdrawn as earnings rise means that low-to-middle income workers on benefits keep less of any earnings increase than higher-income workers

Finally, alongside the family constraints discussed above, it's worth remembering that many workers in low-to-middle income families face an additional barrier to progressing in work: weak financial incentives.

There are two respects in which low-income workers might face worse financial incentives than higher-income workers.

First, as set out in Figure 1 at the start of this report, low-to-middle income workers are more likely than higher-income workers to earn a low hourly wage. Among low-to-middle income workers, one-in-three have hourly pay in the bottom 20 per cent of the hourly pay distribution, compared to one-in-ten higher income workers. Over the past 25 years, a rising minimum wage has raised pay for those lowest earners, but this has also contributed to rising wage compression. This means the gap between rungs on the job ladder are smaller than they used to be.⁴³ It is plausible that this has contributed to the sense that moving into more senior jobs isn't 'worth it'. This isn't something which was discussed explicitly in our focus groups, but past research on the same ground has raised this as an issue. For example, Joseph Rowntree Foundation research from 2015 found that some low-paid workers considered the extra wage associated with progression too small to justify the extra stress.

"It's about 20p an hour more to be a senior care assistant, but you could get sued or go to prison because you're giving out medication, which you don't do at my level."⁴⁴

The wage gap (or lack thereof) between job rungs is no doubt an important factor for workers in weighing up whether to take on a more senior job, and there is some evidence of this connection in the empirical data. In the 2000s and 2010s, and especially since 2016 when the 'National Living Wage' was introduced, there was a steady increase in bottom-end wage compression – the share of jobs paying at or just above the minimum wage increased, particularly in low-paying sectors like hospitality, retail, and social care.⁴⁵ In the same period, there also appeared to be some slowdown in the share of minimum wage workers who progressed onto higher paying jobs. This suggests a link between pay

⁴³ N Cominetti et al, *Low Pay Britain 2022: Low pay and insecurity in the UK labour market*, Resolution Foundation, May 2022.

⁴⁴ This quote appears in: C Hay, *What do low-paid workers think would improve their working lives?*, Joseph Rowntree Foundation, July 2015.

⁴⁵ This analysis was undertaken in: N Cominetti et al, *Low Pay Britain 2022: Low pay and insecurity in the UK labour market*, Resolution Foundation, May 2022.

compression and progression (although those effects did not strengthen further in the immediate pre-pandemic years, suggesting this is not a fast-growing problem).

A second reason why low-to-middle income workers might face weaker financial incentives to progress than higher-income workers is due to the operation of the benefits system, and specifically Universal Credit. The means-test in Universal Credit means that a family's entitlement is reduced by 55p for every £1 increase in post-tax earnings. This 55 per cent 'taper rate' is lower than when it was introduced, with the most recent cut coming in 2021, but still means families on Universal Credit keep less than half of any increase in their earnings once they exceed their 'work allowance', with families facing marginal effective tax rates of 68 per cent if they are subject to the Universal Credit taper rate as well as paying Income Tax and National Insurance.⁴⁶ This is a much higher rate of earnings withdrawal than workers face in the personal tax system, and affects workers in low-income families more than those in higher-income families because they are significantly more likely to be in receipt of means-tested benefits (Universal Credit or its legacy benefit equivalents).⁴⁷ And working low-to-middle income families with children or who have a disability are especially likely to be in receipt of means-tested benefits: for example, three-quarters (75 per cent) of working single mothers were in receipt of means-tested benefits in 2022-23.

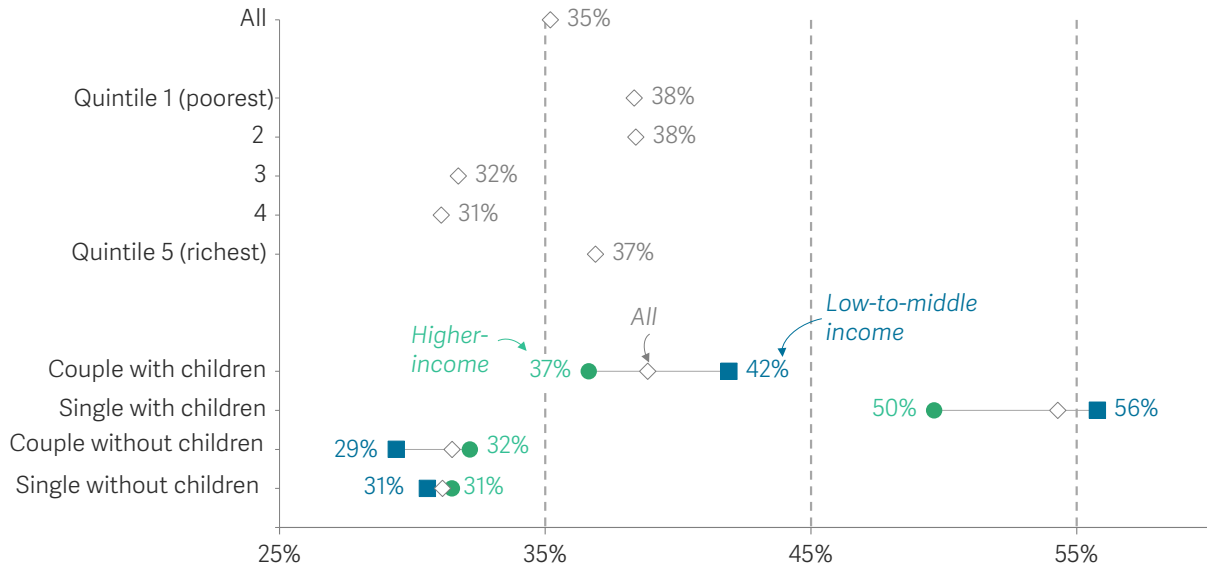
To illustrate this, Figure 23 plots the average marginal effective tax rates (METRs) for different families – this is the amount of any additional earnings that are lost to taxes or the benefits taper. It is higher for those in bottom income quintile (38 per cent) than the overall average (35 per cent), although it is also high for those in the top income quintile, who are more likely to be liable for the higher and additional rates of Income Tax. Arguably more striking are the METRs for families with children – which are higher overall, but especially high for low-to-middle income families with children. Average METRs stand at 42 per cent for low-to-middle income couples with children (compared to 37 per cent for their higher income counterparts), and 56 per cent for low-to-middle income single parents (compared to 50 per cent for those from higher income families).

⁴⁶ The work allowance is the amount that some families – those with children, or with a disability or health condition – can earn without reducing their UC entitlement. In 2024-25, the work allowance for families who get help with housing costs is £404 per month; for families who do not get help with housing costs, it is £673 per month. See: www.gov.uk/universal-credit/how-your-wages-affect-your-payments, accessed 5 December 2024. For more on the 2021 taper rate cut and what this meant for work incentives for families in receipt of Universal Credit, see: M Brewer, K Handscomb & L Try, [Taper cut: Analysis of the Autumn Budget changes to Universal Credit](#), Resolution Foundation, November 2021. For an illustration of marginal effective tax rates at different earnings levels, see Figure 13 in: Aref Adib et al., [Back for more?: Putting the 2024 Spring Budget in context](#), Resolution Foundation, March 2024.

⁴⁷ In 2022-23, 20 per cent of workers in low-to-middle income families were in receipt of means-tested benefits, compared to just 2 per cent of those in higher-income families. Source: RF analysis of DWP, Households Below Average Income.

FIGURE 23: Workers from lower-income households – particularly those with children – face high marginal effective tax rates

Average marginal effective tax rates (METRs) for employed working-age adults, by household type: UK, 2025-26



NOTES: Quintiles are calculated based on equivalised household income after housing costs, for all households (including those who are out of work).

SOURCE: RF analysis of DWP, Households Below Average Income using the IPPR Tax Benefit Model.

Despite these potentially weaker financial incentives to progress in work, this section has found that progression rates are fairly similar across low-to-middle income and higher-income households, as are rates of job mobility. More significant are the differences between workers with various family circumstances (for example, those with and without young children). This is a reminder that any policy agenda based around progression needs to take these family circumstances into account, and not assume that all workers are equally likely to want – or to be able – to progress in work or move to a different job.

Section 6

What are the implications for the Government's ambitions on employment, growth and good work?

The current Government is clearly interested in the labour market: in its first few months of office, it has set out plans to “Get Britain Working”⁴⁸ and “Make Work Pay”.⁴⁹ The former is a set of changes that the Government hope will raise the employment rate, and the latter is a large programme of reforms intended to raise the quality of work.

In undertaking these and other changes, policy makers need to remember that employment policy that starts from an understanding of the reality of families' working lives, and that works with, rather than against, the grain of what families want, has a greater chance of being successful. In this concluding section we offer some takeaways for policy makers.

First, the twin aims of the Government's employment policy – of raising employment, and raising job quality – are good ones, and potentially complementary. Employment growth was the main driver of income growth among low-to-middle income families in the 1990s and 2010s, and any future employment increases would again come from low-to-middle income families.⁵⁰ The Government's second aim – of improving job quality – is worth pursuing for its own sake, and stands to benefit millions of low-to-middle income families, who are more likely than higher-income workers to have jobs that are insecure, either in the hours of work available to them, or that provide inadequate income protection when they fall sick. But these reforms could also contribute to the aim of raising employment. Older workers who are ‘winding down’ or mothers who are fitting work around childcare might be more able or willing to work – or to work longer hours – if good-quality flexible work was more readily available. Strengthening the right to request flexible work – one part of the Government's reforms – might therefore

⁴⁸ Department for Work and Pensions, [Get Britain Working White Paper](#), November 2024.

⁴⁹ Department for Business and Trade, [Make Work Pay](#), October 2024.

⁵⁰ See Figure 3 in: M Brewer et al, [Unsung Britain: The changing economic circumstances of the poorer half of Britain](#), Resolution Foundation, November 2024.

help. And more generally, action to improve the quality of jobs – making them more enjoyable for workers – is likely to boost people's incentives to enter the workforce or increase their hours.⁵¹

A further set of takeaways flow from the fact that some workers either aren't interested in changing jobs or in 'progressing' in work, or aren't willing to take the risk to do so. This immobility means the Government is right to pursue improvements in job quality through raising minimum standards: workers who aren't interested in moving jobs are in a weak bargaining position, and improvements in their pay or conditions are unlikely likely to happen other than via legally-binding minimums or other government-imposed regulation.

That said, not everything that makes work difficult – such as dealing with unpleasant managers – can be regulated away. This suggests that complementary approaches, which empower workers to be more selective about where they work could also help. This could include action from the Government: for example, raising the level of unemployment-related benefits so that workers can afford to shop around in the labour market, or giving jobseekers more time to look for suitable work before conditionality regimes kick in.⁵² But the importance of 'softer' aspects of job quality to workers' job satisfaction is also a reminder to employers that they can improve their workers' well-being (and perhaps also worker retention) by treating them with more kindness and respect, and by putting more resource into training better managers.

Some workers' lack of interest in 'progressing' in work will also have implications on their engagement with the benefits system. Unlike under the legacy benefits system, some Universal Credit claimants who are working but on low earnings are subject to similar 'conditionality' as unemployed claimants – they need to show they are trying to raise their earnings or risk having benefits withdrawn. This is referred to as 'in work conditionality'.

Although proponents of in-work conditionality hope that it will increase rates of in-work progression (by incentivising workers to increase their wages or working-hours), our evidence suggests we should be careful about applying (intensive) conditionality to workers who face constraints to changing their employment situation, such as those who are fitting work around childcare. Put simply, even if workers know that it is in their financial interest to progress in work, they may not be able to do so due to the constraints placed on them by their family situation, and applying conditionality to these

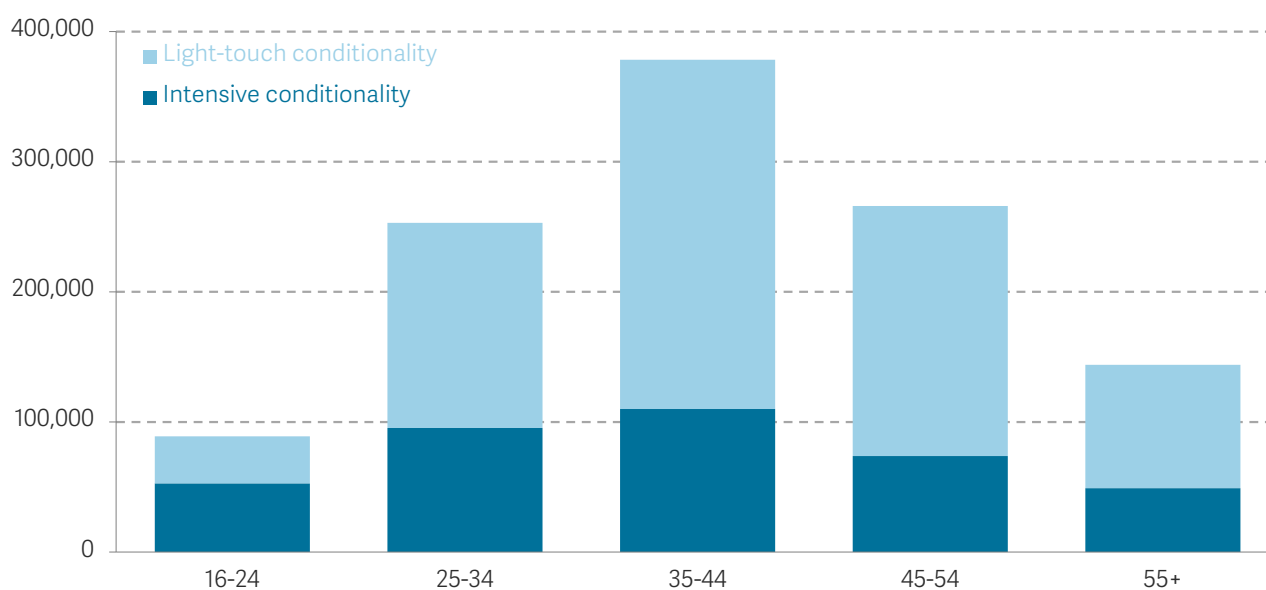
⁵¹ For a discussion of how workers' enjoyment of work feeds into labour supply decisions, see, for example: L Murphy, [Constrained choices: Understanding the prevalence of part-time work among low-paid workers in the UK](#), Resolution Foundation, November 2022.

⁵² For a recent discussion of how pressures in the benefits system can make it harder for claimants to find good work, see: K Jones et al, [The Impact of Welfare Conditionality on Experiences of Job Quality](#), Work, Employment and Society, 2024. For a discussion of how we might design an unemployment insurance system to better protect living standards and increase workers' ability to 'risk' changing job, see: M Brewer & L Murphy, [From safety net to springboard: Designing an unemployment insurance scheme to protect living standards and boost economic dynamism](#), Resolution Foundation, September 2023.

workers may be a fruitless exercise. It may also be unreasonable to apply conditionality to workers close to the end of their careers who (in keeping with many older workers) have chosen to 'wind down' – to work part-time or to move into a lower-paid but less stressful job.⁵³ There are currently 144,000 workers aged over 55 who are receiving Universal Credit and who are subject to work search conditionality, of which 49,000 are subject to the most intensive work search requirements (see Figure 24).⁵⁴ To its credit, the Government has signalled it intends to adopt a more balanced approach to administering benefits – offering greater support alongside conditionality.⁵⁵ But it should ensure that in-work conditionality is actually having a positive impact on all groups it is applied to, and consider excluding groups where this isn't the case.⁵⁶

FIGURE 24: There are 144,000 workers aged 55 and above who are on Universal Credit and subject to work search conditionality

Number of people in work, receiving Universal Credit, and subject to work-search conditionality, by age: GB, September 2024



SOURCE: RF analysis of DWP, Stat-Xplore.

A final takeaway relates to the minimum wage. It is important to be realistic about what the minimum wage can and cannot achieve. It is an excellent tool for raising low pay (and, to some extent, low earnings), but it's not the best way to boost low-income families' living standards. Even among those families who are working, the impact of the

⁵³ R Crawford et al, *Changing patterns of work at older ages*, Institute for Fiscal Studies, June 2021.

⁵⁴ We also know that older jobseekers who are subject to work-search conditionality are less likely than their younger counterparts to move into work. See Figure 8 in: Department for Work and Pensions, *Get Britain Working White Paper: Analytical Annex*, November 2024.

⁵⁵ Department for Work and Pensions, *Get Britain Working White Paper*, November 2024.

⁵⁶ This logic is already built into the system: in-work conditionality is not applied to claimants with a child aged under 1, who have a work-limiting disability or health condition, or who are full-time carers. See: www.gov.uk/government/publications/universal-credit-and-your-claimant-commitment-quick-guide/universal-credit-and-your-claimant-commitment, accessed 9 December 2024.

minimum wage on low incomes is muted because workers in low-income families are relatively likely to be self-employed (and therefore not eligible for the minimum wage); because even among low-income employees only a minority earn the minimum wage; and because low-income families often face high marginal effective tax rates as a result of benefit taper rates. These factors mean minimum wage rises end up having a bigger proportional impact on middle-income families than lower-income families. This is why a comprehensive strategy to raise incomes among lower-income families needs action to help more people move into work or to work more hours, but also action on social security.⁵⁷

Taken together, these takeaways will help inform employment policy which chimes with the reality of the lives of workers in low-to-middle income families. And the potential pay-offs from better-designed policy are large: it could improve the living standards of millions of low-to-middle income families, and help the Government achieve its aims of improving the quantity – and quality – of work.

⁵⁷ For an in-depth discussion of the policy levers required to achieve progressive income growth, see Chapter Nine in: Resolution Foundation & Centre for Economic Performance, LSE, [Ending Stagnation: A New Economic Strategy for Britain](#), Resolution Foundation, December 2023.

Annex 1 - Data citations

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We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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A photograph of a warehouse worker in a yellow high-visibility vest and white hard hat, walking through a warehouse aisle. The worker is slightly blurred, suggesting motion. The background shows tall metal shelving units filled with cardboard boxes.

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