

Life on a low income

One in four of the British population live in homes with less than half the average disposable income. A special report by Elaine Kempson of the Policy Studies Institute looks behind the income and wealth statistics and draws on 31 recent research studies to explore what life on a low income is really like in the 1990s. It concludes that:

- f** People who live on low incomes are not an underclass with different attitudes and values to the rest of society. They aspire to a job, a decent home and an income that will cover their outgoings with a little to spare.
- f** Most are resourceful in trying to make ends meet, but those living on the lowest incomes – including social security benefits – face invidious choices between cutting back on essentials or falling into debt.
- f** An additional £15 a week would greatly improve the ability of people on very low incomes to cope. Had the link between earnings and the indexation of social security payments not been broken in the early 1980s, many of today's claimants would have the extra money they need to avoid real hardship.
- f** Low-income households frequently fall behind with basic household bills such as rent, mortgage, gas, electricity, water and Council Tax. Most people feel ashamed of their debts, but their situation is one of 'can't pay' rather than 'won't pay'.
- f** Chronic financial difficulties place strains on low-income households that often prove damaging to mental and physical health and to family relationships.
- f** Parents are determined to provide the best food and clothing that they can for their children, even when it means going without themselves.
- f** Women, who normally manage family budgets, adopt such strategies as frequent shopping to minimise food stocks at home and shopping without children or partners to avoid pressure to spend more.
- f** Finding a job is the only way that most people on benefits believe they can secure an adequate income. Yet individuals often alternate between unemployment and low-paid work in a way that offers no real escape from life on a low income.

Background

In 1995 the Joseph Rowntree Foundation Inquiry into Income and Wealth reported on social and economic changes that have produced increasing polarisation between a prosperous majority and a growing minority of people living on low incomes. Between 1979 and 1993 the number of individuals living in households with less than half the average net income (after housing costs) grew from 5 million to 14 million – including more than 4 million children. Among these low-income households are 9.8 million people who live on the benefit ‘safety net’ provided by Income Support.

Setting aside the debate about whether these measures define a poverty line, the present report explores what life is really like in the mid-1990s for people whose incomes are low. It also considers how particular social, economic and policy changes have affected their lives. The report reaches its conclusions by drawing on 31 recent research studies whose in-depth ‘qualitative’ methods allowed people living on low incomes to speak for themselves.

Making ends meet

“I’ve got to put my money away for bills before I can relax and even think about food.”

People living on low incomes often show great resilience in trying to make ends meet. Some find that managing the household budget is almost a full-time occupation. But while there are those who do not organise their affairs so carefully, there is scant evidence that they are feckless. The research suggests that most learn through trial and error, so that those who have lived on low incomes for longer tend to be more successful at making ends meet. Many families appear to plan their spending in detail, while a minority operate a pay-as-you-go approach. But even the most careful budgeting system can break down when money is tight. No matter how resourceful, those living on social security benefits generally find that no amount of forward planning and bill juggling is enough. They face a difficult choice between cutting back drastically on food, fuel and other essentials or falling into debt.

Going without

“When you’re pushing the trolley around and you see people pushing one that’s almost full and yours isn’t, I think ‘I wish I could just put what I wanted in and not have to worry’, but I can’t.”

Surviving on a low income means going without. Women, who normally manage family budgets, resort to strategies that include frequent shopping to keep any food stocks at home to a minimum, systematic

searching for special offers and shopping without children or partners to avoid pressure to spend more. Anxiety to avoid waste leads some mothers to buy convenience foods that they know their children will eat, even though they are not conducive to a healthy diet. But while families on very low incomes generally have poorer diets than those who are better off, parents struggle hard to ensure their children do not go without and that their lunch boxes are as well filled as those of their classmates. Parents in a wide range of research studies were adamant that they would not compromise on spending on their children even if it meant going without themselves. Although parents might economise on clothes for themselves, they were concerned to buy the best affordable quality for their children – often using mail-order catalogues to spread the cost.

Incurring debt

“You feel degraded. You think other people know that you are in debt. You think you have done something wrong.”

Low-income households frequently fall behind with their bills. Their debts tend to be for basic household bills – rent, mortgage, gas, electricity, water and Council Tax – rather than the consumer credit arrears accumulated by better-off debtors. These types of debt carry the harshest sanctions in terms of repossession, disconnection, fines and even imprisonment. The research suggests that most people are ashamed of being in debt and that the unsympathetic practices of some creditors cause them added anxiety. For those whose homes are repossessed the sense of public humiliation appears especially strong. The great majority of those who owe money on major household bills acknowledge their debt and their obligations to creditors. Their situation is, therefore, one of ‘can’t pay’ rather than ‘won’t pay’. Families with children in the research studies tended to have higher arrears than other households. Parents whose children needed something they could not really afford described how they had borrowed or even delayed paying bills in order to find the money.

Impact on family life

“Little things that never mattered before are suddenly major issues and you fight over them. I fight with him [her husband], I shout at the kids, he does as well and the kids cry.”

Financial difficulties mean many people lose contact with their friends, lead restricted social lives, and spend a lot of time at home with their families. This can cement family relationships but more often it places a strain on them. In extreme cases the result can be family breakdown. However, the research suggested

that men, women and children tended to feel the stresses of life on a low income in different ways:

Men who were unemployed or unable to earn a decent wage described feelings of worthlessness at no longer being a family 'breadwinner'. Older men and those who had been in better-paid, white collar jobs were especially hard hit. (*"I'm too old at 40. Ready for the heap. It's terrible."*)

Women tended to bear the brunt of trying to make the available money go as far as possible. They shopped around for cheap food and clothing and were the family member most likely to make sacrifices for their children. (*"I cook a meal and as long as there's plenty for them, I make do with a piece of toast."*)

Children felt the stigma of coming from a low-income family in spite of their parents' best efforts to protect them from teasing and bullying. (*"Sometimes they say: 'Look at the horrible clothes he's got on. I'm not playing with you, you look horrible'."*)

Poor health

"What has happened to me now is that I'm so fed up of the whole situation; I think I've lost interest."

Poor diet, inadequate housing, job insecurities and money worries appear to be part of the link between low income and a greater likelihood of ill health. People on low incomes tend to have diets that are low in fresh fruit and high in fat. Chronic illness may, in turn, be exacerbated by difficulties in affording extra heating or a special diet. The stress and despair associated with life on a low income leads some to become deeply depressed and, in a few extreme cases, to suicide.

Finding work

"There's a certain amount of work here and those that are unemployed are unemployed."

Most people view a job as the only way they can secure an adequate income. The research makes it clear that they do not want to be dependent on the state and would prefer to provide for themselves and their families through a 'living wage'. Many go to great lengths to find a job, especially if they are the main breadwinner. But the market for unskilled and semi-skilled workers has contracted rapidly, adding to chronic, long-term unemployment. Low-skilled men tend to marry low-skilled women resulting in a growing polarisation between households with two wage-earners and those with none.

Most people who lose their jobs do not stay out of

work for very long, but the research reveals how individuals can alternate between unemployment and low-paid work in a way that offers no real escape from life on a low income. Would-be workers are expected to take a flexible approach to the job market, accepting casual and low-paid, short-term jobs. Yet the inflexibility of the social security system means that those who take them benefit very little financially unless they fail to disclose them and commit fraud.

Incentivising wage levels

"There's no job that'll pay me enough to keep on top. There's so much I have to pay."

The research demonstrates that unemployed people's wage aspirations are generally modest. Typically they say they need £20 to £30 on top of their weekly outgoings to relieve the worries and deprivations that characterise their lives. This implies a net weekly income of:

- £150 for single householders
- £175 for couples without children
- £180 for a lone parent with two children
- £200 for couples with two or three children

Current wage levels are often too low to meet these aspirations. In-work benefits such as Family Credit can be used to make low-paid jobs more attractive, but make it difficult for claimants to increase their incomes through additional work. In practice, a combination of in-work benefits and a national minimum wage, in conjunction with adjustments to tax, National Insurance and Child Benefit levels may prove the most viable way of ensuring adequate incomes in work.

A decent home

"Most of the council houses have been bought. Very few of them change hands, which means you've got a problem."

Like anyone else, people on low incomes want a home that is affordable, large enough for their needs, in a reasonable state of repair and in an area where fear of crime does not dominate their lives. Changes in housing policy have meant that growing numbers are unable to achieve these aspirations. The sale of council houses and low levels of new building have restricted access to the subsidised 'social' rented sector, while deregulation of the private sector has led to large increases in rents. There are increasing difficulties finding suitable accommodation for vulnerable groups and those who are allocated new tenancies are often housed in less desirable properties in areas marked by

high levels of crime and vandalism. The research shows how poor housing and homelessness add to the problems of living on a low income, affecting physical and mental health.

The policy shift away from bricks and mortar subsidies of social housing to near-market rents and greater reliance on means-tested benefits have led to more tenants becoming eligible for Housing Benefit. This has made it more difficult for tenants to break out of the poverty trap. At the same time, the extension of home-ownership to people with low incomes or insecure jobs has contributed to the rise in mortgage arrears and repossessions. For several hundred thousand households, a combination of arrears and negative equity has proved the route into homelessness and long-term debt.

Consumer credit and household utilities

"At one time you paid everything with your rent, that was it so you didn't have to think about it, and then, of course, it all went private..."

De-regulation of the credit industry has widened the availability of relatively low-cost commercial lending to people with modest incomes. These include people on low incomes who want to spread the cost of major items and cope with peaks and troughs in their income. More sophisticated screening of applicants, however, means that many on the lowest incomes are denied access. Those without bank accounts face charges for cashing cheques or making payments through post offices, and cannot take advantage of reduced tariffs for paying bills on direct debit. Loans from pawnbrokers, local moneylenders and unlicensed 'loan sharks' cost considerably more than credit from high street financial institutions.

Similarly, privatisation of the utilities has not always benefited low-income consumers. The prices of gas and electricity have dropped (discounting the effect of VAT), but water charges have risen appreciably. The more commercial approach being taken by some utility companies to bill-payment mechanisms and debt recovery, has also hit low-income consumers the hardest. The research suggests that some people who formerly paid for water as part of their rent have found it harder to cope with separate bills. There is concern as to whether the poorest people will retain access to essential services, as the utilities are opened up to competition.

An adequate income

"There's absolutely nothing I spend my money on except just surviving, you know, paying bills and buying food."

While most people on low incomes dream of winning the pools or the National Lottery, their aspirations are in reality a great deal more modest. Those on benefit usually have insufficient income to cover even their basic needs, yet the research suggests that as little as £15 a week extra would make a great deal of difference to their ability to make ends meet. Had the link between earnings and the indexation of social security payments not been broken in the early 1980s, many claimants would now have the money they need to pay their bills without forgoing essentials.

Restraint on public spending-including major reforms in 1988-has put the social security budget under constant scrutiny. Some changes, such as the introduction of Family Credit for low-paid parents, have improved the financial situation of those entitled to claim. Others, including the removal of entitlement to Income Support for 16 and 17 year olds and the replacement of single payments towards large household items with loans from the Social Fund, have made life more difficult. More recently, there has been concern over the extent to which social security is expected to absorb the costs of other changes including those affecting the labour and housing markets.

Income tax changes have been of disproportionate benefit to those with higher incomes; yet increases in VAT have had a bigger impact on low-income households. Many low-income households have also been adversely affected by local government tax reforms – especially between 1988 and 1993 when the Community Charge or poll tax was in force.

Combating exclusion

"You feel better in yourself if you're working. In work you're not excluded. It's a totally different world."

People who live on low incomes are not an underclass whose attitudes and values are somehow different to the rest of society. They have aspirations just like everyone else: they want a job; a decent home, and an income that is enough to pay the bills with a little to spare. But social and economic changes that have benefited the majority of the population, increasing their incomes and their standard of living, have made life more difficult for a

growing minority, often placing those very modest aspirations beyond their reach. Many people interviewed for the research reviewed in this report were all too aware of how restricted their lives had become. Not only did they see little hope of things getting better for themselves but, unlike previous generations they were also deeply pessimistic regarding their own children's future.

Reversing the trend that has left so many individuals and families feeling excluded from mainstream society is one of the greatest challenges facing society, calling for a response from a wide range of organisations including central and local government and private businesses. Among the pre-requisites for any comprehensive strategy to improve the lives of people on low incomes are:

- A commitment to achieve the fullest possible level of employment and to avoid using unemployment as an economic regulator;
- Policies to tackle low pay and ensure that tax changes do not increase the burdens on those least able to pay.

Even with policies to end mass unemployment, there will be some who continue to rely on financial support from the state. The level at which this income is set will, in part, determine how far they are excluded from the quality of life and choices that others take for granted. It is important that people in that position are allowed to benefit from general rises in prosperity. The uncoordinated policy-making which has forced poorer people to pay the price for changes that have benefited the majority must be addressed. Central government also has an important part to play in ensuring an adequate supply of affordable rented housing for people who are unable, or ill-advised, to become owner-occupiers. Local authorities also have an important role in economic regeneration, improving run-down estates, providing free care services to those in need and ensuring that transport and leisure services remain affordable. Private companies responsible for essential services should, meanwhile, recognise the impact of their decisions on people with low incomes and not assume that the State will pick up the cost.

About the study

The report was commissioned by the JRF Trustees to review and draw together findings from more than 31 studies supported by the Foundation. Summaries of these projects have been published by the Foundation in its series of *Findings*:

Anderson, I. & Morgan, J. (forthcoming) Housing options for low income single people: local authority and housing association policy and practice.

Anderson, I. & Quilgars, D. (1995) Foyers for young people: evaluation of a pilot initiative. (*Housing* No. 142)

Baldock, J. & Ungerson, C. (1994) User perceptions of a 'mixed economy' of care. (*Social Care* No. 55)

Bines, W. (1994) The health of single homeless people. (*Housing* No. 128)

Burghes, L. with Brown, M. (1995) Single lone mothers. (*Social Policy* No. 84)

Carlisle, J. (1996) The housing needs of ex-prisoners. (*Housing* No. 178)

Clarke, K., Glendinning, C. & Craig, G. (1996) The impact of the Child Support Act on lone mothers and their children. (*Social Policy* No. 92)

Dobson, B., Beardsworth, A., Keil, T. & Walker, R. (1994) Eating on a low income. (*Social Policy* No. 66)

Dowler, E. & Calvert, C. (1995) Diets of lone parent/families. (*Social Policy* No. 71)

Etherington, A., Stocker, B. & Whittaker, A. (1995) Moving from hospital into the community: an evaluation by people with learning difficulties. (*Social Care* No. 64)

Ford, J. (1994) The consequences of mortgage arrears and possessions in a depressed housing market. (*Housing* No. 125)

Ford, J., England, J & Kempson, E. (forthcoming) Housing, housing benefits and work disincentives.

Forrest, R., Kennett, T. & Leather, P. (1994) Home owners in negative equity. (*Housing* No. 120)

Grant, L. (1995) Debt and disability. (*Social Policy* No. 78)

Griffiths, S. (1995) The relationship between housing benefit and community care. (*Housing* No. 148)

Herbert, A. & Kempson, E. (1995) Water debt and disconnection. (*Social Policy* No. 73)

Herbert, A. & Kempson, E. (forthcoming) Credit use among ethnic minorities.

Jones, G. (1995) Family support for young people setting up home. (*Social Policy* No. 70)

Jones, G. (1994) Young people in and out of the housing market. (*Housing* No. 108)

Kemp, P. & McLaverty, P. (1995) Private tenants and restrictions in rent for housing benefit. (*Housing* No. 144)

Kempson, E., Bryson, A. & Rowlingson, K. (1994) Strategies used by low-income families with children to make ends meet. (*Social Policy* No. 53)

Law, I., Hylton, C., Karmarni, A. & Deacon, A. (1994) The provision of social security benefits to minority ethnic communities. (*Social Policy* No. 59)

Middleton, S., Ashworth, K. & Walker, R. (1994) Attitudes to spending on children. (*Social Policy* No. 67)

Morris, L. & Ritchie, J. (1994) Income maintenance and living standards. (*Social Policy* No. 65)

Pleace, N. (1995) Housing vulnerable single homeless people. (*Housing* No. 153)

Power, A. & Tunstall, R. (1995) Progress and polarisation on 20 housing estates. (*Housing* No. 151)

Roaf, C. & Lloyd, C. (1995) Multi-agency work with young people in difficulty. (*Social Care* No. 68)

Rowlingson, K. (1994) Moneylenders and their customers. (*Social Policy* No. 68)

Rugg, J. & Sanderling, L. (forthcoming) An evaluation of schemes to help people on low incomes into private rented accommodation.

Shucksmith, M., Chapman, P. & Clark, G. (1994) Disadvantage in rural Scotland. (*Social Policy* No. 62)

Speak, S., Cameron, S., Woods, R. & Gilroy, R. (1995) The difficulties of setting up home for young single mothers. (*Social Policy* No. 72)

Third, H. (1995) Affordable childcare and housing: a case study of tenants of a black housing association. (*Social Policy* No. 79)

For further information on *Findings*, contact Sally Corrie, Publications Officers, on 01904 629241.

Other related publications

Joseph Rowntree Foundation Inquiry into Income and Wealth. (1995) Volume 1 Chaired by Sir Peter Barclay.

Hills, J. (1995) Joseph Rowntree Foundation Inquiry into Income and Wealth. Volume 2

Utting, D. (1995) Family and Parenthood. Supporting families, preventing breakdown.

These three titles are published by the Joseph Rowntree Foundation and are available from York Publishing Services at the address below.

Further information

The full report, *Life on a Low Income* by Elaine Kempson, is published for the Joseph Rowntree Foundation by York Publishing Services Ltd (price £9.50).



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