

Executive summary



Falling short: the experiences of families living below the Minimum Income Standard

by Katherine Hill, Abigail Davis, Donald Hirsch and Lydia Marshall

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What are the consequences of bringing up a family on an income that falls below the minimum income standard? This study draws on the experiences of 30 families with incomes below a standard based on what members of the public think people need. Such families today face changing pressures that impact on their material and emotional well-being, and require them to take difficult decisions about what to prioritise.

The report shows:

- families need stability, but this is undermined by irregular employment and hours, changes in benefits and tax credits, and insecurity in private rented housing;
- coping on a low income involves constant monitoring of budgets, hard work and discipline, but the stress of trying to keep on top of finances is emotionally draining;
- parents tend to prioritise meeting their children's needs and sacrifice their own; and
- families tend to prioritise day-to-day expenses over larger outlays, but this can increase overall costs.

Executive summary

This report is about the experiences of families in the UK whose incomes are below the level required for a minimum acceptable standard of living as defined by members of the public. Over one in three families now have incomes below the Minimum Income Standard (MIS), which is a benchmark compiled by groups of members of the public, based on what things they agree households need as a minimum. Families below this level do not necessarily face severe material deprivation, but fall short of what people think is necessary to have the choices and opportunities required to participate in society. This qualitative research investigates the consequences of falling short in 21st century Britain.

The research builds on previous studies of low family income in two ways. First, by using MIS as a benchmark, and not looking at families on the very lowest incomes, it considers the situation of millions of families that are on low incomes, but not in the deepest poverty. Second, it considers low income in the context of our present times, in which new themes such as zero-hours contracts, payday loans, less stable housing tenure and benefit changes have added to other, more familiar, aspects of bringing up a family on a low income.

The study comprised in-depth interviews with 30 families on low incomes. The target range of disposable incomes, net of housing and childcare costs, was between 50% and 90% of the MIS level, to represent families who fall significantly short of meeting the standard, but are not in deep poverty. All but four of the interviewees had estimated incomes within this range. A mix of lone parents and couples, in and out of work, were interviewed.

Experiences of low income

Families in this study who relied on out-of-work benefits typically received at least a third less income than they required to reach the MIS level. The majority of participants in the study had at least some work, but their experiences showed how working families can also fall far short of MIS. A number had very limited and sometimes sporadic earnings. Housing costs could greatly reduce working families' disposable incomes, especially among those renting privately; most working families were not receiving Housing Benefit (HB), either because they were not entitled or did not claim. Some households also had disposable income significantly reduced by childcare, and in combination with high housing costs and low earnings, this produced some cases of particularly low disposable income, with over half of income being allocated to rent or mortgage, and childcare. However, the cost of childcare, along with the mismatch between its availability and the working hours available, more often acted as a constraint on the work families felt they could take up, and thus reduced their resources by limiting earnings. Overall, mothers of young children expressed a desire to work, but a reluctant acceptance that opportunities would be limited until their children were older.

The parents interviewed greatly valued stability but found it elusive to achieve, both in respect of work opportunities and the benefits system. A number were on zero-hours contracts and, more generally, insecure employment created uncertainty and worry, and affected people's ability to plan and budget. It was also difficult to reconcile with childcare arrangements, and caused headaches with regard to benefits and tax credits – particularly where overpayments caused difficulties when they had to be repaid. A further source of instability was experienced by parents living in private rented accommodation, a tenure that has nearly tripled in size to encompass a quarter of families with children in the past decade. Parents expressed a strong preference for social renting, not just because it could be more affordable, but also because of the security it provides; some had had to move when a landlord wanted to sell a property, they had faced lack of choice of home at a reasonable rent, and few thought that owner-occupation was a realistic prospect in the foreseeable future.

The experience of low income was influenced by a number of other factors:

- Family instability played an important part. Most obviously, family separations can make low income more likely, but the experience of this varied in important ways. Factors making a difference include: the extent of the involvement of non-resident parents in financial support and childcare

arrangements; and the nature of reconstituted families, which can, for example, create financial pressures and a shortage of housing space where two partners have children from previous relationships.

- Health issues for parents or children were strikingly common among participants in the study, with the majority of families having at least one member with a health problem. Ill health can restrict working choices, bring multiple additional costs ranging from food to transport, and make it harder to concentrate on budgeting
- The presence or absence of informal support can have crucial impacts on families. Most obviously, the availability of family or friends to look after a child can transform work opportunities. In addition, a common experience in this study was for families to get help from grandparents and others when they hit a crisis, and more generally to pay for treats or activities that parents themselves cannot afford. For families without such support, the experience of low income could be much more severe.
- Debt and its repayment can have a major effect on the actual living standards experienced by a family on a given low income. In some cases, families have bought items on credit at rates that they can afford, or have a legacy of debt that they are paying off. In others, debt at high levels of interest creates a big burden, and in some cases families see no immediate prospect of escaping from a cycle of debt. Problem debt caused significant stress in families' lives, and those who had escaped it were determined not to repeat the experience. Another important feature of debt that emerged was how a poor credit history could increase costs and close down options, for example making it hard to borrow at mainstream rates or to shop around for new service providers.

Summarising the experiences of low income among participants in the study, in terms of how well they are coping and whether things are improving or getting harder, they can be divided into four broad groups:

- Getting on/life improving: a few families, all headed by couples, were not just coping with the consequences of low income, but moving towards a better living standard. They were now in a secure situation with a steady income and no debts, and were taking steps to improve things, for example through saving, buying a house or taking up education opportunities.
- Getting by/keeping up: some families were not improving their situation, but felt that they were making ends meet and did not have to "go without". These families included both lone parents and couples, in and out of work. They were distinguished not by family and working status, but rather by two other important factors. First, they tended to be organised and worked hard at budgeting, often feeling proud of their ability to manage on a low income. Second, they typically had extra resources available, whether practical help from family and friends, or material help in terms of informal childcare or gifts from grandparents. Another common feature of this group is that they generally had relatively stable lives, although in some cases a particular event such as a redundancy payment had helped them by allowing them to pay off debt.
- Getting stuck/finding it hard to keep afloat: other families on low incomes were just about making ends meet, but had more negative experiences overall. They reported making sacrifices and experiencing stress, being more dependent on borrowing and seeing no immediate way of improving their lives. Such families often had particular factors that made coping on a low income more difficult, including higher outgoings on items such as rent or servicing debt, and sometimes additional needs such as dealing with health problems or needing to run a car in a rural area. These families tended to spend a lot of time juggling resources, but with budgets completely stretched, they felt they had to make sacrifices, and often reported high levels of stress in their lives.
- Getting harder/under increasing pressure: finally, a small number of families were finding it particularly difficult to manage as their finances were in a more precarious situation, which was overwhelming them. In some cases, this involved unsuccessful attempts to make finances add up after a family separation, for example trying to afford mortgage payments on one income. In others, it was more related to the inability to get to grips with accumulated debt. Families in these situations occasionally risked not even being able to afford the basics, such as food. Some of these families were surviving only with the help of extended family.

The incomes of households in the 'getting on' category tended to be at the higher end of income levels in the study, and conversely those in the 'getting harder' category were at the lower end. However, most of the families in the study were in the middle two categories ('getting by' and 'getting stuck') and spread more evenly across income levels. These groups both faced low income over the long term, but differed in terms of how they were coping, and the extent to which they felt that their families were disadvantaged by low income, and that they had to make sacrifices. As well as the level of their disposable income, key factors that can make it harder or easier for families to manage are the presence or absence of debt and informal support.

The impact of low income on families

Life on a low income affects the practicalities of family life, emotional and psychological well-being, family relationships and the lives of children.

In practical terms, parents spoke extensively about the hard work and organisation required to manage budgets on a low income. This could involve juggling payment demands, ensuring payments go out at the right time, making price comparisons and good use of discounts, and monitoring finances carefully. Parents varied in terms of how successfully they managed their money, with at one extreme those who were able to keep within budgets without debt, and at the other, those who paid one bill or debt only by incurring another. However, one common factor was that managing money was time-consuming and stressful; another was that its success depended so much on stability that parents were reluctant to take measures, such as signing up for direct debit payments, which might save them money but reduce predictability. Large, occasional purchases were hard to deal with, and spending on an annual event such as a family holiday was not an option for many families.

The emotional and psychological impact of living on a low income was tangible for the families in this study. While the stress that it caused was often combined with other stresses such as the pressures of juggling work and childcare, family relationship break-ups and housing difficulties, the extra burden of not having enough money was seen as making life that much harder. Parents reported sleep loss and physical repercussions such as weight loss. The stress element sometimes combined with a sense of failure at not being able to provide for their families, or shame at having to ask others for help. Responses of families differed according to their resilience and the amount of support they could call on. Those who responded in the most positive way, 'digging in' or 'fighting' adversity, sometimes expressed a feeling of pride when they managed to get on top of their finances.

Relationships between partners could be severely tested by the experience of living on a low income. Some parents talked about how money worries could be a cause of tension, for example, where couples had different attitudes to money and budgeting. In some cases, coming through such difficulties was perceived as strengthening a couple's relationship.

Children were affected both directly and indirectly by living on low family income. Most obviously, where families faced material hardship such as inadequately heated or damp homes, and where they were unable to afford to pay for certain things such as after-school activities, limited budgets had a direct effect on children's lives. At a psychological level, parents had a particular concern about children feeling that they were missing out, or the 'odd one out' among their peers. Some of the psychological impact fell on parents themselves, through the anxiety and potential sense of failure associated with the fear of the impact on children. However, some of this could be reduced among older children who were aware of the family's situation, and helped protect their parents from these stresses by not asking for things that they knew their family could not afford.

Prioritising and choices while living with less than the MIS budget

The MIS sets out a pattern of household spending that members of the public think should comprise a minimum acceptable living standard. This is not a prescriptive list, and all families make their own spending choices. In addition, however, those with incomes below the standard have to decide how best to meet their needs under a constrained budget.

Typically, families started by prioritising the basic necessities of living – food, warmth, shelter and good health. In doing so, parents sometimes had to make compromises (such as turning the heating down, or not replacing broken household goods). Where possible, they cut back on spending on themselves rather than on their children – for example, cutting back on their own meals in order to ensure that they could pay for the children’s food and keep their homes warm. They also talked about the importance of the occasional treat, particularly for children but also occasionally for themselves – such as a pizza or a beer – in order to provide some relief from the stresses of daily life.

Some spending priorities related to the importance parents attached to their children ‘fitting in’. This applied especially to clothing, with parents wanting to avoid children feeling different or being bullied. However, they could not afford to buy everything children asked for, and looked for other ways of affording some branded items, such as buying last season’s or using hand-me-downs, as well as sometimes being helped by extended family. Buying toys and the latest technology could also be a pressure, particularly with older children, which had to be carefully mediated. In contrast, parents were often less concerned about spending money on their own appearance, and cut back on things like clothing and hairdressing, spending less than assumed in the MIS budgets.

Families acknowledged the importance of social participation and ‘having a life’. As in the MIS budgets, families’ actual spending generally ensured that they had the technology needed to communicate – internet access and mobile phones. However, there were a number of other areas affecting social participation where families could not meet needs:

- Families who had cars (as specified in MIS) emphasised their importance in being able to manage the logistics of work, leisure and childcare, but other families simply could not afford one. An important aspect of this was, in addition to the initial outlay, the unpredictability of motoring costs, and not knowing when a large bill might appear to repair or replace a car.
- After-school activities were considered important for children, but some families could not afford them without additional help, which sometimes came from a grandparent.
- Families often tried to do things together, such as trips out, in ways that did not cost too much money, although this often constrained their choices. Some could not afford to go on holiday because of the large amount of expenditure it required all at once, while others were only able to have holidays through help from family. Parents acknowledged that not having a holiday meant missing out, by not having something to look forward to.
- Parents in general spent little on their own social life. There was a feeling that it was a low priority, although some acknowledged the importance of doing at least something for themselves – such as going to a gym.

Families in this study purchased some items that were not in the MIS budgets; these items potentially contributed to meeting a need more economically than buying the items specified in MIS. A number of them paid for satellite or cable television, although some of these said this would be cut if times became harder. The key reason for including satellite/cable television was that it was an important source of entertainment for families who felt that they did not spend much on themselves otherwise, such as going on holiday together or going out to the cinema. Families with pets also considered them important for family life, even though they are not considered essential in MIS. They provided a focus for excursions and interactions for families who otherwise had little to spend on going out together. For some parents, buying cigarettes or cheap tobacco, while being careful to maintain spending on children as the priority, was justified as an indulgence in an otherwise tough life, although in general participants had a negative view of spending money on smoking.

Overall, the following three themes came across in relation to family spending relative to MIS:

- Parents tend to prioritise the needs of their children and cut back on meeting their own needs, even when this may affect their well-being.
- Families tend to focus on meeting day-to-day expenses, and try to avoid larger outlays on items such as a holiday or a car.

- Families facing constrained budgets may meet their needs not just by cutting back on a minimum budget, but through substitution. For example, those who cannot afford to fulfil their family leisure needs by going to the cinema, for meals out or on holiday together, may spend money on different things such as subscription television or pets, which may end up cheaper overall in providing family recreation.

Conclusion

The parents in this study all found that bringing up a family on a low income in the UK today is hard work, but they differed in the extent to which they felt they were coping with their situation, and whether they and their children had to go without things. Important factors included what level of costs parents faced, whether they had support from friends and family, their own budgeting skills, and whether they could achieve a degree of stability.

As in previous studies, it was found that many parents make sacrifices in order to meet the needs of their children. But in addition, family life has been affected by contemporary changes that can make stability more elusive. These include the increase in privately rented housing, a more fluid labour market and new pressures from the benefits system. For many families facing new uncertainties, the availability or otherwise of support from extended family and friends made a huge difference, affecting not just informal childcare support, allowing them to work, but also the ability to cope with a crisis and pay for certain children's items. Those without this backup face the greatest risks, particularly those who have built up debt, with repayments sometimes making a great impact on family living standards. Most parents on low incomes place great value on achieving greater stability in this uncertain world.

By drawing its sample mainly from families between 10% and 50% below the MIS, who represent about a third of UK families with children, this study shows that the severe pressures of living on a low income are not restricted to a few families in the most severe poverty. The use of MIS budgets as a benchmark also gave insights into how families budget when they have too little income to afford what the public considers to be a minimum acceptable standard of living. The findings show not just that parents cut back on their own needs and prioritise those of their children, but also that families spend their budgets differently to help meet needs that they cannot afford to cater for on the MIS model.

This study identifies some key issues that policy-makers need to consider. In particular, it suggests that as the Universal Credit (UC) system is rolled out, it is important that it fulfils its original aim of allowing greater stability and certainty over income by combining several strands of previous benefits. It also suggests that an initial delay in receiving payment, and the move within UC to monthly rather than more frequent payments, may also cause difficulty. Budgeting on a weekly basis was common and involved juggling and shifting money around, and receiving a monthly payment within such a finely balanced budget could be problematic for some. By identifying particular difficulties faced by families in the private rented sector, it suggests that greater priority is needed to help them achieve more stability (for example, through tenure reform), as well as afford their rent. The findings point to the importance of increasing access to childcare, meaning that the extension of free entitlements for three and four year-olds, if effectively delivered, could make a big difference. Finally, the research suggests that restricting benefit entitlements for larger families in the future is likely to cause even more severe hardship to families who are already among those finding it hardest to afford the essentials.

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