

Making Ends Meet Below the Minimum Income Standard: families' experiences over time

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1. Introduction

This paper presents some preliminary findings and emerging themes from a second round of interviews in the Bringing up a Family: Making ends meet study conducted by the Centre for Research in Social Policy (CRSP).

Proportionately fewer lone parent families took part in the second wave than first wave of research, but they still comprised one third of the Wave 2 sample.

Household changes included two Wave 1 couples separating, with one mother repartnering and the other now a lone parent¹. One family had had another child, and in others older children had become 'non-dependent' but still lived

the amount family incomes compare to MIS over time also reflects changing family structures and children getting older.

Table 1 shows that overall two thirds of the sample looked at in both waves have incomes between 50 and 80 per cent of MIS, with some change at the higher and lower levels.

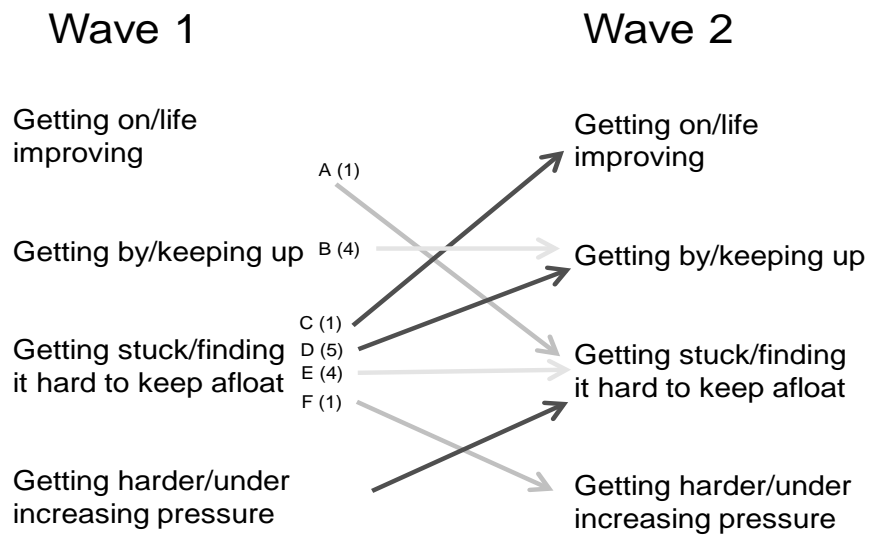
Table 1. Income (after housing and childcare costs) as percentage of MIS for households at Wave 1 and Wave 2 of the study.

At an individual level one family had now moved above MIS, ten were now less far below MIS than at Wave 1, but seven were further below (including all four families with benefits only income). Where incomes were now lower the drop was 4-9%, and included reductions in benefits (see below). Where incomes had risen the increase was more often 10% to over 20%, with largest changes related to increased earnings from work, better coverage of housing costs with Housing Benefit, and where benefits which were in flux at Wave 1 had been sorted out. However, this only provides a partial picture, as a third of the families had experienced significant reductions in income at points in between interviews, including some of those whose incomes were now higher compared to Wave 1. This is explored in more detail below and illustrates the benefit of looking beyond description of peoples' situations at particular points in time.

The following table presents the distribution of household income as a percentage of MIS at Wave 1 and Wave 2 of the study.

circumstances that families on low incomes can face. These changes are outlined in Figure 1 and described below.

Figure 1 . Participants' experiences between Wave 1 and Wave 2 (number of participants in groups A-G in brackets).



extra petrol costs or rising costs of living, they were able to deal with this, did not accrue debt and in cases had a little leeway that allowed a holiday or to overpay a mortgage.

- x Getting stuck / finding it hard to keep afloat at Wave 1. At Wave 1 these families were just about making ends meet, but this could involve making sacrifices, experiencing stress, being more dependent on borrowing and seeing no immediate way of improving their lives. At Wave 2 these families were:
 - o In an Improved position and now getting on / life improving (C in Figure 1). One participant's financial situation had drastically changed for the better. She had changed jobs and was earning much more than at Wave 1. Key factors were the financial support of a parent in setting her up in business, and a new partner who was also bringing a higher wage to the household. She feels a 'weight has been lifted off her shoulders' as she has paid off rent arrears, feels in control of her finances, is no longer worried about money and can afford to treat herself and the children if she wants to.
 - o In an improved position and now getting by / keeping up (D in Figure 1). These families comprised a mixture of experiences. This included hhe

these families from getting into greater difficulty was that they were carefully managing their budgets, were very organised and generally knew exactly their income and outgoings. However, without any leeway, covering reductions in income and large or unanticipated costs proves very difficult. In some cases family support was also crucial to keeping afloat.

- o In a worse position and now finding it harder / under increasing pressure (F in Figure 1). At Wave 1 one participant had been on the cusp of getting back on track after a very difficult financial situation and although still had multiple debts she had just been awarded Employment and Support Allowance (ESA) and PIP so was hoping that this could help stabilise her financial situation. However, since Wave 1 her financial situation has worsened and become more precarious due to ESA being withdrawn, receiving less money on JSA and a period of receiving neither. This has resulted in further debt and arrears with bills. Support from family, friends, formal services and local organisations have been helpful. However, the stress and pressure have been enormous, making it even harder for her to manage in a precarious situation over which she has little control.

- x Getting harder / under increasing pressure at Wave 1 but improved and now stuck / finding it hard to keep afloat (G in Figure 1). At Wave 1 these families seemed to be in a somewhat precarious financial situation, for example facing the financial fall out from a separation and being in transition with benefits, or struggling to deal with accumulated debt. In both cases, while they were still finding it challenging to manage, there was less precarity in their situation. In one case income had increased since Wave 1 with more being received in benefits including for additional caring responsibilities. A key factor for

Financial and other benefits of work – a complex relationship

There were mixed experiences and views about the financial implications of changes in employment and benefit of work. On the one hand were those who really felt the benefit of increased working – from a participant who now earned considerably more than at Wave 1 since becoming a taxi driver, to a mother who had started working six hours a week to supplement her husband's full-time wage. On the other hand, others were working the same hours or more and felt no better off

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that and saying oh I have got to go to work today, it just makes me feel good, it makes me feel better....and people can't look down their nose at me and think oh she is just lazy because I am not, I go to work now."

(Couple household, F moved into part-time work)

"[I am] so much more chilled... even things like I go in to work and nothing is a problem, I mean don't get me wrong their get their 8 hours of you know blood out of me ... but when I am not there I am just so much more chilled... And [my child] is glowing now that I am able to walk her to school and pick her up a few days a week ... we have organised all of our after-school activities for the days I am free so we do swimming lessons now, and we do netball and it is even things like I volunteer at the school."

(Lone Parent, moved from full-time to part-time work)

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R: I have to pay £18 a week my own rent because of the benefit cap ... they sent me a letter it was like the Friday before they wanted it paying on the Monday they gave me like that much notice

Q: So how did you manage that?

R: Credit card, ... I mean we were expecting it to happen but I was just like really annoyed like I say, with the way it was done like 3 days' notice
(Couple household, benefits only income, now paying £18 a week towards rent)

“My money just stopped so then you're not prepared for a stop then either, if you're not expecting it ... it has been really difficult, really, really tough, I wouldn't have got through without friends and the food bank.... there are days when there has literally been a tin of beans and a loaf of bread in the cupboard and the kids have eaten and I haven't you know... every time I start to get a handle on it, it changes, so I don't have any control over it what so ever. I can literally get a letter at any time saying the money is stopping so you just don't know, you can't plan anything, I can't plan any payments in the future, past the next maybe next week ... there is no stability, no security in it, no nothing so what do you do? You muddle on and keep your head down and hope that the door doesn't knock.”

(Lone parent household, managing for periods of time without ESA or JSA)

Periods without or between benefits and income from work

At the time of the Wave 2 interviews, all participants were receiving income either from work or from means tested benefits (JSA, Income Support, ESA). However, over the two years some participants had experienced periods without these main sources of income, which caused severe difficulties when managing on a low income. As noted above one lone parent was without JSA or ESA for several months, living on tax credits and PIP which she described as a 'lifeline'. Others who had been made redundant (without any payment) or left a job had periods without income before finding work again, or had lived on tax credits until JSA and Housing Benefit were paid. Several participants in these situations had to turn to family, friends and ex partners for financial, emotional and practical support (see below) but also accrued arrears with rent, and bills. One eventually received Discretionary Housing Payment (DHP), though only after being told about it by her Housing Association, as it had not been mentioned at the JobCentre. Another who had reduced her working hours had to draw on her credit card while waiting for a Housing Benefit and Council Tax Support claim to be processed. On the other hand when moving from benefits into work several participants had found the four-week run-on essential support, especially where a new job was being paid monthly.

“We got tax credits so what we tended to do was just save the tax credits ... and then we just had to budget on what we had at the time. We went for a lot of teas at our families and they fed us a lot. And I mean like we fell behind like really with the gas and the electric, they were ringing us and then we started falling behind with the credit card bills and you know when they were ringing and it got to the stage where you didn't want to answer your phone because you thought it was going to someone mithering for money.”

(Couple household, M was made redundant while F was on statutory maternity pay)

Tax Credits – crucial yet sometimes uncertain income

As at Wave 1, for many of the 18 households tax credits (including under Universal Credit) continued to make a valuable contribution to household income, indeed for some these have been crucial when other sources of income have fluctuated. One family however, had experienced a substantial reduction in their tax credit award when a child had left school,

which had affected their budget massively. A concern, raised at Wave 1 and played out during the two intervening years is the system of tax credits being calculated on a previous year's income. One participant's tax credits of £100 a week had been withdrawn for several months due to an overpayment the previous year when she was living with her partner, but she was ill equipped to pay off having just become a lone parent. The system also presented difficulty for a couple where the mother was just starting work and, despite phoning to check, they had been unable to find out if and how any earnings will affect the family's tax credits. Although she is keen to work this has left uncertainty about whether they will face reduced tax credits in the future and if working will be 'worth it'.

Implications of Universal Credit

One participant had moved onto Universal Credit since Wave 1 when she changed jobs and increased hours. She had been given 'an advance' during the six week delay, though had also drawn on her overdraft during this period as was being paid monthly. However, once established, she said she found it easier dealing with one benefit source (rather than different claims when she had changed jobs in the past), and it kept up with earnings, for example when doing overtime. This aspect of 'real time' earnings adjustment could be seen as helpful, in the light of difficulties (noted above) caused by having to repay overpayments and potential uncertainty about the future impact of earnings on tax credits.

Nonetheless, other aspects of Universal Credit were of real concern, particularly for families on benefits-only income. Families currently receiving benefits on a weekly or two weekly cycle often had in place finely tuned systems of budgeting organised on a weekly basis (e.g. prepaid gas/ electric, food shopping, and doorstep loan repayments). A move to the monthly payment system of Universal Credit would in these cases, upset this balance. Indeed, some

Q: What are the key things that would make it hard for you to cope with Universal Credit?

R: The fact that they leave you so long before you get your money and then I would be worried about how I would pay my bills every month...and I have just heard so many horror stories about how it is never paid on time, and you know people get in rent arrears and threatened with eviction. I think we would be worse off....Well it is like that if they do make it 8 weeks [wait for first payment] and then you just get a months [benefit payment] what are you supposed to do about the other month?...It is just a big worry.

(Couple household, benefit only income)

5. What makes a difference? Factors that can help or hinder family finances over time.

The following section highlights some of the key emerging issues, which have been touched on in the transitions scenarios above. These are factors that interact with income to make a difference to families' financial situations – whether improved, getting worse, keeping on an even keel, just about managing or struggling to keep afloat. Resources such as informal support, health (of parents and children) and household budgeting skills could be vital in their presence or absence. Children's transitions as they age and move to, between and from school and other lifecourse events can place more demands on a family budget or ease it.

The role of informal support - impact over time and how this can change
MIS is based on meeting the needs of a household as a self-contained unit, and as such does not make any assumptions that support can be drawn on from family or friends. In practice the presence of informal support as a resource and what it may or may not provide will vary considerably. As at Wave 1, these interviews demonstrate the crucial role of informal support for families on low incomes, but also highlight that over time, changes in the availability and support roles can influence family finances. Support was provided mainly from participant's families – in particular parents, but also grandparents or siblings, and for some ex-partners and friends or an older non-dependent child were enormously helpful.

The study demonstrates how different aspects of informal support – financial, practical and emotional - were drawn on by the families in our study over the two year period and the difference it made to their lives.

- x Instigate improving a situation. In one case a participant's parent had paid the initial costs to set them up in a business which drastically improved their financial situation over the two years and would have been impossible otherwise.
- x Helping families

References

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