

Living Wage Research for KPMG

Structural Analysis of Hourly Wages and Current Trends in Household Finances

2013 Report

Table of Contents

1. Executive summary	3
2. Introduction	4
3. Analysis of ONS hourly earnings data	5
Occupation analysis	6
Regional analysis	7
Full-time / part-time analysis	16
Private / public sector analysis	16
Gender analysis	17
Age group analysis	17
4. KPMG Living Wage Household Finance Index	18
5. Methodology	20
6. Appendix	23

Enquiries about this report can be addressed to:

Jack Kennedy, Senior Economist, Markit

jack.kennedy@markit.com

Tel: 01491 461087

Tim Moore, Senior Economist, Markit

tim.moore@markit.com

Tel: 01491 461067

Annabel Fiddes, Economist, Markit

annabel.fiddes@markit.com

Tel: 01491 461010

Markit

Videcom House
Newtown Road
Henley on Thames
Oxon, RG9 1HG
United Kingdom

1. Executive summary

1. Structure of hourly pay across UK jobs and regions

i) Key findings:

- There are an estimated 5.24 million people in the UK earning below the Living Wage
- This accounts for around 21 percent of all employees on the latest ONS ASHE survey
- Bar staff and waiters/waitresses are the workers most likely to be paid less than the Living Wage, with an estimated 85 percent of people in these occupations below the threshold
- Sales & retail assistants is the occupation with the highest absolute number of sub-Living Wage earners (810,000)
- Regional data show that Northern Ireland has the highest proportion of employees paid less than the Living Wage at 26 percent, followed by Wales at 25 percent
- London and the South East have the lowest proportion of those earning less than the Living Wage, at 17 percent and 18 percent respectively
- Part-time jobs are far more likely to pay below the Living Wage than full-time roles (43 percent as opposed to 12 percent)
- There are an estimated 3.04 million part-time employees being paid less than the Living Wage, compared with 2.20 million full-time workers

Data source: Markit estimates based on ONS figures

2. KPMG Living Wage Household Finance Index survey

ii) Key findings for October 2013:

- Worsening finances reported by 38% of people earning below the Living Wage
- Debt levels continue to rise for those earning below the Living Wage
- Worries over job security remain more prevalent among those earning less than the Living Wage...
- ...and a continued squeeze on their income levels bucks the upward trend seen elsewhere
- Around half of those earning below the Living Wage (51%) expect their finances to worsen over next 12 months, while only 21% forecast an improvement

Data source: Markit

2. Introduction

The UK Living Wage is an hourly rate of pay set independently and updated annually. It is calculated according to the basic cost of living in the UK, and employers choose to pay the Living Wage on a voluntary basis. According to the Living Wage Foundation, since 2001 the campaign has impacted over 10,000 employees and redistributed over £96 million to some of the lowest paid workers in the UK.

The research herein is compiled by Markit for KPMG and uses the Living Wage threshold as at October 2013, which is as follows:

- Greater London Authority calculates the London Living Wage, which is currently **£8.55 per hour**.
- For the rest of the UK, the Living Wage is calculated by the Centre for Research in Social Policy at Loughborough University and is currently **£7.45 per hour**.
- By comparison, the UK minimum wage in 2012 for people aged 21 and over was £6.19. The figure for 2013 (effective 1st October 2013), is £6.31.

New Living Wage figures for 2013 will be announced in November 2013.

i) About the research

KPMG commissioned Markit Economics to conduct an October 2013 update of its data analysis on the Living Wage, which draws together official hourly earnings figures and Markit's proprietary survey information on UK household finances. The purpose to the research is twofold and outlined below.

In the first section of the research we provide an insight into the regional and job sector distribution of hourly earnings below the Living Wage in the UK. In doing so, we highlight the 'hot spots' for the types of job below the Living Wage and estimate the total number of people whose earnings are below the Living Wage both nationally and by geographic region.

In the second section of the research, we present a unique overview of recent trends in household finances for those on either side of the Living Wage threshold. This survey information shines a light on the contrasting experiences of people earning above and below the Living Wage, and covers four broad themes; financial well-being, labour market sentiment, spending and cost of living trends.

ii) Concept and data sources

The Office for National Statistics (ONS) Annual Survey of Hours and Earnings was used as the data source to estimate the national, regional, sub-regional and job sector distribution of hourly earnings below the Living Wage.

Markit's regular UK Household Finance Index (HFI) survey of 1,500 respondents within the UK was used to compile figures for financial conditions among those either side of the Living Wage threshold.

The methodology section outlines how Markit Economics used these data sources to produce the statistics contained in the main research (see sections 3 and 4).

3. Analysis of ONS hourly earnings data

This section contains results from Markit’s analysis of the 2012 ONS Annual Survey of Hours and Earnings. It aims to provide an up-to-date insight into the prevalence of people earning below the Living Wage across occupations, regions and full-time versus part-time work. Please see section 5 for full methodology.

Key findings:

- There are an estimated 5.24 million people in the UK earning below the Living Wage
- This accounts for around 21 percent of all employees
- Bar staff and waiters/waitresses are the workers most likely to be paid less than the Living Wage, with an estimated 85 percent of people in these occupations below the threshold
- Sales & retail assistants is the occupation with the highest absolute number of sub-Living Wage earners (810,000)
- Regional data show that Northern Ireland has the highest proportion of employees paid less than the Living Wage at 26 percent, followed by Wales at 25 percent
- London and the South East have the lowest proportion of those earning less than the Living Wage, at 17 percent and 18 percent respectively
- Part-time jobs are far more likely to pay below the Living Wage than full-time roles (43 percent as opposed to 12 percent)
- There are an estimated 3.04 million part-time employees being paid less than the Living Wage, compared with 2.20 million full-time workers

3.1 Headline results *(Markit calculations, based on ONS data)*

We estimate from the 2012 ASHE that there are 5.24 million people in the UK earning less than the Living Wage. This is up from our previous estimate of 4.82 million employee jobs (from our October 2012 Living Wage report, which used 2011 ASHE prov data). The increase in our estimate reflects a combination of two factors. Firstly, there has been a rise in the proportion of sub-Living Wage earners to 21 percent from 20 percent one year ago. Secondly, the total number of employees in the UK has increased to 24.59 million from 24.39 million (according to the ONS ASHE survey).

The rise in the *proportion* of jobs paying less than the Living Wage provides evidence that more people have slipped below the threshold as living costs have outstripped earnings growth. The UK Living Wage has increased to £7.45 per hour from £7.20, a rise of 3.5 percent. The London Living Wage stands at £8.55, up from £8.30, an increase of 3 percent. By comparison, the UK median wage has risen to £11.26 from £11.14, a rise of just 1.1 percent. Some of the rise in the *number* of people below the Living Wage may reflect greater total jobs in the UK economy (+203k versus 2011), but this alone cannot explain the increase of more than 400k jobs below the threshold.

Table 3.1.1: Overview of Living Wage statistics

Report year	Total jobs (000s) ¹	UK Living Wage (£)	London Living Wage (£)	UK median wage (£)	No. below Living Wage*	% below Living Wage*
2012	24,385	7.20	8.30	11.14	4,820	20%
2013	24,588	7.45	8.55	11.26	5,237	21%
% change	0.8%	3.5%	3.0%	1.1%	8.7%	

*Markit estimates

¹Employee jobs; excludes self-employed, government-supported trainees and HM Forces.

3.2 Occupational analysis (Markit calculations, based on ONS data)

The dataset contains a detailed breakdown of wage distribution by occupation at the 4-digit Standard Occupation Classification (SOC) level for UK aggregates. Using these figures, we have constructed estimates for the proportion of people earning below the Living Wage for each of these occupations.

Low-skilled service sector jobs predominate in terms of having the greatest proportion of people earning below the Living Wage. The occupations with the highest proportion of people earning below the Living Wage are bar staff and waiters/waitresses, both at 85 percent according to Markit estimates. The obvious caveat here is the tendency of these types of jobs to attract additional earnings in the form of discretionary tips, which are not covered by the ONS data. Ranked third in this table are kitchen and catering assistants, with 80 percent of employees below the Living Wage.

Table 3.2.1: Top 10 occupations by proportion below Living Wage: UK

Rank	Occupation	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
1	Bar staff	176	6.09	1.6	6.53	1.3	85%
2	Waiters and waitresses	165	6.10	1.7	6.61	1.7	85%
3	Kitchen and catering assistants	460	6.25	1	6.73	0.4	80%
4	Vehicle valeters and cleaners	12	6.57	1	7.12	2.9	75%
5	Launderers, dry cleaners and pressers	23	6.39	-0.8	6.98	-2.3	70%
6	Leisure and theme park attendants	32	6.49	2.7	6.74	-1.4	70%
7	Cleaners and domestics	645	6.54	0.6	7.31	1.3	70%
8	Sales and retail assistants	1,152	6.69	2	7.60	1	70%
9	Hairdressers and barbers	53	6.56	0.9	7.23	-2.6	65%
10	Florists	5	6.68	2.2	7.18	3.3	65%

*Markit estimates

Figure 3.1.1 illustrates the top 10 occupations by number of people below the Living Wage, whereby the larger the size of the circle, the greater the number of sub-Living Wage earners in that category. The circles are distributed along the vertical axis according to the percentage of earners below the Living Wage in that occupation.

Figure 3.2.1: Top 10 occupations by number below Living Wage

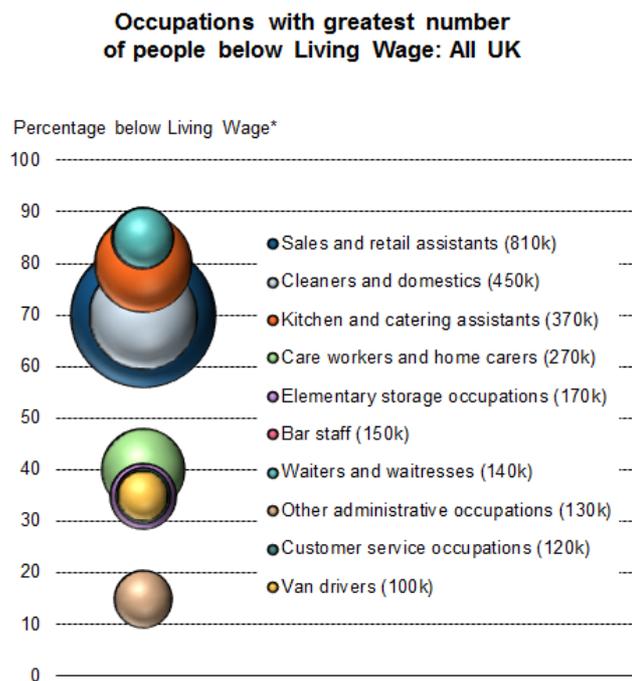


Table 3.2.2: Top 10 occupations by number below Living Wage: UK

Looking at the number of people in each occupation earning below the Living Wage, the largest category is sales & retail assistants, at an estimated 1,152,000. In second place is cleaners & domestics (645,000), followed by kitchen & catering assistants (460,000).

Rank	Occupation	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	No. below Living Wage (000s)*
1	Sales and retail assistants	1,152	6.69	2	7.60	1	810
2	Cleaners and domestics	645	6.54	0.6	7.31	1.3	450
3	Kitchen and catering assistants	460	6.25	1	6.73	0.4	370
4	Care workers and home carers	671	7.89	0.8	8.54	0.6	270
5	Elementary storage occupations	470	8.24	2.4	8.96	3.1	170
6	Bar staff	176	6.09	1.6	6.53	1.3	150
7	Waiters and waitresses	165	6.10	1.7	6.61	1.7	140
8	Other administrative occupations	859	9.22	1.3	10.47	0.8	130
9	Customer service occupations	347	8.52	3.8	9.36	2.3	120
10	Van drivers	284	8.15	0.3	9.03	-0.2	100

*Markit estimates

In terms of broad job categories (at the 3-digit Standard Occupation Classification level), Elementary personal services occupations has the highest proportion of workers below the Living Wage, at an estimated 80 percent. This is followed by Elementary cleaning occupations and Sales assistants & retail cashiers at 65 percent.

Table 3.2.3: Top 10 broad occupations by proportion below Living Wage: UK

Rank	Occupation	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
1	Elementary personal services occupations	854	6.20	2.2	6.70	0.6	80%
2	Elementary cleaning occupations	718	6.60	1	7.48	1	65%
3	Sales assistants and retail cashiers	1386	6.75	1.4	7.69	1	65%
4	Hairdressers and related services	75	6.83	2.5	7.74	0.8	60%
5	Elementary security occupations	287	7.63	2.9	9.17	1.5	45%
6	Elementary agricultural occupations	59	7.72	-0.6	8.28	-1.1	40%
7	Elementary process plant occupations	229	7.75	0.5	8.73	1.3	40%
8	Food preparation and hospitality trades	368	7.88	1.4	8.83	0.5	35%
9	Cleaning and housekeeping managers	42	7.90	-0.8	9.17	-1.8	35%
10	Childcare and related personal services	669	7.99	-0.3	8.75	-1.4	35%

*Markit estimates

See appendix for details of which occupations are included within broad groupings

3.3 Regional analysis (Markit calculations, based on ONS data)

Broken down by region, the data show that Northern Ireland has the highest proportion of people earning below the Living Wage, at 26 percent. Closely behind is Wales at 25 percent, followed by the East Midlands and Yorkshire & Humber, both at 24 percent.

At the other end of the scale, the lowest proportion of sub-Living Wage earners is in London at 17 percent, even accounting for the higher Living Wage figure in the capital (£8.55 as opposed to £7.45 for the rest of the UK). The South East has the second-lowest proportion of sub-Living Wage earners at 18 percent.

In terms of the number of people earning less than the Living Wage, this is highest in the North West and London at 600,000 and 586,000 respectively.

Table 3.3.1: Regions by **number and proportion** of earners below Living Wage

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Mean wage	Annual % chg	No. below Living Wage*	% below Living Wage*
1	Northern Ireland	769	10.08	1.6	12.98	1.7	197	26%
2	Wales	1,086	10.08	1	12.77	0.6	266	25%
3	East Midlands	1,707	10.24	1.5	13.26	1.4	409	24%
4	Yorkshire & Humber	2,009	10.37	1.7	13.34	1.8	477	24%
5	West Midlands	2,146	10.45	1.4	13.47	1.2	502	23%
6	North East	946	10.36	1.3	13.17	0.3	221	23%
7	South West	2,100	10.42	1.6	13.42	0.9	479	23%
8	North West	2,630	10.51	1.7	13.59	1.3	600	23%
9	East	2,250	10.85	1	13.98	0.7	497	22%
10	Scotland	2,176	11.13	1.5	14.22	1.7	435	20%
11	South East	3,238	12.10	2.5	15.67	1.9	567	18%
12	London	3,532	15.74	0.8	20.36	-1.1	586	17%
	United Kingdom	24,588	11.26	1.1	14.82	0.7	5,237	21%

*Markit estimates

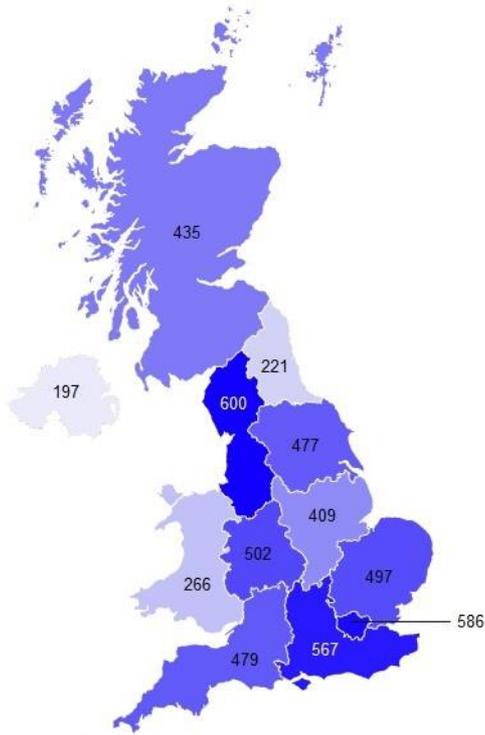
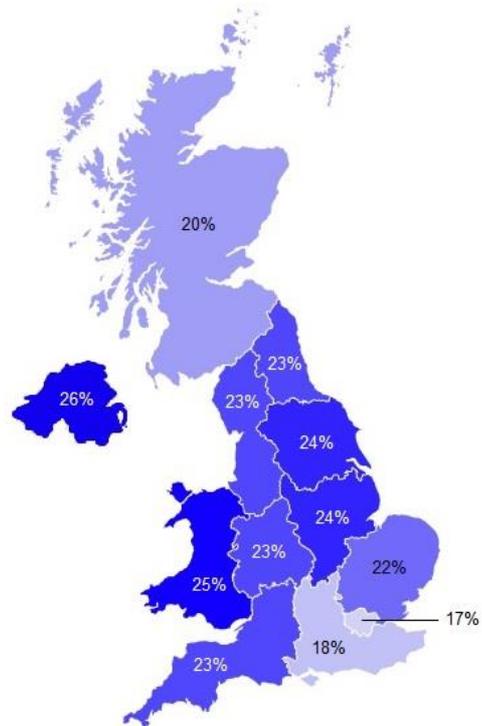


Figure 3.3.3: Regional heatmap by **number** of earners below Living Wage ('000s)*

*Markit estimates

Figure 3.3.4: Regional heatmap by **proportion** of earners below Living Wage*



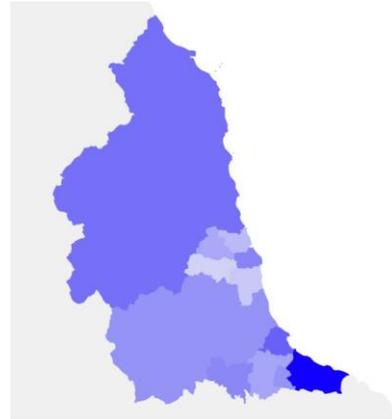
*Markit estimates

3.3 (cont.) Breakdown by local/unitary authority *(Markit calculations, based on ONS data)*

This section contains a regional breakdown of the Living Wage data. The three sub-regions (local authorities or unitary authorities) with the highest prevalence of jobs paying below the Living Wage are highlighted in the tables for each area.

North East: key statistics

- Total number in employment: 946,000
- Median wage: £10.36 (UK = £11.26)
- Estimated number below Living Wage: 221,000
- Estimated proportion below Living Wage: 23% (UK = 21%)



18.2



32.9

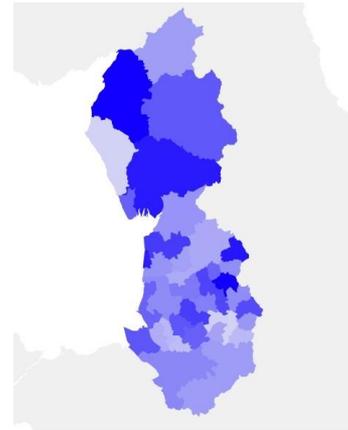
Proportion of jobs in local area (%) paying less than the Living Wage

North East: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Redcar and Cleveland	33	9.13	33%
2	Hartlepool	30	10.08	28%
3	Northumberland	88	9.80	27%
	North East	946	10.36	23%

North West: key statistics

- Total number in employment: 2,630,000
- Median wage: £10.51 (UK = £11.26)
- Estimated number below Living Wage: 600,000
- Estimated proportion below Living Wage: 23% (UK = 21%)



12.9 → 38.4

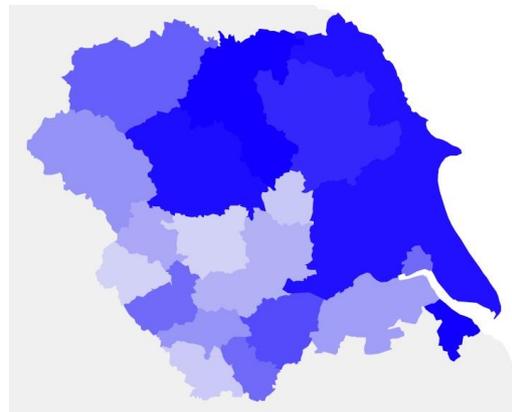
Proportion of jobs in local area (%) paying less than the Living Wage

North West: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Allerdale	32	8.39	38%
2	Rossendale	18	8.79	32%
3	Pendle	25	10.08	31%
	North West	2,630	10.51	23%

Yorkshire & The Humber: key statistics

- Total number in employment: 2,009,000
- Median wage: £10.37 (UK = £11.26)
- Estimated number below Living Wage: 477,000
- Estimated proportion below Living Wage: 24% (UK = 21%)



18.4 → 30.7

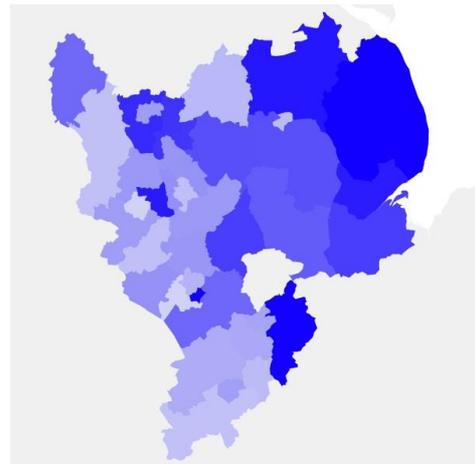
Proportion of jobs in local area (%) paying less than the Living Wage

Yorkshire & The Humber: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	North East Lincolnshire	56	9.24	31%
2	Hambleton	29	9.67	30%
3	Harrogate	67	9.56	30%
	Yorkshire & Humber	2,009	10.37	24%

East Midlands: key statistics

- Total number in employment: 1,707,000
- Median wage: £10.24 (UK = £11.26)
- Estimated number below Living Wage: 409,000
- Estimated proportion below Living Wage: 24% (UK = 21%)



16.6 → 35.8

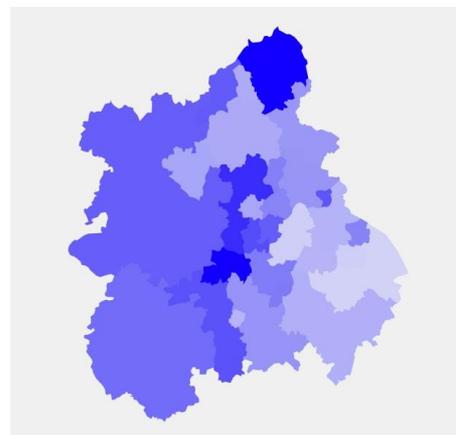
Proportion of jobs in local area (%) paying less than the Living Wage

East Midlands: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Oadby and Wigston	17	8.86	36%
2	East Lindsey	32	8.54	34%
3	East Northamptonshire	25	8.80	34%
	East Midlands	1,707	10.24	24%

West Midlands: key statistics

- Total number in employment: 2,146,000
- Median wage: £10.45 (UK = £11.26)
- Estimated number below Living Wage: 502,000
- Estimated proportion below Living Wage: 23% (UK = 21%)



14.6 → 36.3

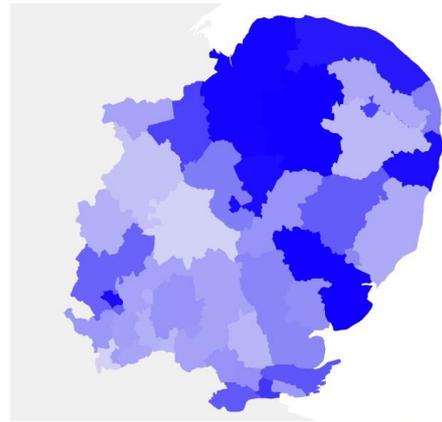
Proportion of jobs in local area (%) paying less than the Living Wage

West Midlands: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Wyre Forest	24	8.45	36%
2	Staffordshire Moorlands	25	9.17	36%
3	South Staffordshire	24	9.26	33%
	West Midlands	2,146	10.45	23%

East of England: key statistics

- Total number in employment: 2,250,000
- Median wage: £10.85 (UK = £11.26)
- Estimated number below Living Wage: 497,000
- Estimated proportion below Living Wage: 22% (UK = 21%)



11.2 → 40.3

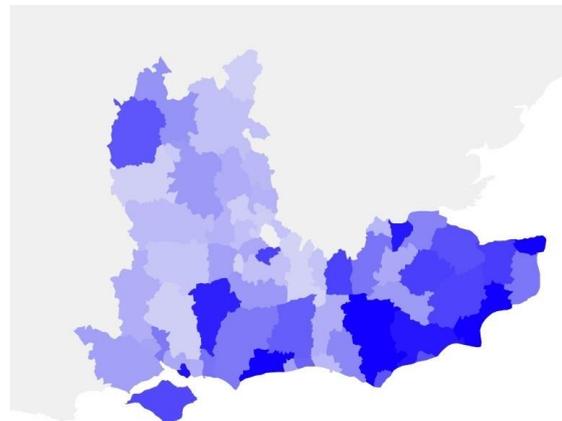
Proportion of jobs in local area (%) paying less than the Living Wage

East of England: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Babergh	32	8.60	40%
2	Tendring	28	8.96	34%
3	Breckland	35	9.19	33%
	East	2,250	10.85	22%

South East: key statistics

- Total number in employment: 3,238,000
- Median wage: £12.10 (UK = £11.26)
- Estimated number below Living Wage: 567,000
- Estimated proportion below Living Wage: 18% (UK = 21%)



10.1 → 34.4

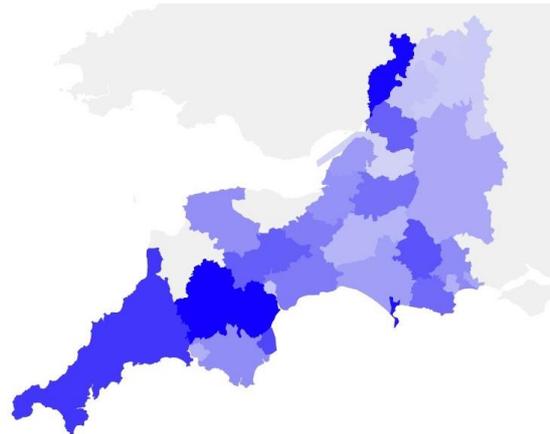
Proportion of jobs in local area (%) paying less than the Living Wage

South East: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Arun	31	9.01	34%
2	Thanet	30	9.21	31%
3	Shepway	25	10.26	29%
	South East	3,238	12.10	18%

South West: key statistics

- Total number in employment: 2,100,000
- Median wage: £10.42 (UK = £11.26)
- Estimated number below Living Wage: 479,000
- Estimated proportion below Living Wage: 23% (UK = 21%)



14.4 → 36.4

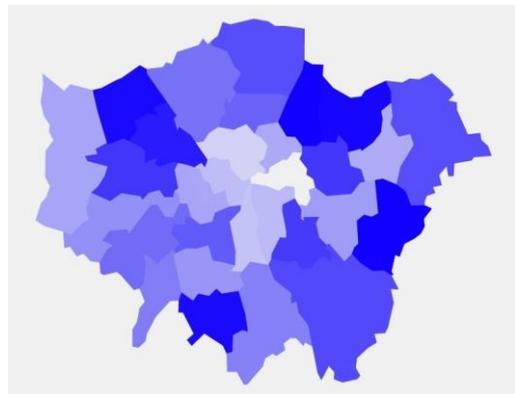
Proportion of jobs in local area (%) paying less than the Living Wage

South West: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Teignbridge	37	8.70	36%
2	West Devon	15	9.00	35%
3	Forest of Dean	19	9.13	35%
	South West	2,100	10.42	23%

London: key statistics

- Total number in employment: 3,532,000
- Median wage: £15.74 (UK = £11.26)
- Estimated number below Living Wage: 586,000
- Estimated proportion below Living Wage: 17% (UK = 21%)



10.2 → 32.9

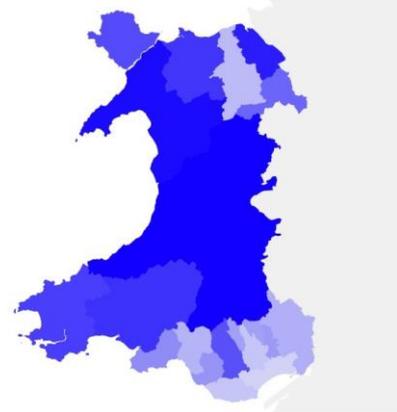
Proportion of jobs in local area (%) paying less than the Living Wage

London: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Waltham Forest	38	11.88	33%
2	Bexley	59	11.52	31%
3	Redbridge	42	12.09	31%
	London	3,532	15.74	17%

Wales: key statistics

- Total number in employment: 1,086,000
- Median wage: £10.08 (UK = £11.26)
- Estimated number below Living Wage: 266,000
- Estimated proportion below Living Wage: 25% (UK = 21%)



18.2 → 32.0

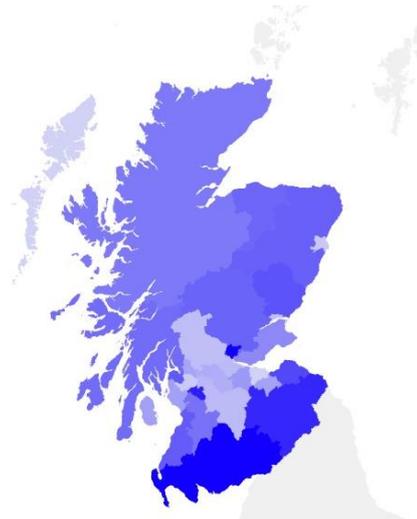
Proportion of jobs in local area (%) paying less than the Living Wage

Wales: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Ceredigion	25	9.03	32%
2	Powys	37	8.85	31%
3	Gwynedd	45	8.95	31%
	Wales	1,086	10.08	25%

Scotland: key statistics

- Total number in employment: 2,176,000
- Median wage: £11.13 (UK = £11.26)
- Estimated number below Living Wage: 435,000
- Estimated proportion below Living Wage: 20% (UK = 21%)



14.8 → 36.3

Proportion of jobs in local area (%) paying less than the Living Wage

Scotland: top 3 sub-regions below Living Wage

Rank	Sub-region	Total jobs (000s)	Median wage (£)	% below Living Wage*
1	Dumfries and Galloway	48	8.59	36%
2	Clackmannanshire	12	9.94	29%
3	East Renfrewshire	15	9.62	28%
	Scotland	2,176	11.13	20%

3.4 Full-time / part-time analysis *(Markit calculations, based on ONS data)*

Significant disparities are apparent in the prevalence of earners below the Living Wage broken down into full-time and part-time work. The proportion of sub-Living Wage earners in the former category is just 12 percent, far lower than the figure of 43 percent for the latter group.

Indeed, despite accounting for less than a third of all UK jobs, there are more part-time roles paying less than the Living Wage (3.04 million) than the equivalent figure for full-time jobs (2.20 million).

Differing job types of course play a part in this, with typically low-paid (but relatively large in size) services occupations such as retail and hospitality tending to employ greater numbers of part-time workers.

Table 3.4.1: Full-time / part-time jobs by number and proportion below Living Wage

Type of work	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*	No. below Living Wage (000s)*
Full-time	17,569	12.82	1.4	15.55	0.8	12%	2,196
Part-time	7,019	8.01	0.2	10.92	0.1	43%	3,041
All	24,588	11.26	1.1	14.82	0.7	21%	5,237

*Markit estimates

3.5 Private / public sector analysis *(Markit calculations, based on ONS data)*

As would be expected given the mix of job types, the prevalence of sub-Living Wage earners is substantially higher in the private sector than in the public sector. An estimated 27 percent of private sector employees are below the threshold, compared with less than 10 percent of public sector workers¹.

Table 3.5.1: Private / public sector jobs by proportion below Living Wage

Sector	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
Private	15,956	10.15	1.5	14.18	0.9	27%
Public	6,623	13.88	2.1	16.41	0.9	less than 10%
Not classified	2,008	12.35	0.4	15.12	0.1	n/a

*Markit estimates; calculation excludes Northern Ireland

¹ the distribution of earnings provided in the ASHE dataset precludes a more precise estimate being calculated

3.6 Gender analysis *(Markit calculations, based on ONS data)*

The proportion of females earning less than the Living Wage is considerably higher than among males. An estimated 27 percent of females earn less than the benchmark, compared with just 16 percent of males. This is likely a reflection of the greater propensity of females to be in part-time work. As suggested in section 5.3, part-time jobs are much more likely to pay less than the Living Wage than full-time roles.

Table 3.6.1: Gender jobs by proportion below Living Wage

Gender	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
Male	12,446	12.60	0.8	16.12	0.3	16%
Female	12,142	10.05	1.4	13.12	1.5	27%

*Markit estimates

3.7 Age group analysis *(Markit calculations, based on ONS data)*

Looking at the data by age group, by far the highest proportion of sub-Living Wage employees is in the 18-21 year old category. An estimated 72 percent of people in this category are below the threshold. This falls to 27 percent for those aged 22-29. For employees in their 30s the figure is just 14 percent, while for those in their 40s and 50s the proportions are 15 percent and 16 percent respectively. For those over 60, the percentage rises to 24 percent.

Table 3.7.1: Age group jobs by proportion below Living Wage

Age group	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
18-21	1,312	6.57	1.7	7.47	3	72%
22-29	4,165	9.59	1.3	11.37	1.2	27%
30-39	5,632	13.14	1.5	15.77	0.1	14%
40-49	6,571	12.87	1.8	16.63	0.3	15%
50-59	4,948	12.08	0.9	16.13	1.2	16%
60+	1,774	10.21	2.1	14.17	2.5	24%

*Markit estimates; calculation excludes Northern Ireland

4. KPMG Living Wage Household Finance Index Survey

Rising debt levels and subdued income trends result in substantial squeeze on household finances for people earning below the Living Wage

Key points for October 2013:

- Worsening household finances reported by 38% of people earning below the Living Wage
- Debt levels continue to rise for those earning below the Living Wage
- Worries over job security remain more prevalent among those earning less than the Living Wage...
- ...and a continued squeeze on their income levels bucks the upward trend seen elsewhere
- Around half of those earning below the Living Wage (51%) expect their finances to worsen over next 12 months, while only 21% forecast an improvement

Survey data from UK households in October 2013 highlighted substantial strains on financial wellbeing among those earning less than the Living Wage (see section 5 for methodology notes). Around 38% of respondents earning less than the Living Wage noted a deterioration in their financial health over the month, compared to just 7% that saw an improvement. For those earning above the Living Wage¹, the proportions were 23% and 9% respectively, thereby highlighting a much less marked squeeze on finances compared to those paid less than the Living Wage (see Table 4 for full dataset and comparisons with the October 2012 survey).

Both income groups were less downbeat about their overall household finances than was the case at the same time last year, but only those earning above the Living Wage are more confident about their financial future than they were in 2012. More than half of all respondents earning less than the Living Wage (51%) anticipate that their finances will worsen over the next 12 months, while only 21% forecast an improvement. The balance was much less negative among those earning more than the Living Wage, as 28% expect an improvement and 36% anticipate a deterioration in their financial wellbeing over the year ahead.

October survey data pointed to divergent debt trends on either side of the Living Wage threshold. Around 22% of those earning less than the Living Wage reported an increase in debt, while only 13% saw a fall. A negative trend was also seen for this income cohort in October 2012, but the rate of debt accumulation was faster in 2013 (the diffusion index rose to 54.5, from 51.6 in 2012). In contrast, those earning more than the Living Wage reported that they were paying down their debt on average in October 2013 (20% noted a decrease in debt levels, and only 15% signalled a rise).

¹ In this section, for simplicity we use the phrases 'above the Living Wage' and 'the Living Wage and above' interchangeably, since the survey results have been grouped into two pay categories – 'below the Living Wage', and 'all other employees'.

With people earning below the Living Wage continuing to accumulate debt, it was unsurprising to see that those in this income group with savings were depleting their cash reserves to a greater degree than the cohort of people earning more than the Living Wage. Just one-in-eleven respondents earning less than the Living Wage reported a rise in savings, while around one-in-seven of those paid more than the Living Wage registered an increase in their household savings.

The latest survey highlights that pressures on real incomes from greater living costs and weak pay trends remain key factors behind the squeeze on household finances for people on either side of the Living Wage threshold. That said, current inflation perceptions were slightly lower for both income groups than was the case at the same time in 2012. Meanwhile, there were divergent trends in terms of pay according to the October 2013 data, likely reflecting the fact that people earning below the Living Wage are more likely to work in jobs with part-time and discretionary hours. Of those earning less than the Living Wage, twice as many (18%) noted a drop in income as those that reported a rise (9%), while those paid more than the Living Wage signalled a positive trend for their income from employment.

October's survey provided some positive signals in terms of job security and workplace activity compared to the situation at the same time in 2012. Both sides of the Living Wage threshold noted higher index readings for job security than those posted in October 2012, with sentiment remaining stronger among those earning more than the Living Wage. Workplace activity meanwhile increased on the month in October 2013 for people earning more than the Living Wage, and those earning less than the Living Wage noted a slower pace of decline than was the case at the same time last year. This is an indication that underlying economic conditions are more favourable than in October 2012, which provides a rare positive signal in an otherwise gloomy set of survey data for finances at households across the UK.

Table 4: Summary of data findings in October 2013

Indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month.

Readings above 50.0 signal an increase; readings below 50.0 signal a decline. Percentages rounded in the table.

Question <i>(vs. one month ago unless specified)</i>	People earning below the Living Wage						People earning the Living Wage and above					
	October 2013			Index	Change vs. 2012	Oct-12 Index	October 2013			Index	Change vs. 2012	Oct-12 Index
% Higher	% Same	% Lower	% Higher				% Same	% Lower				
Financial Well-being												
Household finances	7%	56%	38%	34.4	↑	32.7	9%	67%	23%	43.2	↑	41.9
Hhold finances in 12 months' time	21%	28%	51%	34.7	↓	37.8	28%	36%	36%	45.5	↑	39.1
Savings	9%	61%	30%	39.5	↑	37.5	15%	60%	24%	45.3	↑	43.1
Cash availability	3%	57%	40%	31.8	↓	35.1	10%	61%	29%	40.5	↓	42.0
Debt	22%	65%	13%	54.5	↑	51.6	15%	65%	20%	47.8	↑	47.2
Need for unsecured credit	12%	78%	9%	51.7	↑	52.9	15%	78%	7%	53.6	↑	51.0
Labour Market												
Job security	10%	67%	22%	43.8	↑	43.1	10%	72%	19%	45.4	↑	45.2
Workplace activity	17%	57%	25%	45.9	↑	43.9	25%	62%	13%	56.3	↑	53.8
Income from employment	9%	74%	18%	45.5	↓	50.5	10%	82%	7%	51.5	↑	49.7
Spending Sentiment												
Spending	24%	55%	21%	51.7	↑	52.1	24%	60%	16%	54.1	↑	51.6
Appetite for major purchases	8%	47%	44%	31.8	↑	29.3	9%	58%	34%	37.6	↑	37.5
Ease of obtaining unsecured credit	7%	77%	16%	45.2	↑	42.6	7%	84%	9%	48.8	↑	47.1
Cost of Living												
Cost of living	68%	28%	4%	81.8	↓	86.7	67%	31%	3%	82.0	↓	86.7
Cost of living in 12 months' time	84%	14%	1%	91.4	↑	89.6	86%	13%	1%	92.6	↓	93.8

5. Methodology

i) ONS hourly earnings data analysis

The structural information on Living Wages, analysed in section 3, is based on data from the 2012 Annual Survey of Hours and Earnings (ASHE) conducted by the Office for National Statistics (ONS). This survey provides a detailed breakdown of hourly earnings across occupations, with results published on both a national and UK regional basis.

Office for National Statistics: Annual Survey of Hours and Earnings

The Annual Survey of Hours and Earnings (ASHE) is based on a 1 per cent sample of employee jobs taken from HM Revenue & Customs (HMRC) PAYE records. Information on earnings and hours is obtained from employers and treated confidentially. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period.

The ASHE includes percentile wage bands for each occupation, to illustrate the broad distribution of earnings within a particular grouping. This highlights patterns of hourly earnings below the Living Wage for a given occupation (and within a particular UK region).

However, the limitation of the data set is a lack of more detailed information on the distribution of wages *within* percentile bands (and the width of each band is at least five percentage points). Therefore, no official figure is published for either the *exact* percentage or number of jobs that are below the Living Wage within each occupation type and region. We have sought to overcome this limitation by generating our own estimates, thereby providing greater detail around the structure of hourly pay patterns across the UK.

The estimates are derived from a simple calculation, and give our best assessment of the exact number and percentage of workers in each occupational category that are earning below the Living Wage. The first step for estimating these proportions was an assumption that the distribution of earnings follows a linear trend between the percentile bands that are published by the ONS. This assumption is both intuitively appealing, and a casual inspection of the dataset gives little evidence to the contrary. For example, there does not seem to be clustering around particular wage points or erratic hourly earning spreads across the percentile bands.

We then identify the percentile band within which the Living Wage falls for each occupation in the dataset, and interpolate the exact percentage of employees that fall either side of the threshold (assuming a linear trend in the distribution). Because the ONS publish the total number of jobs within each occupational category, it is then a simple calculation to obtain an estimate of the actual number of workers above and below the Living Wage threshold.

Having run this analysis over the dataset, lists of 'hotspots' by sector, region and sub-region were created detailing where the highest or lowest proportions of people are earning less than the Living Wage. Estimates have been rounded where appropriate.

Due to the difference in the Living Wage between London and the rest of the UK, the estimate for the number of people below the Living Wage at the overall UK level is derived from aggregating the regional estimates (i.e. a 'bottom up' approach).

ii) KPMG Living Wage Household Finance Index survey

In October 2013, an additional question was added to the Markit Household Finance Index (HFI) survey (see information box below) which enabled a comparison of key trends in household finances between those earning below the Living Wage and those earning the Living Wage and above. The aim was to benchmark the trends in

financial well-being across the Living Wage threshold, thereby highlighting key areas of pressure on household finances such as debt, savings and living costs.

Markit Household Finance Index™

The Markit Household Finance Index™ (HFI™) survey was first conducted in February 2009 and is designed to accurately anticipate changing consumer behaviour each month. The HFI tracks objective “hard data” on actual month-on-month changes in financial well-being, focusing on household spending, savings and debt levels, and also includes several forward-looking opinion questions to help anticipate future trends.

The survey is based on monthly responses from approximately 1,500 individuals in Great Britain, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. Due to the limited history of data, indices are not adjusted for seasonal influences.

The new question was placed into the regular HFI questionnaire as shown in the information box below. This formed a ‘Living Wage filter’ for all responses to the individual questions on the HFI survey, such as those on debt, savings and the cost of living. In order to make the figures consistent on a residence basis, a code was also introduced so that respondents living in London were asked whether their hourly wage was higher/same/lower than £8.55, while for respondents in the rest of the UK the figure was £7.45.

KPMG Living Wage survey filter

Q. ASK ALL WHO ARE EMPLOYED

“How does your hourly wage compare to [£8.55] IF REGION IS LONDON / [£7.45] IF REGION IS NOT LONDON. Is it:”

SELECT ONE

1. Higher
2. Equal
3. Lower
4. Don't know
5. Prefer not to say

With those earning higher, the same and lower than the Living Wage now identified, the next step was to calculate the answers to the regular HFI questions. Responses were split between those below the Living Wage and those earning the same or more than the Living Wage, which was 209 and 707 survey members respectively in the October HFI. The fieldwork was conducted between the 10th and 14th October 2013. Additional background data analysis was also undertaken to ensure that these respondents were representative of the true national population (i.e. in terms of UK region, age and gender).

The exact questions asked by the monthly Household Finance Index survey are in the information box below. For each question, results have been split between those earning above (or the same as) the Living Wage, and below the Living Wage.

KPMG Living Wage Household Finance Index

Survey questions (higher/same/lower than one month ago, unless otherwise stated)

1. How has the amount of **cash your household has available to spend** changed?
2. How has the amount of **cash your household actually spent this month** changed?
3. How has your household's **financial situation** changed?
4. How do you think your household's **financial situation will have changed 12 months from now?**
5. Is now generally a worse time or a better **time to make major purchases** (such as a car, holiday booking, large household appliance, etc)?
6. How has your household's level of **savings** changed?
7. How **secure do you think your job** is?
8. How has the level of business **activity at your place of work** changed?
9. How has the level of **income from your employment** changed?
10. How has your household's existing level of **debt** changed?
11. How has your **need for additional borrowing** changed in respect of the following?(credit cards/overdrafts/other)
12. How easy is it for you to get **access to credit** in respect of the following?(credit cards/overdrafts/other unsecured loans)
13. How do you think **prices generally for goods and services** that you buy have changed?
14. How do you think **prices generally for goods and services that you buy will have changed 12 months from now?**

6. Appendix

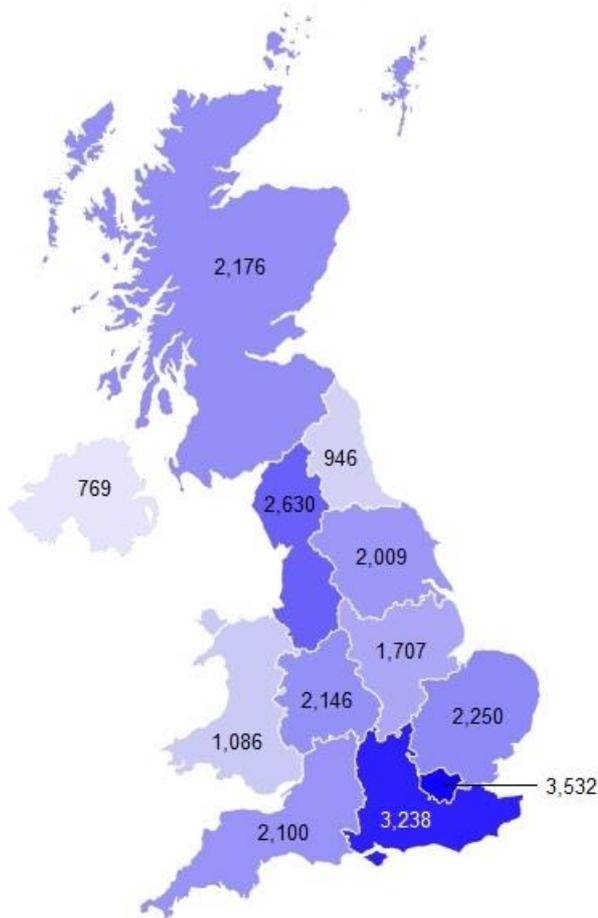
Table 6.1: Top 10 broad occupation groups below Living Wage: Standard Occupation Classification codes breakdown

Food preparation and hospitality trades	543	Childcare and related personal services	612
Butchers	5431	Nursery nurses and assistants	6121
Bakers and flour confectioners	5432	Childminders and related occupations	6122
Fishmongers and poultry dressers	5433	Playworkers	6123
Chefs	5434	Teaching assistants	6125
Cooks	5435	Educational support assistants	6126
Catering and bar managers	5436		
Hairdressers and related services	622	Cleaning managers and supervisors	624
Hairdressers and barbers	6221	Cleaning managers and supervisors	6240
Beauticians and related occupations	6222		
Sales assistants and retail cashiers	711	Elementary agricultural occupations	911
Sales and retail assistants	7111	Farm workers	9111
Retail cashiers and check-out operators	7112	Forestry workers	9112
Telephone salespersons	7113	Fishing and agriculture related occupations n.e.c.	9119
Pharmacy and other dispensing assistants	7114		
Vehicle and parts salespersons and advisers	7115		
Elementary process plant occupations	913	Elementary cleaning occupations	923
Labourers in foundries	9131	Window cleaners	9231
Industrial cleaning process occupations	9132	Street cleaners	9232
Printing machine minders and assistants	9133	Cleaners and domestics	9233
Packers, bottlers, canners, fillers	9134	Launderers, dry cleaners and pressers	9234
Labourers in process and plant operations n.e.c.	9139	Refuse and salvage occupations	9235
		Vehicle valeters and cleaners	9236
		Elementary cleaning occupations n.e.c.	9239
Elementary security occupations	924	Other elementary services occupations	927
Security guards and related occupations	9241	Hospital porters	9271
Parking and civil enforcement occupations	9242	Kitchen and catering assistants	9272
School midday and crossing patrol occupations	9244	Waiters and waitresses	9273
Elementary security occupations n.e.c.	9249	Bar staff	9274
		Leisure and theme park attendants	9275
		Other elementary services occupations n.e.c.	9279

Table 6.2: Summary of occupations – proportion below Living Wage: UK

Percent below Living Wage (est)	Occupations	
80-89	Bar staff Waiters and waitresses	Kitchen and catering assistants
70-79	Launderers, dry cleaners and pressers Vehicle valeters and cleaners Leisure and theme park attendants	Cleaners and domestics Sales and retail assistants
60-69	Hairdressers and barbers Florists Other elementary services occupations n.e.c. Retail cashiers and check-out operators	School midday and crossing patrol occupations Elementary administration occupations n.e.c. Elementary sales occupations n.e.c. Fishmongers and poultry dressers
50-59	Weighers, graders and sorters Nursery nurses and assistants Playworkers Animal care services occupations n.e.c. Beauticians and related occupations	Horticultural trades Packers, bottlers, canners and fillers Sewing machinists Elementary cleaning occupations n.e.c.
40-49	Housekeepers and related occupations Fishing and other elementary agriculture n.e.c. Pharmacy and other dispensing assistants Care escorts Cooks Food, drink and tobacco process operatives Taxi and cab drivers and chauffeurs	Sports and leisure assistants Chefs Market research interviewers Leisure and travel service occupations n.e.c. Farm workers Care workers and home carers Industrial cleaning process occupations
30-39	Cleaning and housekeeping managers and supervisors Educational support assistants Childminders and related occupations Receptionists Senior care workers Tyre, exhaust and windscreen fitters Shelf fillers Vehicle and parts salespersons and advisers Sales supervisors Assemblers and routine operatives n.e.c. Assemblers (electrical and electronic products)	Elementary storage occupations Telephonists Merchandisers and window dressers Customer service occupations n.e.c. Butchers Van drivers Textile process operatives Security guards and related occupations Travel agents Agricultural and fishing trades n.e.c. Elementary process plant occupations n.e.c.
20-29	Call and contact centre occupations Bakers and flour confectioners Teaching assistants Groundsmen and greenkeepers Telephone salespersons Paper and wood machine operatives Plastics process operatives Construction operatives n.e.c. Parking and civil enforcement occupations Glass and ceramics process operatives Fork-lift truck drivers Debt, rent and other cash collectors	Gardeners and landscape gardeners Caretakers Elementary construction occupations Print finishing and binding workers Metal working machine operatives Fitness instructors Printing machine assistants Financial administrative occupations n.e.c. Publicans and managers of licensed premises Catering and bar managers Sales related occupations n.e.c.
10-19	Dental nurses Typists and related keyboard occupations Refuse and salvage occupations Veterinary nurses Glaziers, window fabricators and fitters Other administrative occupations n.e.c. School secretaries Nursing auxiliaries and assistants Restaurant and catering managers and proprietors Stock control clerks and assistants Elementary security occupations n.e.c. Houseparents and residential wardens Estate agents and auctioneers Plant and machine operatives n.e.c. Chemical and related process operatives Managers and directors in retail and wholesale Business sales executives Library clerks and assistants	Sales administrators Legal secretaries Human resources administrative occupations Undertakers, mortuary and crematorium assistants Postal workers, mail sorters, messengers and couriers Laboratory technicians Mobile machine drivers and operatives n.e.c. Other skilled trades n.e.c. Routine inspectors and testers Vehicle technicians, mechanics and electricians Photographers and audio-visual equipment operators Company secretaries Printers Officers of non-governmental organisations Sports coaches, instructors and officials Air travel assistants Conference and exhibition managers and organisers

Figure 6.2: Regional heatmap by **total number of jobs** ('000s)



The intellectual property rights to the research and survey data provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Household Finance Index and HFI are trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.