

Living Wage Research for KPMG

Structural Analysis of Hourly Wages and Current Trends in Household Finances

2014 Report

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1. Executive summary

1. Structure of hourly pay across UK jobs and regions

i) Key findings:

- There are an estimated 5.28 million people in the UK earning less than the Living Wage
- This equates to 22 percent of all employees on the latest ONS ASHE survey
- The occupations with the highest proportion of sub-Living Wage earners are bar staff (90 percent), waiters & waitresses (85 percent) and kitchen & catering assistants (80 percent)
- Sales & retail assistants is the category with the highest number of below-Living Wage earners (760,000)
- By region, the proportion of workers earning below the Living Wage is highest in Northern Ireland at 27 percent, followed by the North East and Yorkshire & Humber (both 25 percent)
- London has the lowest proportion of workers below the Living Wage at 17 percent, with the South East next at 18 percent
- Part-time jobs are much more likely to pay below the Living Wage than full-time roles (43 percent versus 13 percent)
- There are an estimated 2.98 million part-time employees earnings less than the Living Wage, compared with 2.29 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 2014:

- Around 29% of people earning below the Living Wage reported downward pressure on household finances in October...
- ...this figure was down from 38% at the same time in 2013, but still around three times the number signalling an improvement (10%)
- The proportion noting higher living costs (54%) was also lower than reported in October 2013 (68%)
- Job insecurity and squeezed pay remain most prevalent among those earning less than the Living Wage
- People earning below the Living Wage expect their finances to worsen during the next 12 months
- Debt levels continued to rise among those earning less than the Living Wage

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 2014, which is as follows:

- Greater London Authority calculates the London Living Wage, which is currently **£8.80 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 **£7.65 per hour**.
- By comparison, the UK minimum wage in 2013 for people aged 21 and over was £6.31. The figure for 2014 (effective 1st October 2014), is £6.50.

New Living Wage figures for 2014 will be announced in November 2014.

i) About the research

KPMG commissioned Markit Economics to conduct an October 2014 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 2013 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 5.28 million people in the UK earning less than the Living Wage
- This equates to 22 percent of all employee jobs
- The occupations with the highest proportion of sub-Living Wage earners are bar staff (90 percent), waiters & waitresses (85 percent) and kitchen & catering assistants (80 percent)
- Sales & retail assistants is the category with the highest number of below-Living Wage earners (760,000)
- By region, the proportion of workers earning below the Living Wage is highest in Northern Ireland at 27 percent, followed by the North East and Yorkshire & Humber (both 25 percent)
- London has the lowest proportion of workers below the Living Wage at 17 percent, with the South East next at 18 percent
- Part-time jobs are much more likely to pay below the Living Wage than full-time roles (43 percent versus 13 percent)
- There are an estimated 2.98 million part-time employees earnings less than the Living Wage, compared with 2.29 million full-time workers

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

We estimate from the provisional 2013 ASHE results that there are 5.28 million people in the UK earning less than the Living Wage. This represents a rise of around 150,000 since last year, based on our revised estimate[^] of 5.13 million employee jobs derived from the final 2012 ASHE data. We estimate that the proportion of people earning below the Living Wage has increased from 21 percent to 22 percent.

[^]The ONS has revised its total UK job count for the 2012 ASHE survey (an indicative measure rather than an official estimate) to 24.20 million from an originally reported 24.59 million. Therefore, we have subsequently revised our estimate for the number of people below the Living Wage to 5.13 million from a previous figure of 5.24 million. However, the proportion of sub-Living Wage earners is unchanged, at 21 percent, when calculated to the nearest integer.

The data signal that UK median earnings rose by 3.0 percent between the 2012 and 2013 ASHE surveys, compared with a 2.7 percent increase in the UK Living Wage (from £7.45 per hour to £7.65) and a 2.9 percent uplift in the London Living Wage (from £8.55 per hour to £8.80).

Table 3.1.1: Overview of UK 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	24,376 ^r	7.20	8.30	11.14	4,917 ^r	20%
2013	24,203 ^r	7.45	8.55	11.28 ^r	5,128 ^r	21%
2014	24,473	7.65	8.80	11.62	5,277	22%
% chg from 2013	1.1%	2.7%	2.9%	3.0%	2.9%	

*Markit estimates

r = Revised

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. Using these figures, we have constructed estimates for the proportion of people earning below the Living Wage for each of these occupations.

The highest proportion of people earning less than the Living Wage continues to be found among bar staff (90 percent), according to the latest Markit estimates. This is followed by waiters and waitresses at 85 percent. However, relatively low regular pay for these types of jobs may reflect a tendency to rely on discretionary tips to top up incomes (which is not reflected in the ONS data). The next-highest proportions of sub-Living Wage earners are found in among kitchen and catering assistants and vehicle valeters & cleaners, both at 80 percent.

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	187	6.20	1.6	6.57	0.3	90%
2	Waiters and waitresses	154	6.21	1.7	6.70	1.2	85%
3	Kitchen and catering assistants	456	6.41	2.5	6.89	2.3	80%
4	Vehicle valeters and cleaners	10	6.88	4.7	7.30	2.5	80%
5	Leisure and theme park attendants	28	6.84	5.6	7.04	4.3	70%
6	Other elementary services occupations	16	6.82	0.5	7.35	2.6	70%
7	Sales and retail assistants	1080	6.81	1.8	7.74	2.0	70%
8	School midday and crossing patrol occupations	113	7.08	0.4	7.83	6.7	70%
9	Retail cashiers and check-out operators	163	7.06	0.7	7.47	1.0	70%
10	Elementary administration occupations n.e.c.	36	6.78	-1.0	7.86	-0.3	65%

*Markit estimates

Figure 3.2.1 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

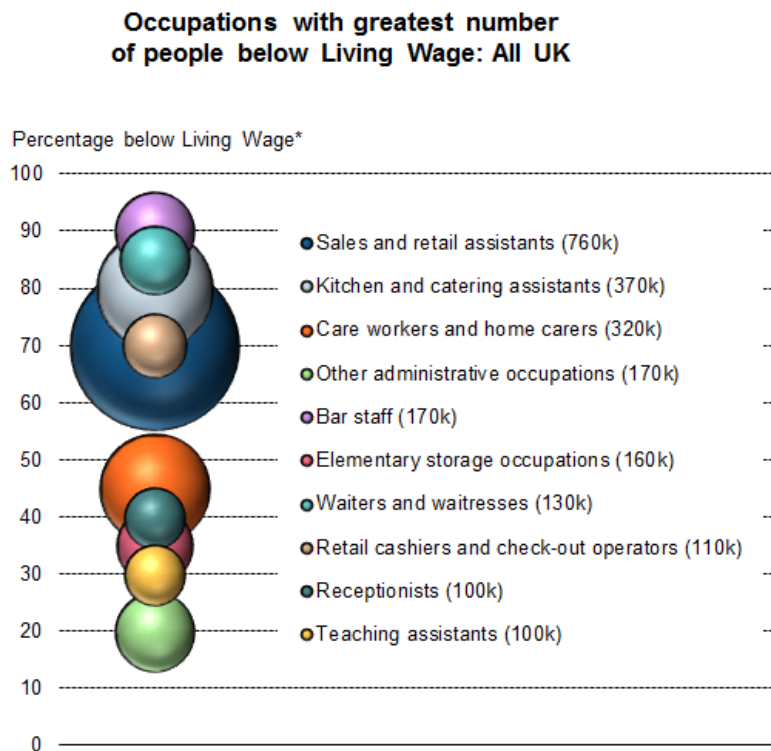


Table 3.2.2: Top 10 occupations by number below Living Wage: UK

Looking at the number of people in each occupation earning below the Living Wage, the largest category is sales and retail assistants, at an estimated 760,000. In second place is kitchen and catering assistants (370,000), followed by care workers and home carers (320,000).

Rank	Occupation	Total jobs (000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	No. below Living Wage (000s)*
1	Sales and retail assistants	1,080	6.81	1.8	7.74	2.0	760
2	Kitchen and catering assistants	456	6.41	2.5	6.89	2.3	370
3	Care workers and home carers	701	7.90	0.0	8.55	0.2	320
4	Other administrative occupations	853	9.38	1.6	10.53	0.5	170
5	Bar staff	187	6.20	1.6	6.57	0.3	170
6	Elementary storage occupations	467	8.39	1.8	9.11	1.7	160
7	Waiters and waitresses	154	6.21	1.7	6.70	1.2	130
8	Retail cashiers and check-out operators	163	7.06	0.7	7.47	1.0	110
9	Receptionists	245	8.12	1.5	8.58	1.1	100
10	Teaching assistants	318	8.44	0.8	9.19	0.4	100

*Markit estimates

In terms of broad job categories (at the 3-digit Standard Occupation Classification level), elementary services has the highest proportion of workers below the Living Wage, at an estimated 80 percent. This is followed by sales assistants & retail cashiers and elementary cleaning occupations, both at 70 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 services occupations	849	6.31	1.7	6.84	1.9	80
2	Sales assistants and retail cashiers	1327	6.90	2.1	7.81	1.7	70
3	Elementary cleaning occupations	673	6.78	2.7	7.63	2.1	70
4	Hairdressers and related services	74	7.05	3.2	7.78	2.1	60
5	Food preparation and hospitality trades	370	7.84	-0.7	8.69	-1.8	45
6	Elementary process plant occupations	216	7.88	1.8	8.82	1.3	45
7	Elementary security occupations	259	7.70	0.7	9.20	0.5	45
8	Childcare and related personal services	669	8.06	0.9	8.81	0.7	40
9	Cleaning and housekeeping managers	43	8.00	1.0	9.00	-1.7	40
10	Elementary agricultural occupations	52	7.99	3.1	8.60	3.8	40

*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 27 percent. This is followed by the North East and Yorkshire & Humber, both at 25 percent.

The lowest proportion of employees earning less than the Living Wage is found in London (17 percent)*, followed by the South East (18 percent).

*note this accounts for the higher London Living Wage of £8.80 as opposed to £7.65 for the rest of the UK.

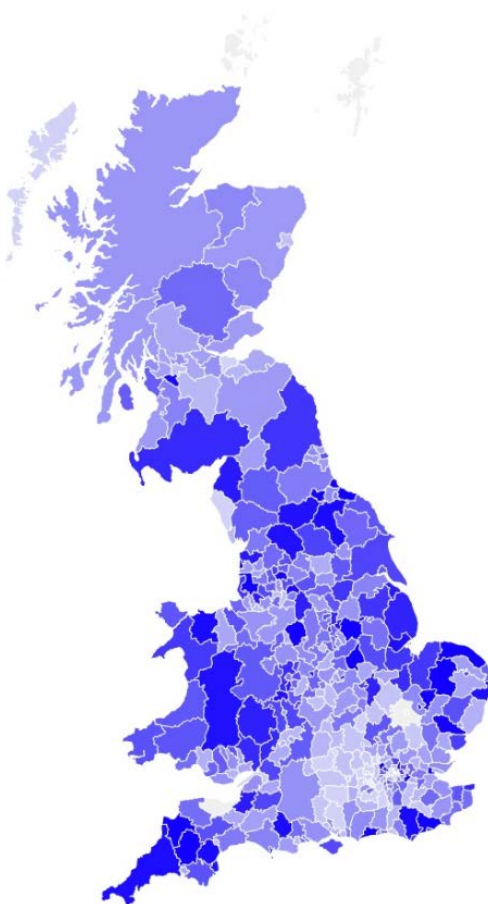
Looking at the absolute number of people earning less than the Living Wage, the highest totals are in London and the North West at 634,000 and 611,000 respectively.

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	674	10.23	1.6	13.08	0.9	181	27%
2	North East	951	10.65	2.8	13.50	2.6	239	25%
3	Yorkshire & Humber	1,962	10.61	2.3	13.49	1.3	481	25%
4	East Midlands	1,696	10.50	2.5	13.46	1.6	414	24%
5	Wales	1,078	10.54	4.6	13.23	3.6	261	24%
6	North West	2,593	10.80	2.8	13.88	2.1	611	24%
7	West Midlands	2,100	10.86	3.8	13.89	3.0	494	24%
8	South West	2,067	10.78	3.4	13.89	3.4	472	23%
9	East	2,244	11.35	4.4	14.44	3.1	482	21%
10	Scotland	2,164	11.59	4.0	14.62	2.7	414	19%
11	South East	3,299	12.12	0.3	15.71	0.3	594	18%
12	London	3,644	15.87	1.0	20.61	1.2	634	17%
	United Kingdom	24,473	11.62	3.0	15.15	2.1	5,277	22%

*Markit estimates

Figure 3.3.2: Local authorities by **proportion** of earners below Living Wage



*Local authority heatmap: Darker shades equal higher proportion of employees paid less than the Living Wage**

*Markit estimates

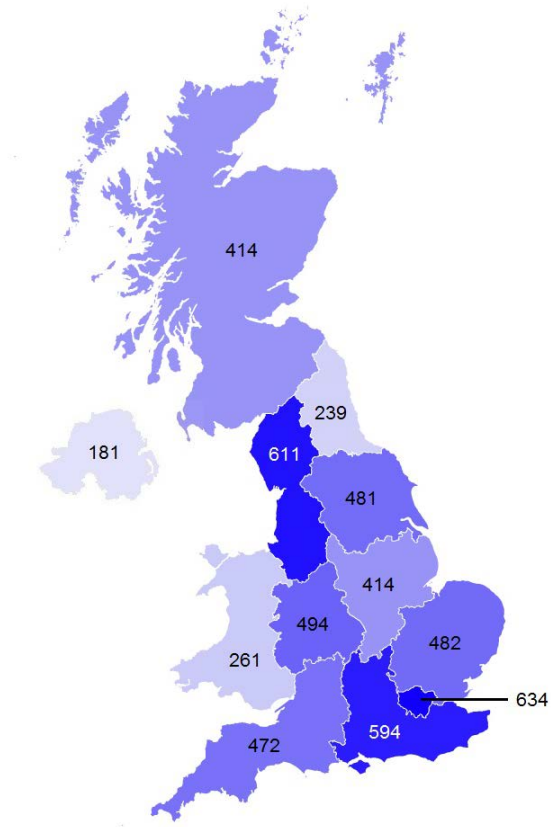
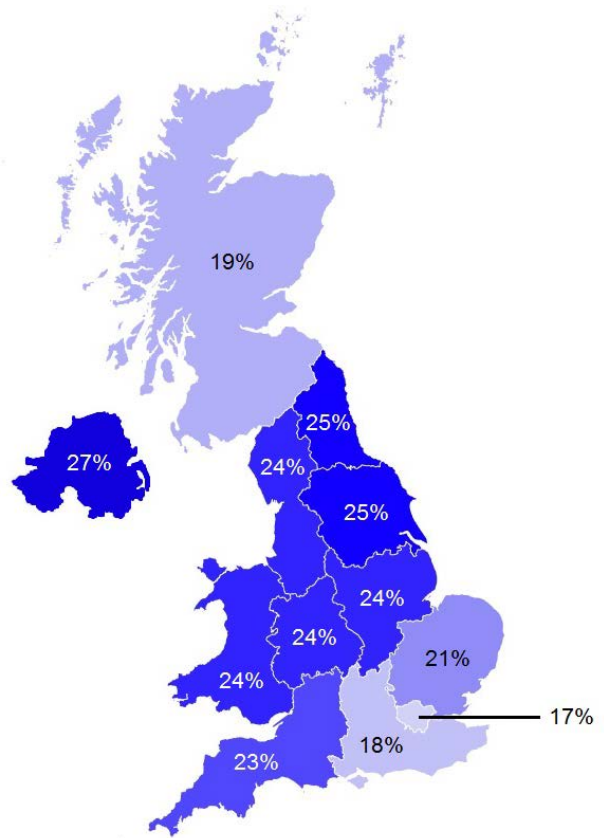


Figure 3.3.3: Regional heatmap by **number** of earners below Living Wage ('000s)*

*Markit estimates

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



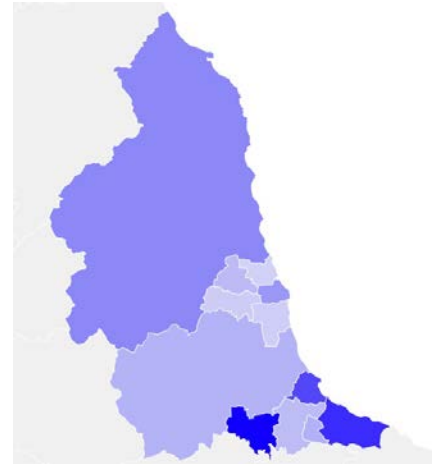
*Markit estimates

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: 951,000
- Median wage: £10.65 (UK = £11.62)
- Estimated number below Living Wage: 239,000
- Estimated proportion below Living Wage: 25% (UK = 22%)



21.0



37.2

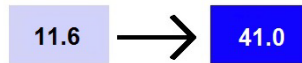
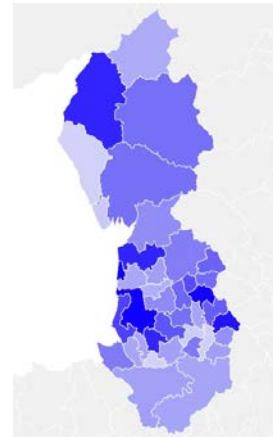
Proportion of jobs in local area (%) paying less than the Living Wage

North East: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Darlington	59	9.29	37%
2	Redcar and Cleveland	34	9.36	35%
3	Hartlepool	20	9.87	33%
	North East	951	10.65	25%

North West: key statistics

- Total number in employment: 2,593,000
- Median wage: £10.80 (UK = £11.62)
- Estimated number below Living Wage: 611,000
- Estimated proportion below Living Wage: 24% (UK = 22%)



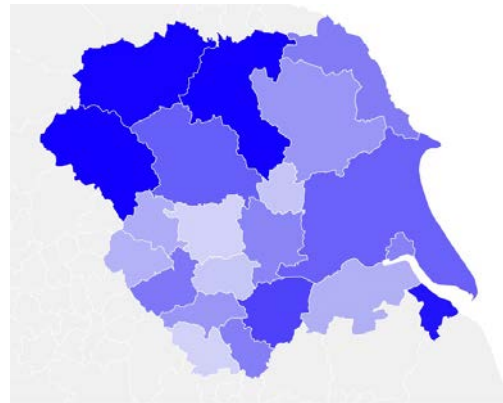
Proportion of jobs in local area (%) paying less than the Living Wage

North West: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	West Lancashire	49	8.88	41%
2	Blackpool	49	9.30	33%
3	Rossendale	16	8.94	33%
	North West	2,593	10.80	24%

Yorkshire & The Humber: key statistics

- Total number in employment: 1,962,000
- Median wage: £10.61 (UK = £11.62)
- Estimated number below Living Wage: 481,000
- Estimated proportion below Living Wage: 25% (UK = 22%)



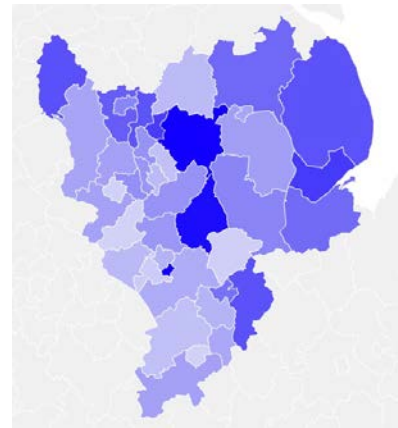
Proportion of jobs in local area (%) paying less than the Living Wage

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

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Hambleton	28	9.54	32%
2	Craven	20	9.58	32%
3	Richmondshire	11	8.69	32%
	Yorkshire & Humber	1,962	10.61	25%

East Midlands: key statistics

- Total number in employment: 1,696,000
- Median wage: £10.50 (UK = £11.62)
- Estimated number below Living Wage: 414,000
- Estimated proportion below Living Wage: 24% (UK = 22%)



17.0 → 39.2

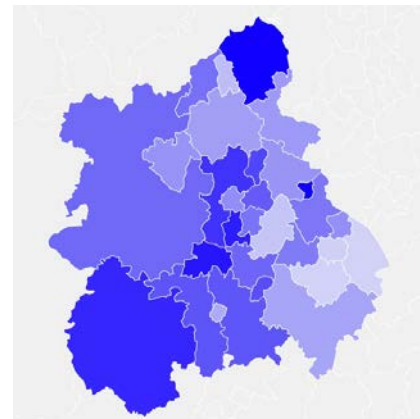
Proportion of jobs in local area (%) paying less than the Living Wage

East Midlands: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Oadby and Wigston	15	8.67	39%
2	Newark and Sherwood	36	9.14	35%
3	Melton	17	8.66	34%
	East Midlands	1,696	10.50	24%

West Midlands: key statistics

- Total number in employment: 2,100,000
- Median wage: £10.86 (UK = £11.62)
- Estimated number below Living Wage: 494,000
- Estimated proportion below Living Wage: 24% (UK = 22%)



16.5 → 33.2

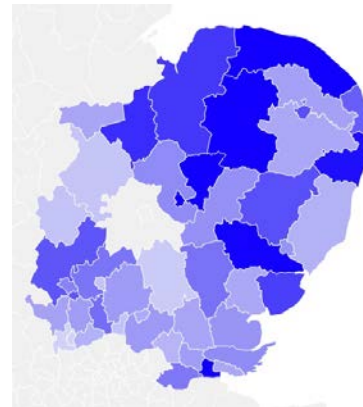
Proportion of jobs in local area (%) paying less than the Living Wage

West Midlands: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Staffordshire Moorlands	22	10.59	33%
2	Tamworth	22	9.57	33%
3	Wyre Forest	24	8.96	32%
	West Midlands	2,100	10.86	24%

East of England: key statistics

- Total number in employment: 2,244,000
- Median wage: £11.35 (UK = £11.62)
- Estimated number below Living Wage: 482,000
- Estimated proportion below Living Wage: 21% (UK = 22%)



12.4



36.0

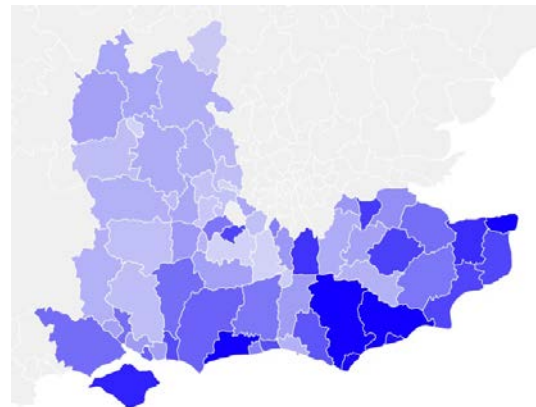
Proportion of jobs in local area (%) paying less than the Living Wage

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

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Castle Point	16	9.31	36%
2	Breckland	35	8.75	34%
3	North Norfolk	24	9.04	33%
	East of England	2,244	11.35	21%

South East: key statistics

- Total number in employment: 3,299,000
- Median wage: £12.12 (UK = £11.62)
- Estimated number below Living Wage: 594,000
- Estimated proportion below Living Wage: 18% (UK = 22%)



10.7



35.7

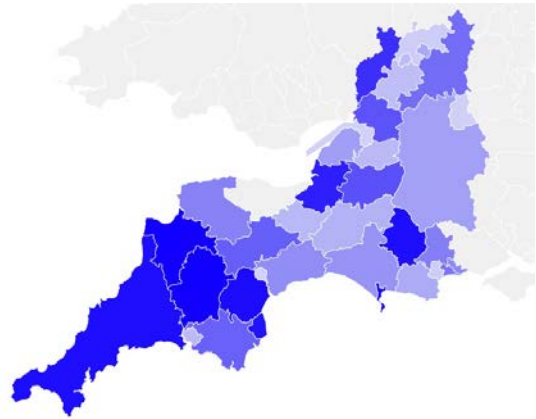
Proportion of jobs in local area (%) paying less than the Living Wage

South East: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Rother	18	8.88	36%
2	Arun	29	9.07	34%
3	Wealden	31	8.92	32%
	South East	3,299	12.12	18%

South West: key statistics

- Total number in employment: 2,067,000
- Median wage: £10.78 (UK = £11.62)
- Estimated number below Living Wage: 472,000
- Estimated proportion below Living Wage: 23% (UK = 22%)



14.6



43.9

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

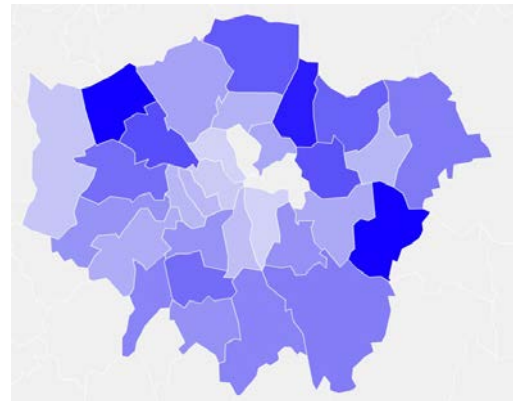
South West: top 3 sub-regions below Living Wage*

*excludes West Somerset (insufficient data available)

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Torrige	16	8.09	44%
2	West Devon	12	9.59	33%
3	Weymouth and Portland	20	9.59	33%
	South West	2,067	10.78	23%

London: key statistics

- Total number in employment: 3,644,000
- Median wage: £15.87 (UK = £11.62)
- Estimated number below Living Wage: 634,000
- Estimated proportion below Living Wage: 17% (UK = 22%)



10.9



35.5

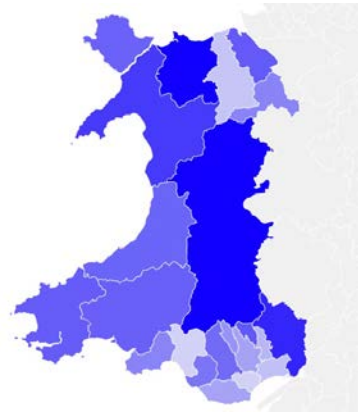
Proportion of jobs in local area (%) paying less than the Living Wage

London: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Harrow	58	10.49	36%
2	Bexley	66	11.07	35%
3	Waltham Forest	47	11.30	33%
	London	3,644	15.87	17%

Wales: key statistics

- Total number in employment: 1,078,000
- Median wage: £10.54 (UK = £11.62)
- Estimated number below Living Wage: 261,000
- Estimated proportion below Living Wage: 24% (UK = 22%)



18.3



32.1

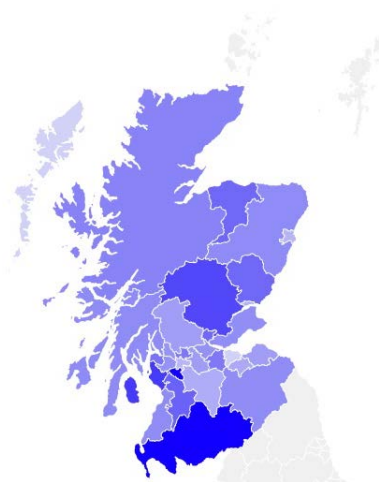
Proportion of jobs in local area (%) paying less than the Living Wage

Wales: top 3 sub-regions below Living Wage

Rank	Sub-region	Total Jobs (000s)	Median wage	% below LW*
1	Conwy	35	9.54	32%
2	Powys	39	9.29	32%
3	Monmouthshire	29	10.11	30%
	Wales	1,078	10.54	24%

Scotland: key statistics

- Total number in employment: 2,164,000
- Median wage: £11.59 (UK = £11.62)
- Estimated number below Living Wage: 414,000
- Estimated proportion below Living Wage: 19% (UK = 22%)



11.3



32.1

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 LW*
1	East Renfrewshire	17	9.16	32%
2	Dumfries and Galloway	52	9.69	30%
3	North Ayrshire	37	10.19	27%
	Scotland	2,164	11.59	19%

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

The proportion of sub-Living Wage workers remains much higher among part-time than full-time workers, at 43 percent versus 13 percent. Despite accounting for less than one-third of all UK jobs, there are more part-time roles paying less than the Living Wage (2.98 million) than full-time jobs (2.29 million).

Of course, this reflects the relatively large size of low-paid sectors such as retail and hospitality, which tend to employ high 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 LW (000s)*
Full-time	17,549	13.13	2.3	15.87	2.0	13%	2,294
Part-time	6,924	8.29	3.3	11.18	2.6	43%	2,983
All	24,473	11.62	3.0	15.15	2.1	22%	5,277

*Markit estimates

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

The prevalence of sub-Living Wage earners remains substantially higher in the private sector than in the public sector, unsurprisingly given the differing composition of job types. 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	15,901	10.50	3.3	14.56	2.6	27%
Public	6,454	14.21	2.4	16.65	1.5	less than 10
Not classified	2,118	12.66	1.3	15.35	0.8	n/a

*Markit estimates; calculation excludes Northern Ireland

¹ the distribution of earnings provided in the ASHE dataset is insufficient to calculate a more precise estimate

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

The proportion of females earning less than the Living Wage remains considerably higher than among males. An estimated 27 percent of females earn less than the benchmark, compared with 16 percent of males. This reflects the greater tendency of females to be in part-time jobs which, as section 3.4 highlights, are 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	12,365	12.97	3.0	16.52	2.4	16%
Female	12,108	10.33	2.7	13.37	1.7	27%

*Markit estimates

3.7 Age group analysis *(Markit calculations, based on ONS 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 28 percent for those aged 22-29. For employees in the 30-39 and 40-49 age groups the figure drops to 15 percent, rising slightly to 16 percent for those aged 50-59. For those over 60, the estimated proportion of sub-Living Wage earners is 23 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	1,175	6.73	2.3	7.62	1.9	72%
22-29	4,027	9.83	2.3	11.58	1.8	28%
30-39	5,413	13.32	1.2	16.01	1.4	15%
40-49	6,309	13.21	2.5	17.00	2.1	15%
50-59	4,937	12.50	3.5	16.44	1.9	16%
60+	1,768	10.67	4.6	14.58	3.0	23%

*Markit estimates; calculation excludes Northern Ireland

4. KPMG Living Wage Household Finance Index Survey

Sharp squeeze on financial wellbeing continues, despite an improving economic backdrop and lower inflation in 2014 to date

Key points for October 2014:

- Around 29% of people earning below the Living Wage reported downward pressure on household finances in October...
- ...this figure was down from 38% at the same time in 2013, but still around three times the number signalling an improvement (10%)
- The proportion noting higher living costs (54%) was also lower than reported in October 2013 (68%)
- Job insecurity and squeezed pay remain most prevalent among those earning less than the Living Wage
- People earning below the Living Wage expect their finances to worsen during the next 12 months
- Debt levels continued to rise among those earning less than the Living Wage

Survey data from UK households signalled a continued downturn in **financial wellbeing** among those earning less than the Living Wage in October 2014 (see section 5 for methodology notes). Almost three times as many respondents earning less than the Living Wage (29%) reported that their household finances worsened over the month as those that experienced an improvement (10%). Although this compared favourably with the situation at the same time in 2013, when 38% noted a decline and only 7% reported an upturn, **the overall squeeze on household finances remained much more acute than for those earning the Living Wage and above**. Around 23% of respondents earning above the Living Wage¹ experienced deteriorating household finances during October 2014, while 12% indicated an improvement.

Softer consumer price inflation has helped to reduce the squeeze on household finances relative to the situation recorded last October. Highlighting this, the index measuring **inflation perceptions** among people earning less than the Living Wage eased sharply since October 2013 (around 54% of respondents reported higher living costs in October 2014, which was down from 68% in the previous year). Moreover, **inflation expectations** have moderated slightly this year, with 79% of people earning less than the Living Wage expecting higher living costs over the next 12 months (compared with 84% in October 2013).

People earning less than the Living Wage highlighted downward pressure on their **income from employment** in October 2014, which contrasted with rising income levels (on balance) among those earning more than the Living Wage. Divergent income trends contributed to a widening disparity in terms of **household debt levels**; those earning less than the Living Wage reported an overall increase in household debt during October 2014, while

¹ In this section, the phrase 'earning above the Living Wage' refers to those paid exactly the Living Wage as well as those earning *more* than the Living Wage, since the survey results have been grouped into two pay categories – 'below the Living Wage', and 'all other employees'.

those earning above the threshold signalled a reduction. As a result, demand for **unsecured credit** rose at a faster pace in October 2014, with around twice as many people earning below the Living Wage (18%) reporting an increase in their need for unsecured borrowing as those that signalled a reduction (9%).

Meanwhile, the latest survey indicated a general stabilisation in UK labour market conditions, as highlighted by improved trends in workplace activity and less widespread reductions in income from employment than were the case at the same time last year. However, those earning less than the Living Wage were again much more likely to report a drop in job security during October 2014 (22%) than those earning above the threshold (14%), and the sentiment gap widened between the two pay cohorts since 2013.

With people earning below the Living Wage faring worst in terms of job security and income trends, it is perhaps unsurprising that **spending levels** dropped back fractionally in October and **cash available to spend** decreased at a much faster pace than those earning above the Living Wage.

Looking ahead, more than one-third of people earning below the Living Wage (35%) expect that their household finances will worsen over the next 12 months, compared to 29% that forecast an improvement. This represents a sharp **improvement relative to the outlook reported in October 2013** (51% anticipated a decline and only 21% expected a rise in financial wellbeing), perhaps reflecting better underlying economic conditions and reduced consumer price inflation.

Nonetheless, with income levels still under pressure and household debt on the rise, the **negative overall outlook contrasts with an upbeat picture reported by those earning above the Living Wage**. Around 35% of people earning above the Living Wage expect an improvement in their household finances over the year ahead, which exceeds the proportion forecasting a drop in their financial wellbeing (30%).

As a result, for the **first time since the survey's inception in 2012, the latest figures highlight a split in the expected direction of travel for household finances over the coming 12 months**. Buoyed by gradually rising incomes and improving household balance sheets, those earning more than the Living Wage are finally confident of an outright improvement in their financial wellbeing during the next year, while those earning below the Living Wage expect to continue seeing their household's financial situation moving in reverse.

Table 4: Summary of data findings in October 2014

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. The higher the index is above 50 the faster the rate of growth, the further below 50 the faster the pace of decline. Percentages rounded in the table.

Question (vs. one month ago unless specified)	People earning below the Living Wage						People earning the Living Wage and above					
	October 2014				Change	Oct-13	October 2014				Change	Oct-13
	% Higher	% Same	% Lower	Index	vs. 2013	Index	% Higher	% Same	% Lower	Index	vs. 2013	Index
Financial Wellbeing												
Household Finances	10%	61%	29%	40.3	↑	34.4	12%	65%	23%	44.9	↑	43.2
Household finances in 12 months' time	29%	36%	35%	47.1	↑	34.7	35%	34%	30%	52.4	↑	45.5
Savings	17%	57%	26%	45.5	↑	39.5	22%	55%	23%	49.4	↑	45.3
Cash availability	11%	56%	32%	39.3	↑	31.8	13%	64%	24%	44.6	↓	40.5
Debt	23%	61%	16%	53.2	↓	54.5	18%	60%	22%	47.9	↑	47.8
Need for unsecured credit	18%	73%	9%	54.2	↑	51.7	16%	74%	10%	53.3	↓	53.6
Labour Market												
Job security	10%	68%	22%	44.2	↑	43.8	10%	76%	14%	48.0	↑	45.4
Workplace activity	23%	53%	24%	49.7	↑	45.9	32%	55%	13%	59.4	↑	56.3
Income from employment	16%	65%	19%	48.1	↑	45.5	14%	80%	6%	53.6	↑	51.5
Spending Sentiment												
Spending	20%	59%	21%	49.7	↓	51.7	20%	62%	18%	51.1	↓	54.1
Appetite for major purchases	12%	47%	41%	35.4	↑	31.8	10%	60%	31%	39.6	↑	37.6
Ease of obtaining unsecured credit	12%	76%	12%	49.7	↑	45.2	10%	80%	11%	49.5	↑	48.8
Cost of Living												
Cost of living	54%	38%	8%	72.7	↓	81.8	49%	47%	5%	72.0	↓	82.0
Cost of living in 12 months' time	79%	16%	5%	87.0	↓	91.4	80%	18%	3%	88.5	↓	92.6

Table 5: 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. The higher the index is above 50 the faster the rate of growth, the further below 50 the faster the pace of decline. Percentages rounded in the table.

Question (vs. one month ago unless specified)	People earning below the Living Wage						People earning the Living Wage and above					
	October 2013				Change	Oct-12	October 2013				Change	Oct-12
	% Higher	% Same	% Lower	Index	vs. 2012	Index	% Higher	% Same	% Lower	Index	vs. 2012	Index
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 2013 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 2014, 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 wellbeing 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 wellbeing, 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 £8.80, while for respondents in the rest of the UK the figure was £7.65.

KPMG Living Wage survey filter

Q. ASK ALL WHO ARE EMPLOYED

“How does your hourly wage compare to [£8.80] IF REGION IS LONDON / [£7.65] IF REGION IS NOT LONDON. Is it:”

SELECT ONE

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

The fieldwork was conducted between the 8th and 13th October 2014. 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

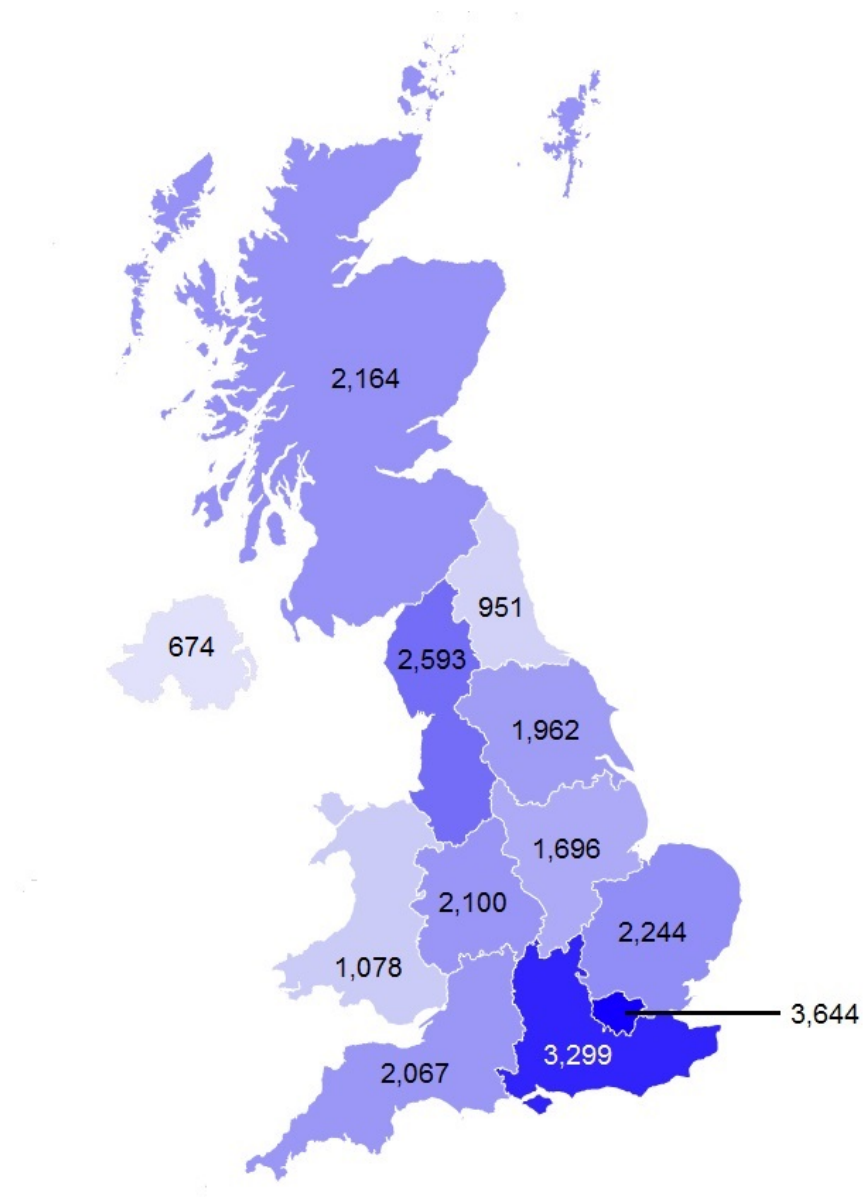
Table 6.1: Top 10 broad occupation groups below Living Wage: Standard Occupation Classification codes breakdown

Other administrative occupations	415	Secretarial and related occupations	421
Sales administrators	4151	Medical secretaries	4211
Other administrative occupations n.e.c.	4159	Legal secretaries	4212
		School secretaries	4213
		Company secretaries	4214
		Personal assistants and other secretaries	4215
		Receptionists	4216
		Typists and related keyboard occupations	4217
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		
Caring personal services	614	Sales assistants and retail cashiers	711
Nusing auxiliaries and assistants	6141	Sales and retail assistants	7111
Ambulance staff (excluding paramedics)	6142	Retail cashiers and check-out operators	7112
Dental nurses	6143	Telephone salespersons	7113
Houseparents and residential wardens	6144	Pharmacy and other dispensing assistants	7114
Care workers and home carers	6145	Vehicle and parts salespersons and advisers	7115
Senior care workers	6146		
Care escorts	6147		
Undertakers, mortuary & crematorium assistants	6148		
Elementary cleaning occupations	923	Elementary security occupations	924
Window cleaners	9231	Security guards and related occupations	9241
Street cleaners	9232	Parking and civil enforcement occupations	9242
Cleaners and domestics	9233	School midday and crossing patrol occupations	9244
Launderers, dry cleaners and pressers	9234	Elementary security occupations n.e.c.	9249
Refuse and salvage occupations	9235		
Vehicle valeters and cleaners	9236		
Elementary cleaning occupations n.e.c.	9239		
Elementary storage occupations	926	Other elementary services occupations	927
Elementary storage occupations	9260	Hospital porters	9271
		Kitchen and catering assistants	9272
		Waiters and waitresses	9273
		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	
90+	Bar staff	
80-89	Waiters and waitresses Kitchen and catering assistants	Vehicle valeters and cleaners
70-79	Leisure and theme park attendants Other elementary services occupations n.e.c. Sales and retail assistants	School midday and crossing patrol occupations Retail cashiers and check-out operators
60-69	Elementary administration occupations n.e.c. Hairdressers and barbers Sewing machinists	Playworkers Cooks
50-59	Packers, bottlers, canners and fillers Nursery nurses and assistants Care escorts Fishing and other elementary agriculture n.e.c. Industrial cleaning process occupations	Housekeepers and related occupations Animal care services occupations n.e.c. Beauticians and related occupations Pharmacy and other dispensing assistants
40-49	Sports and leisure assistants Chefs Food, drink and tobacco process operatives Care workers and home carers Taxi and cab drivers and chauffeurs Tyre, exhaust and windscreen fitters Leisure and travel service occupations n.e.c.	Childminders and related occupations Farm workers Cleaning and housekeeping managers and supervisors Receptionists Market research interviewers Senior care workers
30-39	Telephonists Elementary storage occupations Merchandisers and window dressers Van drivers Elementary process plant occupations n.e.c. Call and contact centre occupations Security guards and related occupations Educational support assistants Butchers Vehicle and parts salespersons and advisers	Debt, rent and other cash collectors Plastics process operatives Assemblers and routine operatives n.e.c. Metal working machine operatives Telephone salespersons Bakers and flour confectioners Catering and bar managers Shelf fillers Teaching assistants
20-29	Elementary construction occupations Customer service occupations n.e.c. Sales related occupations n.e.c. Paper and wood machine operatives Gardeners and landscape gardeners Sales supervisors Groundsmen and greenkeepers Parking and civil enforcement occupations Fork-lift truck drivers Publicans and managers of licensed premises Textile process operatives Financial administrative occupations n.e.c.	Veterinary nurses Construction operatives n.e.c. Travel agents Fitness instructors Restaurant and catering managers and proprietors Caretakers Printing machine assistants Assemblers (electrical and electronic products) Glaziers, window fabricators and fitters Other administrative occupations n.e.c. Plant and machine operatives n.e.c.
10-19	Undertakers, mortuary and crematorium assistants Process operatives n.e.c. Conference and exhibition managers and organisers Roofers, roof tilers and slaters Business sales executives Air travel assistants Sales administrators Postal workers, mail sorters, messengers and couriers Bus and coach drivers Air transport operatives Routine inspectors and testers Library clerks and assistants Officers of non-governmental organisations Laboratory technicians Mobile machine drivers and operatives n.e.c. Metal making and treating process operatives Vehicle technicians, mechanics and electricians	Legal secretaries Elementary security occupations n.e.c. Sports coaches, instructors and officials Estate agents and auctioneers Chemical and related process operatives Refuse and salvage occupations Houseparents and residential wardens Typists and related keyboard occupations Hotel and accommodation managers and proprietors Print finishing and binding workers Other skilled trades n.e.c. Stock control clerks and assistants Nursing auxiliaries and assistants School secretaries Company secretaries Dental nurses Managers and directors in retail and wholesale

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



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