

# Unsung Britain

The changing economic circumstances  
of the poorer half of Britain

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## Summary

The new Government has a clear ambition to deliver broad improvements in living standards. This is a welcome goal in the wake of the weakest Parliament on record for living standards. But success relies on policy makers recognising that Britain's two decades of stagnating living standards have hit poorer families hardest. Between the mid-1990s and mid-2000s there was consistent income growth for low-to-middle income families: for the typical non-pensioner, low-to-middle income household, after housing cost income increased by close to 50 per cent, from £11,600 to £17,200 in today's prices, a very similar increase to those on higher-incomes. Since then, however, income progress has been much slower and also regressive: typical low-to-middle household incomes grew by just 10 per cent (equivalent to £1,700), while incomes at the 10th percentile only grew by 7 per cent since 2004-05 (equivalent to £770). Low-to-middle income households in the UK are also worse off than their counterparts in other, comparable rich countries: for example, such households were 27 per cent poorer than their French counterparts in 2018.

To design policy successfully, we need to understand today's low-to-middle income families, and their concerns in the mid-2020s. For this reason, this report launches a major new Resolution Foundation project designed to understand the economic circumstances of today's 13 million low-to-middle income working-age families and how these circumstances have changed in recent decades.

**Low-to-middle income families are now older, have fewer children and are more ethnically diverse**

Like the UK as a whole, demographic changes mean that working-age families in the lower-half of the income distribution have been getting older, on average. The proportion of adults aged 20-39 in low-to-middle income families has fallen from 55 per cent in 1994-95 to 44 per cent in 2022-23. By contrast, the proportion in their 50s has risen from 16 per cent to 20 per cent over the same period. Low-to-middle income adults are now almost as likely to be in their 50s as in their 20s (20 and 21 per cent respectively) – a big shift from 1994-95, when people in this group were around 60 per cent more likely to be in their 20s. As a result, the typical adult in a low-to-middle income family was 40-years-old in 2022-23, five years older than in 1994-95 (35-years-old).

As well as getting older, low-to-middle income families today have fewer dependent children. The proportion of low-to-middle income families that have dependent children has fallen from 43 per cent to 35 per cent between 1994-95 and 2022-23, and nearly half (48 per cent) of all low-to-middle income families are now single people without children, up from around 2-in-5 (40 per cent) in 1994-95.

Finally, migration patterns also mean that low-to-middle income families have become more ethnically diverse over the past 30 years. In the mid-1990s 9-in-10 (90 per cent) people in such families were White, but this had fallen to just under 8-in-10 (79 per cent) by 2020-21 to 2022-23, a bigger change than seen among higher-income families.

Low-to-middle income families – particularly women – are working more, get more income from the labour market, and less income from the state than in the 1990s

One of the good news stories for the British economy in recent decades has been the rise in employment rates, particularly among low-to-middle income families. As a result, although employment rates have remained high for adults in higher-income families, the gap between higher and low-to-middle income families has been closing, as the employment rate for the latter group has increased by around 9 percentage points since the mid-1990s. This has almost halved the proportion of low-to-middle income families that are workless, from 24 per cent in 1996-97 to 13 per cent in 2022-23.

The rise in employment in low-to-middle income families has been larger among women than among men: just under half (47 per cent) of women in low-to-middle income families worked in 1996-97, but this had risen to nearly 6-in-10 (59 per cent) by the eve of the pandemic. This reflects broader societal changes, as well as an increase in labour supply at older ages as the state-pension age for women was increased.

Higher employment means labour income has become an even more vital source of income for poorer families: by 2019-20, income from employment made up £7 in every £10 of low-to-middle income gross household incomes, up from just over £6 in 1994-95. Over the same period, benefit income fell from £3 in every £10, to just £2, in part reflecting the retrenchment of the tax credits and social security system in the 2010s.

But, while more women with children are working, health has deteriorated and this is now a more important reason for not participating in the labour market

Part of the reason for the rise in female employment among low-to-middle income families, has been a fall in the number looking after children at home. Indeed, the proportion of women who say they're economically inactive for this reason fell from more than 1-in-5 (21 per cent) in 1996-97, to just 1-in-15 (7 per cent) in 2022-23. This reflects both that fewer women are mothers but also that women with dependent children are more likely to be in paid work.

Set against that, there has been an alarming increase in the number of low-to-middle income families for which deteriorating health is affecting participation in the labour market. Health-related inactivity has become much more common among low-to-middle

income families, with people in low-to-middle income families more than five times more likely than those in higher-income families to be not participating in the labour market because of ill health by 2022-23 (around 1-in-8 of those on low-to-middle income families were in that position). Strikingly, the proportion of those on lower incomes who are inactive due to ill health is now over three times larger than the proportion who are inactive because they are looking after children (13 per cent compared with 4 per cent); this is a significant change from 1994-95, when the rates were the same (11 per cent). The rise in the proportion of people with a disability was also larger for those in low-to-middle income families (from 4-in-20 to 6-in-20) than those in higher-income families (from 2-in-20 to 3-in-20).

Another consequence of this deterioration in health has been an increase in the number of poorer families who are providing care for other adults. Over the past three decades, low-to-middle income families have consistently been more likely than higher-income families to have such caregiving responsibilities. 1-in-8 (12 per cent) of those in a low-to-middle income family care for an ill, disabled or elderly adult, compared to just 8 per cent for higher-income families. This difference has become more pronounced since 2009, with a 11 per cent increase in the number of adult carers among these families, compared with a fall among richer families. By 2022, 2.6 million adults in low-to-middle income families were providing care for five or more hours a week.

### Housing costs have left the budgets of low-to-middle income families more stretched

Over the past two decades, average house prices have surged from around five-times average earnings, to over eight-times, making home ownership increasingly unattainable for many low-to-middle income families. As a result, the proportion of low-to-middle income families owning their own home fell from a peak of around 4-in-10 in 2000-01 to 3-in-10 in 2022-23. This means more low-to-middle income families now rely on the private-rented sector, with the proportion of such families renting privately rising from 18 per cent to 29 per cent between 1994-95 and 2022-23. These changing housing tenure patterns have meant that the overall housing-cost-to-income ratio for low-to-middle income families has not fallen significantly since 1994-95, despite the cost of both renting and paying off a mortgage rising more slowly than average incomes. But housing costs alone do not tell the full story. The private-rented sector has left many low-to-middle income families facing much lower-quality accommodation: by 2022-23, around 8 per cent of such households faced overcrowding, over double the proportion of higher-income households.

The shift to the higher-cost private rental sector has left low-to-middle income families in a more financially precarious position. The amount such families spend on essentials –

that is, food, non-alcohol drinks, fuel, clothing, transport and rent – has been rising since the turn of the century, increasing from around half of all spending to around £3 in every £5 by 2022-23. Nearly £1 of every £5 (19 per cent) goes on rent. This limits the ability of such families to reduce their outgoings in the face of a fall in income, or to enjoy more discretionary spending on leisure or durable goods.

### Family finances have improved slightly but many low-to-middle income families remain vulnerable

In the years after the financial crisis, household wealth grew rapidly, mainly reflecting asset-price rises for those lucky enough to hold housing and pensions. The average net family wealth per adult for those in low-to-middle income households increased from £97,000 in 2010-12 to £157,000 in 2018-20. But as household wealth is concentrated among richer families, higher asset prices mean larger gaps in the absolute levels of wealth. The inflation-adjusted gap between the average wealth per adult of a family in the richest tenth and a family in the fifth decile had increased from £1 million in 2010-12 to £1.4 million by 2020. The recent rise in interest rates has wiped out some of these wealth gains, for example average pension wealth among low-income families is estimated to have fallen by nearly a quarter in real terms since 2018-20.

Meanwhile holdings of unsecured debt were, on average, pretty stable in the run up to the pandemic, even falling slightly in 2018-20 for low-to-middle income families. This continues a pattern of falling consumer debt since the mid-2000s. Despite the pressures brought on by the pandemic and cost of living crisis, debt has continued to decrease: by 2021 consumer-debt fell to its lowest level as a proportion of income since records began in 1999. Survey data suggests that the drop in outstanding balances has been largest for poorer households.

But this lack of growth in unsecured debt does not mean all is well. Part of the reason consumer debt has not risen in recent years is that lenders have made it harder to access credit. And debt problems appear to be changing in nature, rather than disappearing.

By October 2023, the proportion of low-to-middle income families that were behind on one or more priority bills – such as utilities or council tax – was more than 60 per cent higher than for higher-income families (22 per cent compared with 14 per cent). Ofgem data indicates that, in Q1 2024, the total financial value of customer debt and arrears reached its highest level since records began, and continues to rise.

At the same time, many low-to-middle income families still have very thin financial buffers. In 2018-20, a typical low-to-middle income family had just £990 in accessible savings, around a sixth of the amount held by a typical higher-income family. This low level of readily-accessible savings for the typical low-to-middle income family has barely

increased since 2010-12, the aftermath of the financial crisis. And by October 2023, more than 2-in-5 families (43 per cent) in the bottom half of the income distribution had less than £1,000 in savings, more than twice the proportion of families in the top half of the income distribution (21 per cent).

The challenges facing low-to-middle-income families should be at the forefront of the minds of policy makers

Despite positive developments, such as increases in employment and improvements in family finances, the past 20 years have been disappointing from the perspective of reducing hardship and delivering consistent improvements in living standards. This is the difficult economic reality facing the poorer half of the population as the new Government sets out on an ambitious agenda to deliver broad-based improvements in living standards. This paper marks the start of *Unsung Britain*, a one-year programme of work which aims to shed light on the circumstances and experience of low-to-middle income families, with the aim of setting an agenda for improving the living standards of the poorer half of Britain.



## The new Government must understand the problems facing ‘Unsung Britain’ if it is to make good on improving living standards

During the election campaign the new Government emphasised the need to boost growth, “making everyone, not just a few, better off”.<sup>1</sup> Following the weakest Parliament on record for living standards, and given the UK’s dire economic record since the financial crisis, such ambition for broad-based improvements in living standards is badly needed.<sup>2</sup>

But turning welcome economic ambition into increases in living standards for everyone is another thing altogether. Doing so relies on policy makers recognising that the UK’s stagnating living standards have hit poorer families hardest. For this reason, this briefing note launches a major new Resolution Foundation project designed to understand the economic circumstances of today’s low-to-middle income families, and how these have changed in recent decades. This group, referred to by politicians as ‘hard-working families’, ‘the squeezed middle’, or ‘just-about-managing’ families, is frequently mentioned but not always prioritised.<sup>3</sup> So through new quantitative and qualitative research, and working directly with low-to-middle income families, this project will make clear the challenges this group faces, and make recommendations for how policy makers, employers and society as a whole can address them. In doing so, we will examine all the key domains of economic life, including work and the labour market, health and caring, housing, and assets and debt.

In the rest of this paper, we highlight some of the key issues that our project will investigate. We begin by examining income trends for Britain’s 13 million low-to-middle income families – the definition of which is set out in Box 1 – before examining changes in demographics, health and caring responsibilities, and their involvement in the labour market. Finally, we turn to how spending patterns have evolved in recent years, including on housing, and what that means for family finances. This is, of course, a large group, and our future work will draw out important differences within the group of low-to-middle income families.

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<sup>1</sup> Labour Party, [Change: The Labour Party Manifesto 2024](#), accessed 31st July 2024.

<sup>2</sup> A Corlett & L Try, [Hard times: Assessing household incomes since 2010](#), Resolution Foundation, June 2024.

<sup>3</sup> J Parkinson, [Who are the Jams \(the ‘just about managing’\)?](#), BBC News, November 2016.

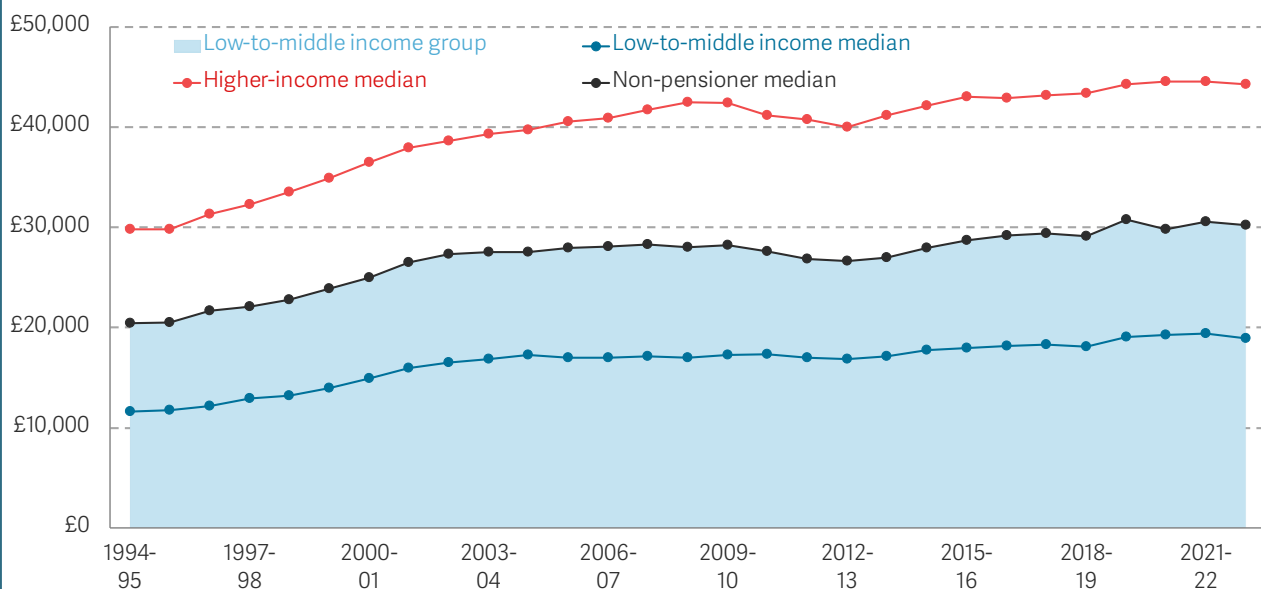
### BOX 1: Defining low-to-middle income families

We define low-to-middle income families as non-pensioner families who live in households that have an equivalised disposable income that is below the whole-population-median household equivalised disposable income, with all incomes measured after deducting housing costs.<sup>4</sup> Household incomes are equivalised to account for household size, meaning a single person is considered better off than a couple with two children on the same income, for example.<sup>5</sup> We focus on non-pensioners, so our definition excludes families

where anyone is over the state-pension age (SPA). Figure 1 shows the median household disposable income, after housing costs, for households we define as low-to-middle income, for high-income non-pensioner households, and all non-pensioner households. In 2022-23, low-to-middle income households had an income of £30,000 or below, and a typical household income of £19,000. In contrast, high-income households had a median household income of £44,000. (We look at trends in income in more detail later in this note).

**FIGURE 1: The median household income for the low-to-middle income group was £19,000 in 2022-23**

Median real equivalised non-pensioner household disposable income, after housing costs, by income group: GB/UK



NOTES: Data is in 2023-24 prices. GB before 2002-03.  
SOURCE: RF analysis of DWP, Households Below Average Income.

<sup>4</sup> We use the same definitions for families and households as those that feature in the DWP’s Households Below Average Income dataset. A household is defined as one person who lives alone or a group of people living together at the same address, sharing cooking facilities and a living/sitting/dining room. A family (or benefit unit) is defined as a single adult or married/cohabiting couple and their dependent children. See DWP, [Households below average income series: quality and methodology information report, FYE 2023](#), March 2024.

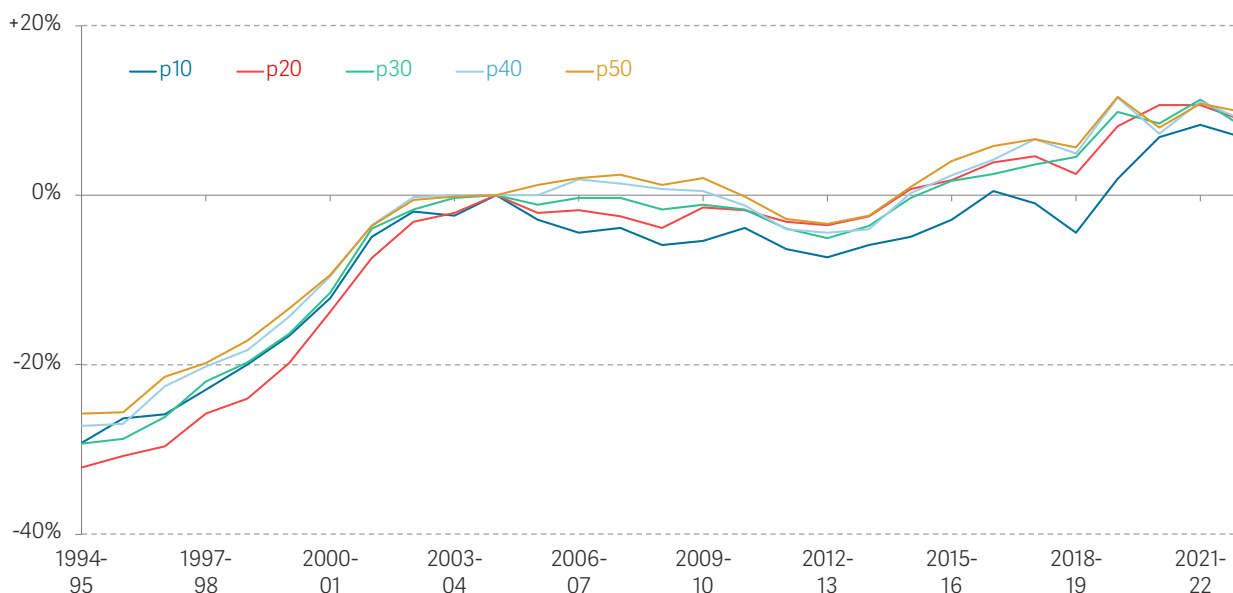
<sup>5</sup> For more information on equivalisation, see Box 1 in A Corlett, F Odamttten & L Try, [The Living Standards Audit 2022](#), Resolution Foundation, July 2022.

## Income growth has stagnated for low-to-middle income families

As is well established, income growth for households in the UK slowed dramatically around 20 years ago.<sup>6</sup> But, as shown in Figure 2, before this there was a period of consistent income growth, between the mid-1990s and mid-2000s. For the typical non-pensioner low-to-middle income household, after housing cost income increased by close to 50 per cent, from £11,600 to £17,200 in today’s prices (see blue line in Figure 1).

**FIGURE 2: The lowest-income households have had the least income growth over the last 20 years**

Change since 2004-05 in real equivalised household disposable income at various points in the income distribution excluding pensioner benefit units, after housing costs: GB/UK



NOTES: GB before 2002-03.

SOURCE: RF analysis of DWP, Households Below Average Income.

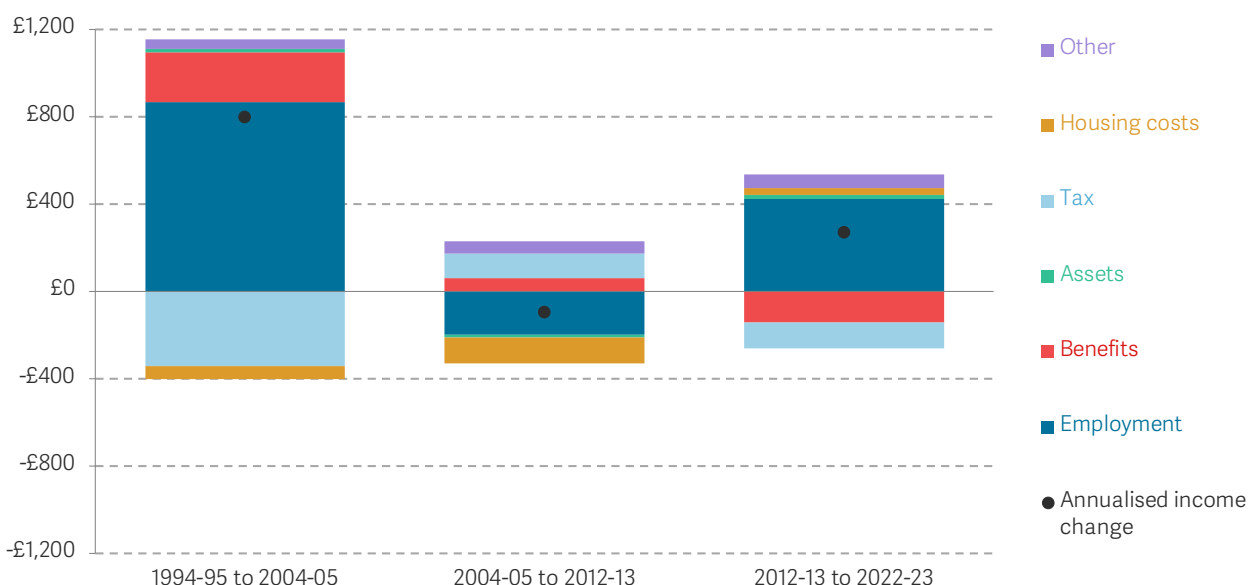
This growth has also varied within the low-to-middle income group. Figure 2 shows the change in incomes at various points in the bottom half of the income distribution since 2004-05. For all groups shown here, there was consistent growth in incomes during the first decade of this almost 30-year stretch: incomes at the 20th percentile of the whole-population income distribution were 47 per cent higher in 2004-05 than in 1994-95, and incomes at the median were 35 per cent higher. This is what success looks like: strong, shared growth in living standards.

<sup>6</sup> Resolution Foundation & Centre for Economic Performance, LSE, [Ending Stagnation: A New Economic Strategy for Britain](#), Resolution Foundation, December 2023.

In stark contrast, progress over the subsequent 18 years has been much slower and more regressive. Typical low-to-middle household incomes increased by just 10 per cent over that period as a whole (equivalent to £1,700), while incomes at the 10th percentile only increased by 7 per cent since 2004-05 (equivalent to £770). Figure 2 shows that this period can itself be broken down into a period between 2004-05 and 2012-13 during which low-to-middle income households’ income fell, and then a period since 2012-13 during which incomes have steadily increased albeit with income falling during the cost of living crisis. Figure 3 breaks down changes in average low-to-middle income households’ real income and shows that swings in income from employment account for much of the pattern of income growth over the past 30 years. Employment income growth was very strong between 1994-95 and 2004-05, pushing up low-to-middle income families’ real income by £870 per year on average. Benefits also boosted incomes of this group during this period, by £230. The largest downward pressure over this time came from tax rises, which pushed down on incomes by an average of £340. Between 2004-05 and 2012-13, falls in employment income and rising housing costs dragged down on incomes by £200 and £120 a year respectively, contributing to the slight overall decrease in low-to-middle income household incomes. Some income growth returned from 2012-13 to 2022-23, again driven by rising employment income (contributing £420 per year on average), despite falls in benefit income (£140 per year) and tax rises (£120 per year).

**FIGURE 3: A range of factors have driven changes in income over time**

Contributions to the annual change in real low-to-middle income households’ average income during selected periods: GB/UK

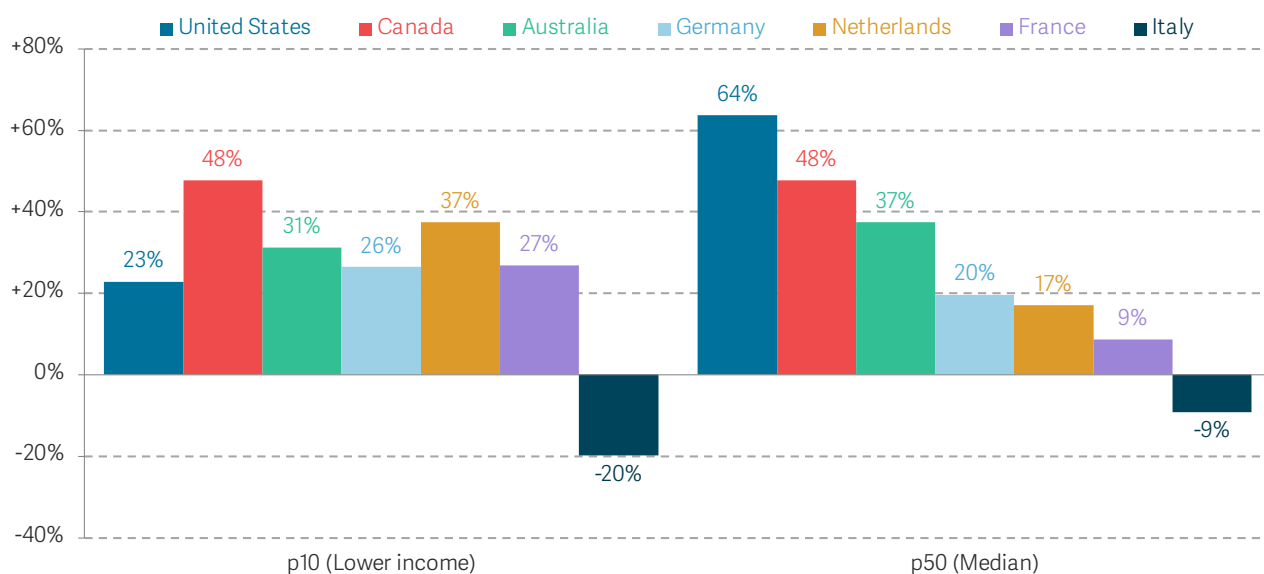


NOTES: GB before 2002-03. Data is in 2023-24 prices.  
SOURCE: RF analysis of DWP, Households Below Average Income.

Not only has income growth in the UK slowed relative to the past, it has also fallen behind that in other European countries over the past 15 years. Between 2007 and 2022, typical household incomes in the UK increased at a slower rate than in France, Germany or the Netherlands.<sup>7</sup> This is not surprising given our overall economic underperformance: the rate of growth in GDP per person between 2010 and 2023 was 0.3 percentage points below Germany and 0.7 percentage points behind the US.<sup>8</sup> Figure 4 shows that low-to-middle income households in the UK are also worse off than their European counterparts: despite both countries having a similar GDP per capita, typical households in the UK are 9 per cent poorer than French households, and our low-income households are 27 per cent poorer than their French counterparts.<sup>9</sup>

**FIGURE 4: Low-to-middle income households in the UK have much lower incomes than their European counterparts**

10th percentile and median equivalised household net income relative to UK: selected OECD countries, 2018



NOTES: Difference between selected countries compared with UK p10, p50 and p90 household incomes using OECD PPPs for household final expenditure. International inequality comparisons are challenging because there are differences in survey coverage across countries and because of the difficulty in measuring prices across countries – both what components and weights of the price index should be, how to measure their relative levels, and how this interacts with things like housing tenure and how health and education are paid for. Correcting for some of these factors (such as imputed rents given that the income measure does not include imputed rental income) would improve the relative position of the UK.

SOURCE: OECD Income Distribution Database; Eurostat, EU-SILC Distribution of income by quantiles; DWP, Households Below Average Income.

<sup>7</sup> A Corlett and L Try, *Hard times: Assessing household incomes since 2010*, Resolution Foundation, June 2024.

<sup>8</sup> E Fry, S Pittaway & G Thwaites, *Life in the slow lane: Assessing the UK's economic and trade performance since 2010*, Resolution Foundation, June 2024.

<sup>9</sup> OECD, Nominal gross domestic product (GDP), accessed 12 September 2024.

## Low-to-middle income families are older, have fewer children and are more ethnically diverse than in the past

To understand the circumstances facing low-to-middle income families, it is important to understand who they are. This section explores how the characteristics of such families have changed over the past 30 years.

Figure 5 shows the composition of the adult low-to-middle income population by sex and age, and reveals that the bottom half of the distribution has been getting older. As explained in Box 2, the rise in those over 60 is partly down to a rise in the SPA, which increased from 60 to 65 in the 2010s for women, and increased to 66 for everyone in 2020. The proportion of the low-to-middle income adult population who are in their 50s has risen from 16 per cent in 1994-95 to 20 per cent in 2022-23, while the proportion of adults aged 20-39 in that group fell from 55 per cent to 44 per cent over the same period.<sup>10</sup> Low-to-middle income adults are now almost as likely to be in their 50s as in their 20s (20 and 21 per cent respectively) – a big shift from 1994-95, when people in this group were around 60 per cent more likely to be in their 20s.

The rise in the average age of adults in low-to-middle income families in part reflects broader societal ageing: for example, the proportion of adults aged 50-59 also rose in the higher-income group, where they made up 19 per cent of the group in 1994-95 and 24 per cent in 2022-23. But it also reflects an increased propensity for older people to be in low-to-middle income families. The typical adult in a low-to-middle income family is now five years older than the typical adult in a low-to-middle income family in 1994-95 (up from 35 to 40), but the age of a typical adult in a higher-income family has increased by only three years (38 to 41).<sup>11</sup>

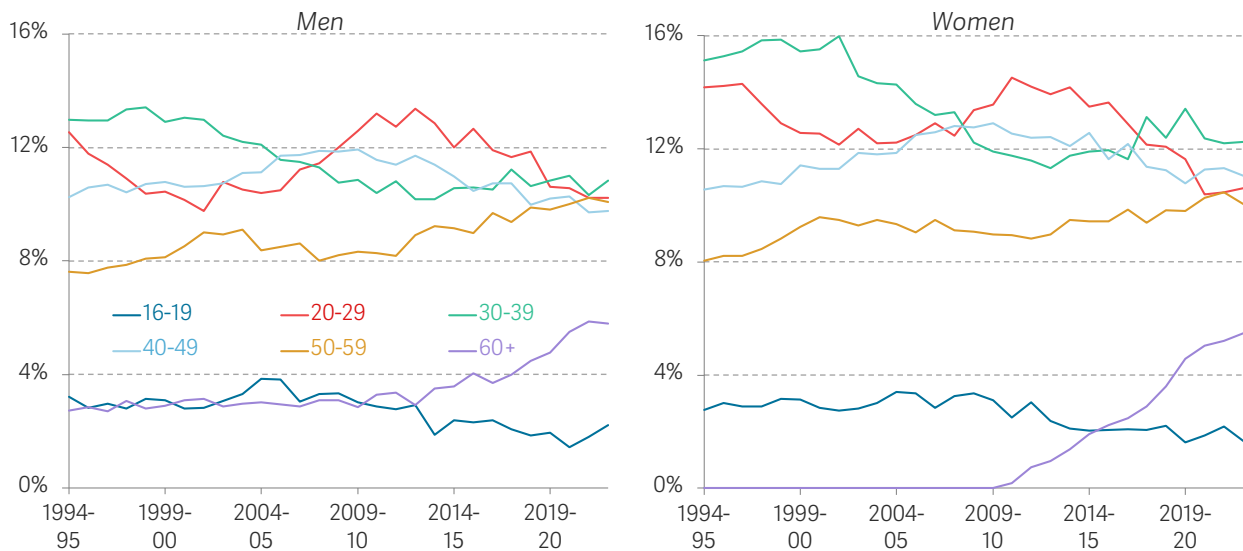
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<sup>10</sup> This pattern of ageing reflects population changes in general: peaks in births in the 1960s mean that the number of people in their 50s and 60s is proportionally higher now than it was in the 1990s, and similar trends can be observed in the composition of the top half of the income distribution: there are fewer 20- and 30-year-olds and more 50-year-olds in the high-income group than there were 30 years ago, but the changes are much less stark. M Broome et al., *An intergenerational audit for the UK 2023*, Resolution Foundation, November 2023.

<sup>11</sup> RF analysis of DWP, Households Below Average Income.

**FIGURE 5: Compared to in the mid-1990s, there are fewer people in their 20s and 30s in the low-to-middle income population, but more people in their 50s**

Proportion of adults in the adult non-pensioner low-to-middle income population in different age bands for men (left panel) and women (right panel): GB/UK



NOTES: GB before 2002-03. The SPA for women gradually increased from 60 to 65 between 2010 and 2018, which is why there were no women aged 60 or over in the low-to-middle income group before 2010-11. SOURCE: RF analysis of DWP, Households Below Average Income.

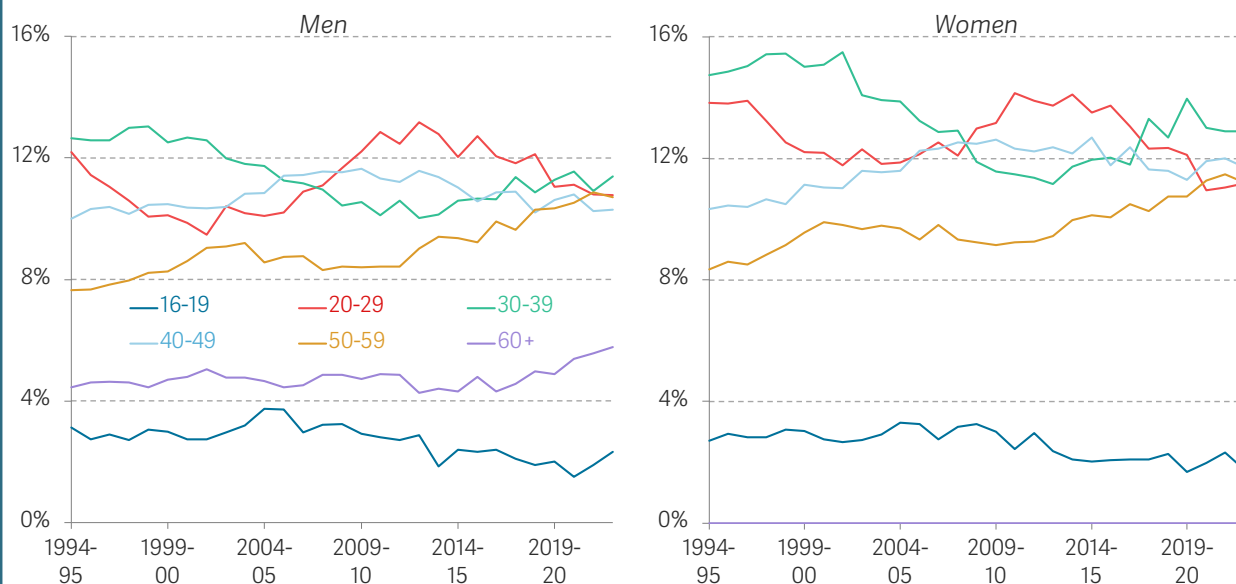
### BOX 2: The effect of the rising SPA on the make-up of the low-to-middle income group

As Figure 5 shows, the composition of the low-to-middle income group by age and gender changed from 2010 onwards, as the SPA increased from 60 to 65 (and increased for both men and women to 66 in 2020). Figure 6 demonstrates how the composition of the low-to-middle income adult population would have changed if the SPA stayed at the same threshold it was in 1994-95 (65 for men and 60 for women). Keeping the SPA fixed would have reduced the average age of adults in low-to-middle income families

to 39 from 40. Although the group would have been younger on average, the proportion of older people in the group would have still increased, with the proportion of non-pensioners aged 50 and above in the low-to-middle income group rising from 20 per cent to 28 per cent. The changing SPA has also made the low-to-middle income group 5 per cent larger than it would have been if the SPA had stayed at its 1994-95 levels.

**FIGURE 6: There are fewer people in their 20s and 30s in the low-to-middle income population, but more people in their 50s**

Proportion of adults in the adult non-pensioner low-to-middle income population (with a fixed SPA of 65 for men and 60 for women) in different age bands for men (left panel) and women (right panel): GB/UK



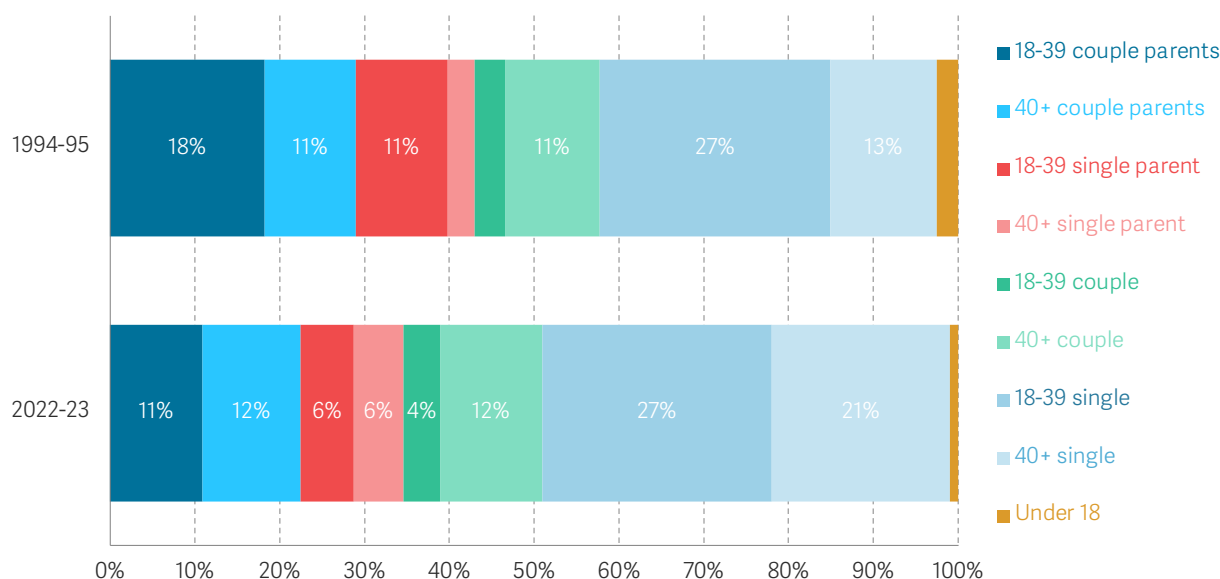
NOTES: GB before 2002-03.  
SOURCE: RF analysis of DWP, Households Below Average Income.

Figure 7 shows the distribution of low-to-middle income families by family make-up and broad age group in 1994-95 and 2022-23. Since 1994-95, the proportion of low-to-middle income families that have children has fallen (from 43 to 35 per cent), with an especially large fall in the proportion who are younger couples with children (from 18 to 11 per cent). In addition, the proportion of low-to-middle income families that are now younger single parents has nearly halved since 1994-95, to reach 6 per cent. Although the proportion that are younger single people without children has remained the same, the proportion of older single people has risen by 8 percentage points. The result of this is that single families with no children make up nearly half of the low-to-middle income group, at 48 per cent (up from 40 per cent in 1994-95).



**FIGURE 7: The low-to-middle income group has seen a fall in the proportion of parents and a rise in the proportion of older single people**

Make-up of families in the low-to-middle income group by family type and age: GB/UK



NOTES: GB before 2002-03. 18-39 refers to families where the household reference person is aged 18-39, and 40+ refers to where they are aged between 40 and the State Pension age. Under 18 refers to people under 18 living independently of a parent or guardian. SOURCE: RF analysis of DWP, Households Below Average Income.

Why are people in low-to-middle income families less likely to be cohabiting or having children? Evidence shows that entering a co-residential partnership is happening at a later age than it did in the past.<sup>12</sup> Reasons for this include people leaving education later and broader changes in the labour market participation of women. But for young people, increased economic precarity has also pushed back household formation. For example, the least precarious young adults are twice as likely to form a co-residential partnership compared to the most precarious.<sup>13</sup>

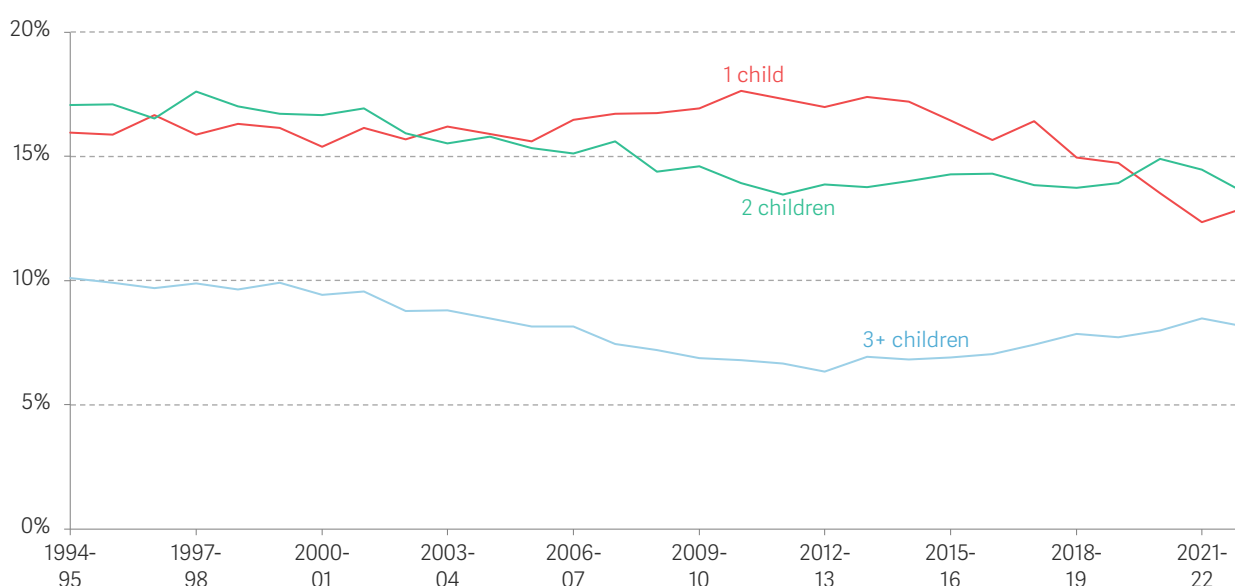
As Figure 8 shows, the proportion of low-to-middle income families with one, two and three or more children have all fallen since 1994-95, and the proportion of families with no children has risen. In contrast, the proportion of higher-income families with one, two and three or more children have remained largely unchanged since 1994-95. That said, it is striking that – as shown in Figure 8 – the proportion of larger families in the low-to-middle income group has increased since 2012-13, as policies including the benefit cap and the two-child limit have squeezed on larger families’ incomes, with the effects of these policies having increased over time – something we will explore further in future work.<sup>14</sup>

<sup>12</sup> See Box 2 in M Broome et al., *An intergenerational audit for the UK: 2022*, Resolution Foundation, November 2022.  
<sup>13</sup> L Palumbo et al., *Uncertain steps into adulthood: Does economic precariousness hinder entry into the first co-residential partnership in the UK?*, Population Studies 1-27, September 2022.  
<sup>14</sup> L Try, *Catastrophic caps: An analysis of the impact of the two-child limit and the benefit cap*, Resolution Foundation, January 2024.

Large families remain largely the preserve of those on low incomes. In the latest data, 45 per cent of children in families with more than three children were in poverty, the same proportion as in 1994-95 (and up from a low of 32 per cent in 2012-13). Despite low-to-middle income families becoming less likely to have children overall, the number of children in low-to-middle income families that have children in 2022-23 (1.96) is similar to that in 1994-95 (1.95).

**FIGURE 8: As the proportion of low-to-middle income families with no children has risen, all sizes of families with children have fallen since the mid-1990s**

Make-up of families by number of children for low-to-middle income families: GB/UK



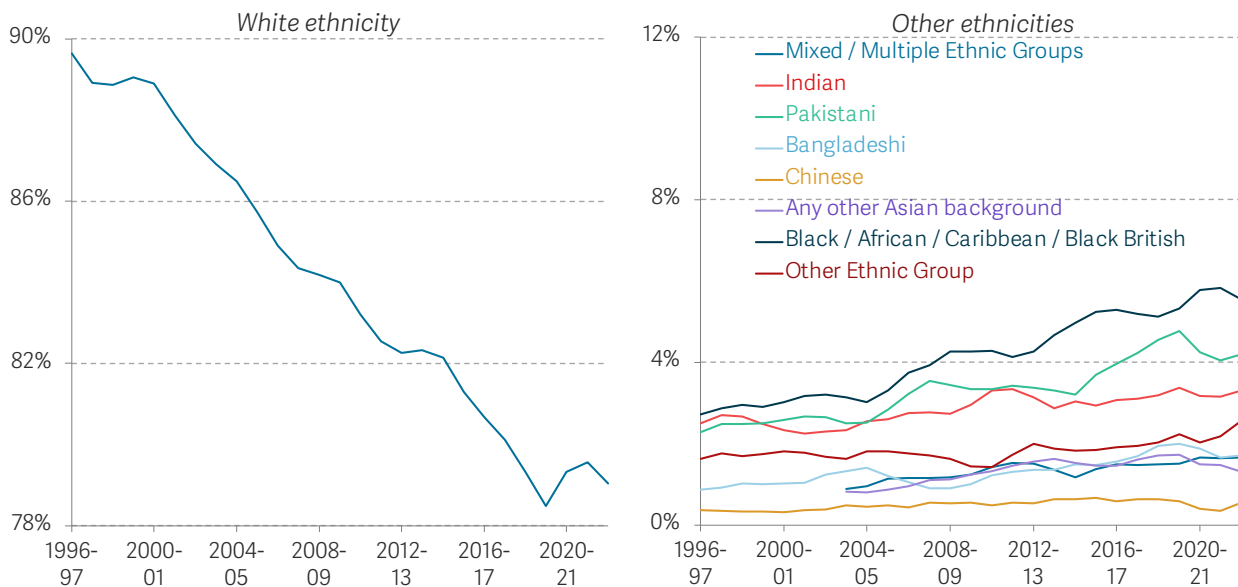
NOTES: GB before 2002-03. Children refers to dependent children. Chart excludes proportion of families with no children.

SOURCE: RF analysis of DWP, Households Below Average Income.

Migration patterns and demographic changes have meant that low-to-middle income families have become more ethnically diverse over the past 30 years. As Figure 9 shows, in the mid-1990s nearly 90 per cent of the low-to-middle income population were White, but by 2020-21 to 2022-23, this had fallen to 79 per cent. This mainly reflects overall changes in the population: there was also a fall – albeit slightly smaller – in the proportion of the higher-income population who are White (from 96 per cent to 88 per cent). Nonetheless, it is the case that there is a much higher proportion of people from ethnic minority groups on lower incomes (21 per cent compared with 12 per cent in the higher-income group). The largest rises are among people in the Black ethnic group, who in the latest data made up 6 per cent of the low-to-middle income group; people in the Pakistani ethnic group, who made up 4 per cent; and people from the Bangladeshi ethnic group, who made up 2 per cent, up from 3, 2, 1 per cent respectively in 1996-97.

FIGURE 9: The low-to-middle income population has become more diverse

Make-up of low-to-middle income population by ethnicity: GB/UK



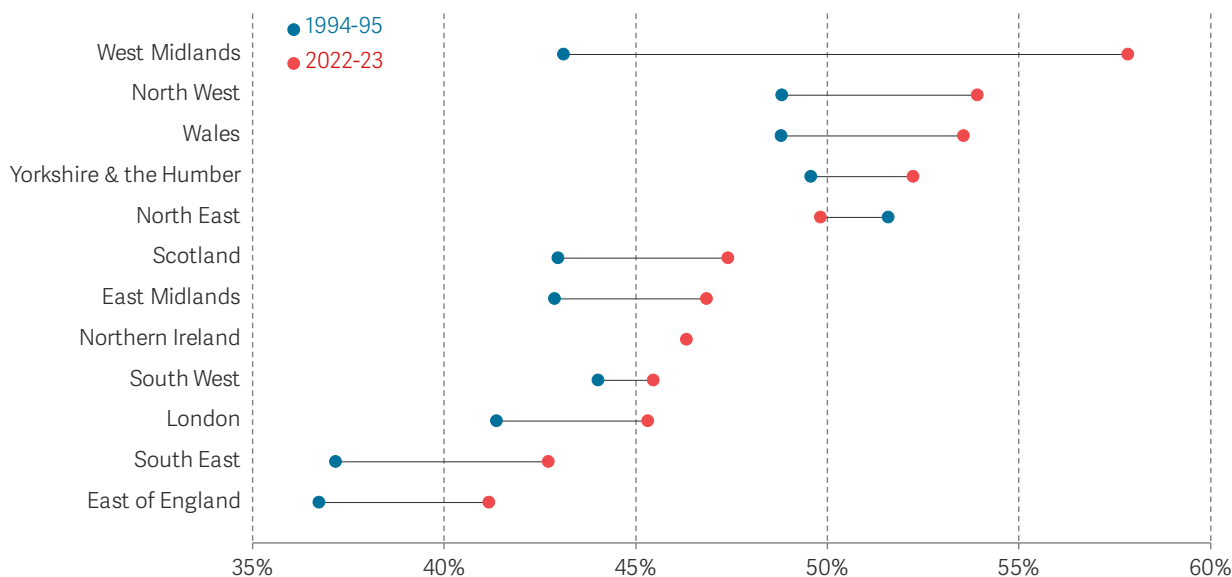
NOTES: GB before 2002-03. Data has been averaged over three years. Data shown is for the three years ending in the year shown, meaning data in the charts above for 1996-97 includes data from 1994-95 to 1996-97.

SOURCE: RF analysis of DWP, Households Below Average Income.

Low-to-middle income families are also unequally split over the different regions of the UK, as Figure 10 shows. In 1994-95, the North East contained the highest proportion of low-to-middle income families, followed by Yorkshire and the Humber and the North West. By 2022-23, the low-to-middle income population were more evenly geographically distributed. The West Midlands had the highest proportion of low-to-middle income families (up from 43 per cent in 1994-95 to 58 per cent in 2022-23), followed by the North West and Wales. In future work, we will examine the geographical dispersion of low-to-middle income families further.

**FIGURE 10: The West Midlands has the highest proportion of low-to-middle income families**

Proportion of families that are on a low-to-middle income by region/nation: GB/UK



NOTES: GB before 2002-03, meaning there is no Northern Ireland data for 1994-95.  
 SOURCE: RF analysis of DWP, Households Below Average Income.

There have been some significant changes to the makeup of low-to-middle income families over the past 30 years: they have become older, more ethnically diverse and have fewer children. Some of these changes are driven by broader changes in the country, including ageing, lower fertility and changes in the patterns of migration. We have also seen families being formed later, with parenthood being deferred and older families starting to be more likely to be in the low-to-middle income half of the population. In the following two sections we look at how the changes detailed above are impacting the labour-market activity and health of this group.

## Employment among low-to-middle income families has risen in recent years

Another important trend for the UK population as a whole has been the rising employment rate. During the 2010s, the UK’s employment rate rose from 70 per cent in 2010 to a peak of 76 per cent before the pandemic;<sup>15</sup> making the UK the country with the second-highest employment rate in the G7 in Q4 of 2019.<sup>16</sup> This rise in employment has been seen almost exclusively within the low-to-middle income population (as well as within pensioner families). As shown in Figure 11, adults in higher-income families have higher employment rates – 89 per cent in 2022-23 compared with 61 for low-to-middle

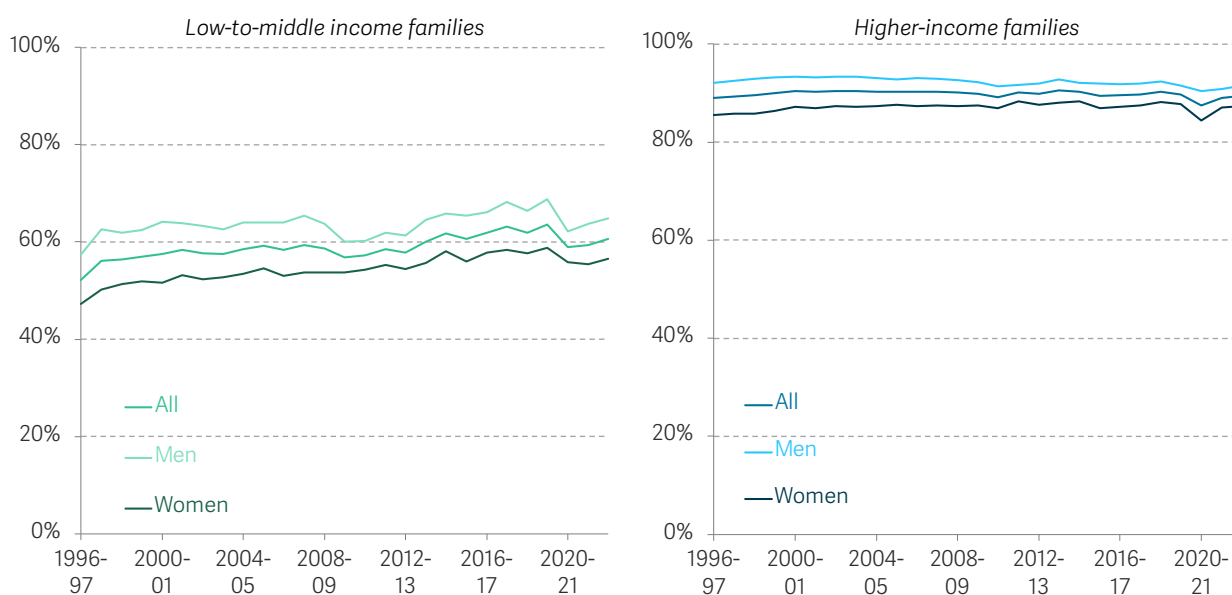
<sup>15</sup> ONS, *Labour market statistics*, July 2024.

<sup>16</sup> L Murphy, *A U-shaped legacy: taking stock of trends in economic inactivity in 2024*, Resolution Foundation, March 2024.

income families – but the gap has been closing. Indeed, the employment rate for people in low-to-middle income families has increased by around 9 percentage points since 1996-97, while the rate for higher-income families has remained the same.<sup>17</sup>

**FIGURE 11: The employment rate for those in low-to-middle income families is catching up with those in higher-income families, especially for women**

Employment rate for working-age adults split by those in low-to-middle income families (left panel) and higher-income families (right panel): GB/UK



NOTES: GB before 2002-03.  
SOURCE: RF analysis of DWP, Households Below Average Income.

The increase in employment for low-to-middle income families has been larger for women. In 1996-97, under half (47 per cent) of women in such families were employed. But by 2019-20, that had risen to nearly six-in-ten (59 per cent).<sup>18</sup> Much of this reflects broader, societal changes, with women choosing to delay, or forgo, cohabitation and having children. Women have also become less likely to leave the labour market after having a child, and return to it more quickly if they do.<sup>19</sup> Employment rates among mothers in low-to-middle income families have increased slightly more than for women in low-to-middle income families overall – from 46 per cent in 1996-97 to 58 per cent by 2022-23 (overall employment rates for women in low-to-middle income families increased from 47 to 57 per cent over this period).<sup>20</sup>

<sup>17</sup> Charts in this section start from 1996-97 instead of 1994-95 due to unavailability of key employment variables.  
<sup>18</sup> Note that in 2022-23, the employment rate for women in low-to-middle income families is 57 per cent. The employment rate for this group dropped during the Covid-19 pandemic, and has still not reached its 2019-20 peak.  
<sup>19</sup> B Roantree & K Vira, *The rise and rise of women's employment in the UK*, Institute for Fiscal Studies, April 2018.  
<sup>20</sup> RF analysis of DWP, Households Below Average Income.

But at least part of the rapid increase in the labour supply from women, following the financial crisis, was in response to the significant fall in real wages and slow recovery associated with the crisis.<sup>21</sup> In addition, the increase in the rise in the SPA for women aged 60 and over has led to higher employment for this group.<sup>22</sup> We will explore the causes and implications of these changes in more detail in future work.

As the employment rate has risen, the proportion of low-to-middle income families who are workless has almost halved, falling from 24 per cent in 1996-97 to 13 per cent in 2022-23 (although it's worth noting that the proportion of workless families in 1994-95 was particularly high following the recovery from the early 1990s recession).<sup>23</sup>

The improvement in employment outcomes for low-to-middle income families has been a key source of changes in income. Figure 12 shows the composition of total gross household income separately for low-to-middle income and higher-income households. As the proportion of people in low-to-middle income families in work has risen (shown in Figure 11), employment income has increased in importance for low-to-middle income households. In 2019-20, income from employment made up 70 per cent of low-to-middle income gross household incomes, up from 63 per cent in 1994-95. Over the same time period, the proportion of gross income coming from benefits for the bottom half of the distribution fell, from 31 per cent to 21 per cent, reflecting cuts to benefits in the 2010s.<sup>24</sup> Employment income rose notably between 2010-11 and 2019-20, rising from 62 per cent to 70 per cent. Some of this rise is a consequence of employment growth over the 2010s, which was concentrated at the bottom end of the income distribution, as well as the introduction of the National Living Wage (NLW), which boosted wage growth for low-paid workers.<sup>25</sup>

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<sup>21</sup> T Bell & L Gardiner, *Feel poor, work more: Explaining the UK's record employment*, Resolution Foundation, November 2019.

<sup>22</sup> N Amin-Smith & R Crawford, *State pension age increases and the circumstances of older women*, in J Banks et al. (eds.), *The Dynamics of Ageing: Evidence from the English Longitudinal Study of Ageing 2002-16*, Institute for Fiscal Studies, October 2018

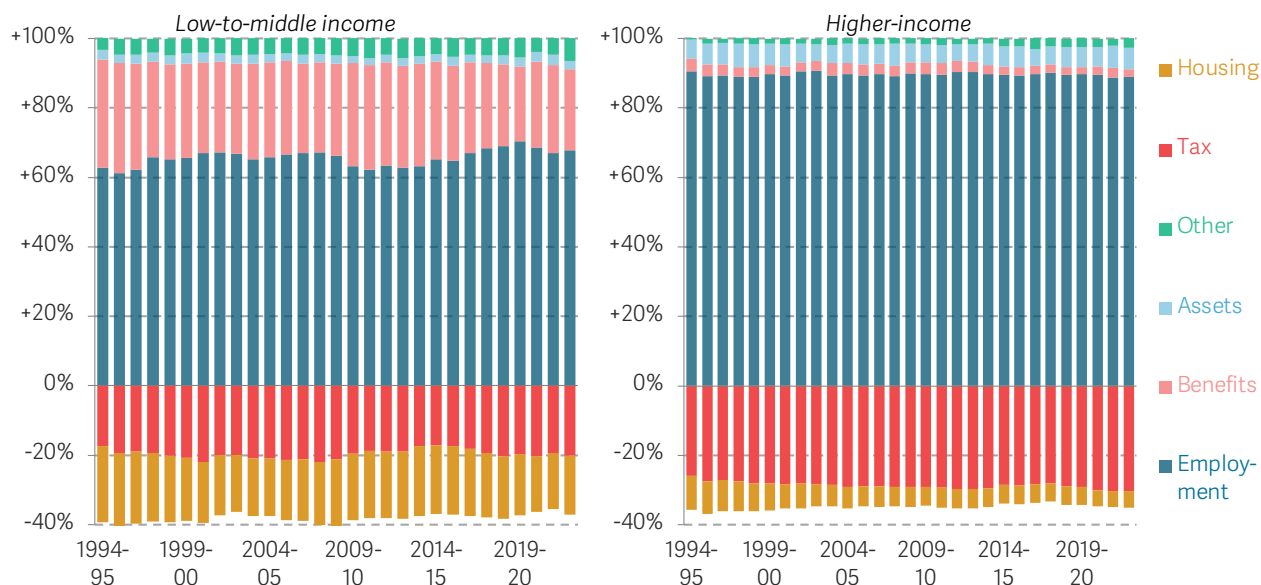
<sup>23</sup> RF analysis of DWP, *Households Below Average Income*.

<sup>24</sup> M Brewer & A Clegg, *Ratchets, retrenchment and reform: The social security system since 2010*, Resolution Foundation, June 2024.

<sup>25</sup> A Corlett & L Try, *Hard times: Assessing household incomes since 2010*, Resolution Foundation, June 2024.

**FIGURE 12: Over two thirds of low-to-middle income household income comes from earnings but – unlike for high-income households – benefits are also important**

Composition of total gross household income: GB/UK



NOTES: GB before 2002-03. Implied tax includes Income Tax, National Insurance and Council Tax.  
SOURCE: RF analysis of DWP, Households Below Average Income.

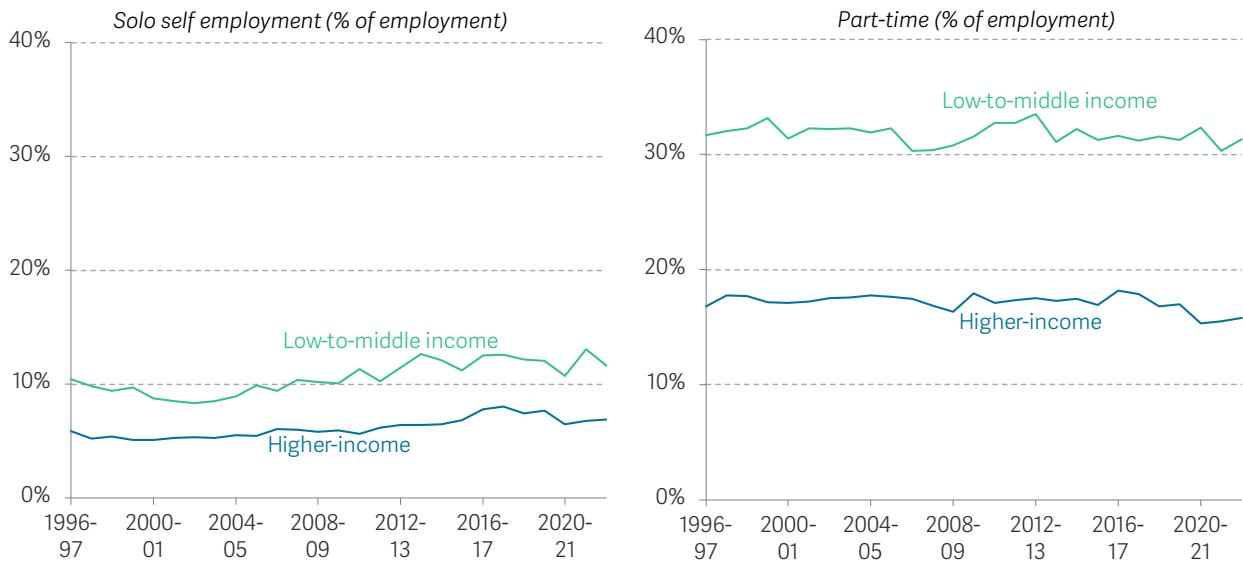
However, since 2019-20, these patterns have reversed slightly, with the employment income share falling slightly (to 68 per cent in 2022-23) and the benefit income share rising (to 23 per cent in 2022-23). This can be attributed to labour market participation falling and benefit caseloads rising during the pandemic, and to boosts to benefit income during the pandemic and cost of living crisis.

As well as the amount of work among adults in low-to-middle income families being different to that of higher-income families, so is the nature of work that these families do. Figure 13 shows the proportion of people in low-to-middle income and higher-income families in solo self-employment or in part-time work. The proportion of workers in both low-to-middle income and higher-income families in part-time work has remained relatively steady since 1996-97, but part-time work was almost twice as common among low-to-middle income families: 31 per cent of workers in low-to-middle income families are doing part-time work, rather than 16 per cent in higher-income families. As well as being more likely to be in part-time work, people in low-to-middle income families are more likely to be solo self-employed than people in higher-income families. The proportion of people in low-to-middle income families who are solo self-employed rose from 10 per cent in 1996-97 to 12 per cent in 2022-23, after reaching a high of 13 per cent in 2021-22. This increase is bad for living standards because being solo self-employed is

precarious: workers in this category are more likely to be underemployed and typically have lower earnings than employees.<sup>26</sup>

**FIGURE 13: Solo self-employment comprises a high (versus higher income workers) and growing proportion of low-to-middle income adults' employment**

Proportion of employed working-age adults in part-time work or solo self-employment: GB/UK



NOTES: GB before 2002-03.  
SOURCE: RF analysis of DWP, Households Below Average Income.

Although the overall proportion of workers in low-to-middle income families doing part-time work hasn't changed over the past 30 years, there has been a significant shift in the pattern of the hours worked among low-to-middle income workers. Fewer women are working short hours over time, but more men are. Figure 14 shows that typical hours worked have remained relatively stable since 1996-97 for both low-to-middle income men and women. Typical hours worked by women in higher-income families were higher (37 on average) than women in low-to-middle income families (30). By contrast, men in both groups have the same typical weekly working hours.

But there have been shifts in hours worked around more stable typical hours. The number of hours worked by low-to-middle income men and women have converged over time. The 10th and 25th percentiles of hours worked by low-to-middle income women increased by 5 hours between 1996-97 and 2022-23 (from 10 to 15 and from 15 to 20 respectively). By contrast, men working both more and less than the median are working

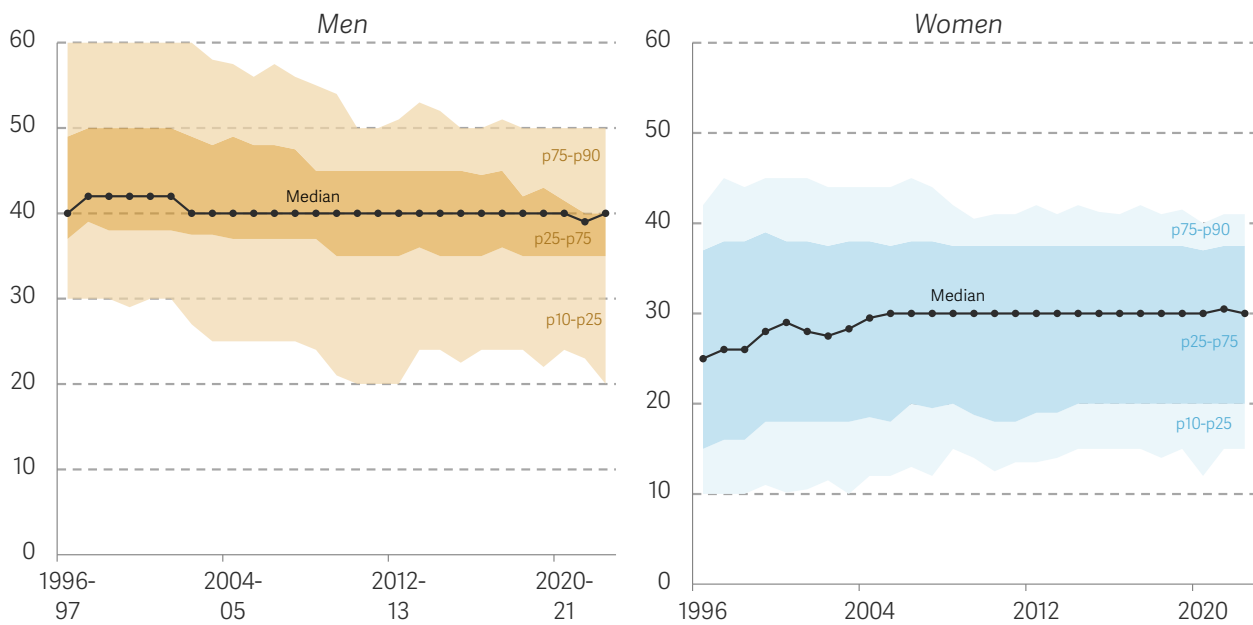
<sup>26</sup> G Giupponi & X Xu, *What does the rise of self-employment tell us about the UK labour market?*, Institute for Fiscal Studies, November 2020.



less hours than they did in the mid-1990s: in particular the 10th and 75th percentiles of hours worked by low-to-middle income men fell by 10 and 9 hours respectively between 1996-97 and 2022-23 (from 30 to 20 and from 49 to 40).

**FIGURE 14: Men’s working hours have fallen over the last 30 years, while women’s have risen**

Hours worked per week of those in work, for low-to-middle income working-age adults: GB/UK



NOTES: GB before 2002-03.  
SOURCE: RF analysis of DWP, Households Below Average Income.

In general, women working more hours can be seen as progress on reducing gender-based labour market inequalities. However, the rise in men in low-to-middle income families working fewer hours puts downward pressure on living standards, as these workers are more likely to be low-paid. Evidence shows that between 1991 and 2008, hours fell for the lowest (hourly) paid men the most (although between 2008 and 2019, hours fell for men across (almost) the whole distribution).<sup>27</sup>

### Health has overtaken caring for children as the key reason those in low-to-middle income families are not participating in the labour market

We showed above that employment has increased for adults in low-to-middle income families, particularly among women. If we look more closely, we can see that the

<sup>27</sup> P Bourquin, M Brewer & T Wernham, *Trends in income and wealth inequalities*, Institute for Fiscal Studies, November 2022.

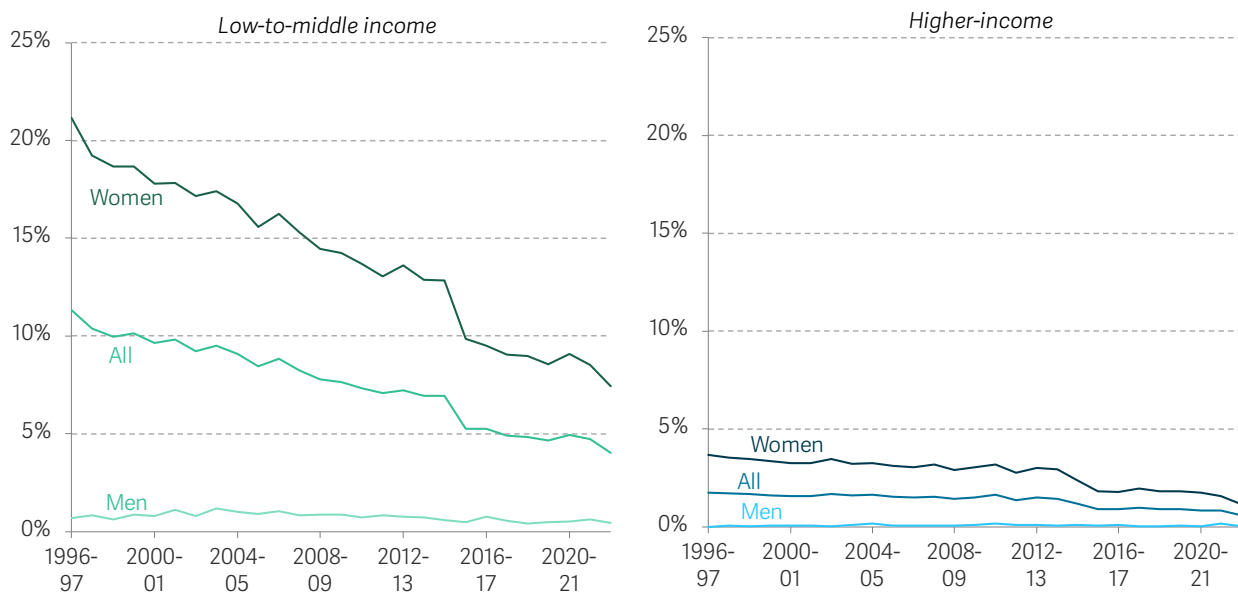
decision about participation in the labour market have been influenced by two broad developments.

First, there has been a fall in the proportion of women who are economically inactive because they're looking after the family or home with dependent children. As shown in Figure 15, this fall has been more pronounced among women in low-to-middle income families, with the proportion of women economically inactive for this reason falling from 21 per cent in 1996-97 to 7 per cent in 2022-23. As well as the reasons for the rise in women's employment already mentioned, such as an increase in the need to have two earners in a family due to weak wage growth, this reflects two trends:

- the fall in the proportion of low-to-middle income families that contain dependent children, as shown in Figure 7; and,
- a rise in the proportion of women with dependent children that are in paid employment.

**FIGURE 15: The proportion of low-to-middle income women not working due to caring for children responsibilities has fallen dramatically**

Proportion of adults economically inactive because looking after family/home and have dependent children: GB/UK



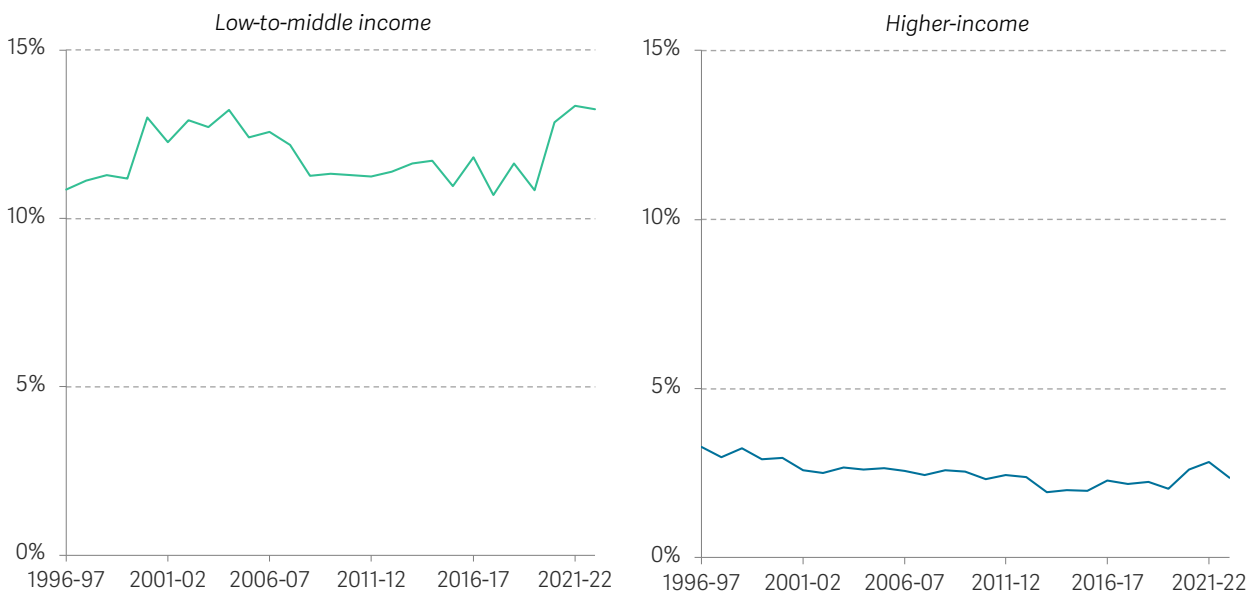
NOTES: GB before 2002-03. Working age only. Measure includes those inactive because they are looking after family or home and have dependent children.

SOURCE: RF analysis of DWP, Households Below Average Income.

Second, there has also been an increase in the number of low-to-middle income families in which health is affecting the ability of people to work. Figure 16 shows the proportion of working-age adults on low-to-middle, and higher, incomes who say they are inactive due to long-term sickness or a disability.<sup>28</sup> Health-related inactivity has been more common among low-to-middle income families than those on higher incomes, with the gap growing in recent years, and particularly since the pandemic. By 2022-23, people in low-to-middle income families are more than five times more likely than people in higher-income families to be in this position (around one-in-eight of those on low-to-middle income families were in that position). It is striking that the proportion of those on low-to-middle incomes not participating due to ill health (13 per cent) is now over three times larger than the proportion inactive because they are looking after children (4 per cent, see Figure 15); this is a significant change from 1994-95, when the rates were the same (11 per cent).

**FIGURE 16: The recent rise in economic inactivity due to ill health has been more pronounced among low-middle-income families**

Proportion of working-age low-to-middle income adults (left) and working-age higher-income adults (right) who are economically inactive due to long-term sickness or a disability: GB/UK



NOTES: GB before 2002-03.  
SOURCE: RF analysis of DWP, Family Resources Survey.

<sup>28</sup> Note that, in order to provide a breakdown of inactivity by family income, we must take the data on inactivity from the Family Resources Survey (FRS), rather than the more commonly-used Labour Force Survey (LFS). FRS totals for inactivity due to ill health are consistently slightly higher than the LFS totals, but the gap between the two is steady over time (results are available on request).

This change reflects a deterioration in the state of the nation's health in recent years. This is clear in objective measures of health outcomes: rates of obesity and diabetes have increased; and life expectancy has fallen since 2011, with this accelerating during the Covid-19 pandemic.<sup>29</sup> The rise is also clear in self-reported measures of disability: in 2012-13, fewer than 1-in-5 (19 per cent) people in the UK said that they had a disability, but by 2022-23, that figure had risen to close to a quarter (24 per cent).<sup>30</sup> This equates to the number of disabled people in the UK rising from 12.2 million in 2012-13 to 16.1 million in 2022-23. To some degree, this might be expected given the ageing of the population discussed above. But the increase in self-reported ill health is affecting younger age groups too – so it's clear that the country as a whole has become sicker.

This deterioration in self-reported health outcomes has disproportionately affected low-to-middle income families. As shown in Figure 17, the prevalence of self-reported disability among those on low-to-middle incomes has been much higher than for those on higher incomes. In 1995-96, for example, around 2-in-10 (19 per cent) of working-age adults in low-to-middle income families reported a disability, around double the rate of higher-income families (10 per cent).<sup>31</sup> But that gap has grown in recent years with the proportion rising to 3-in-10 adults from low-to-middle income families (30 per cent) by 2022-23.

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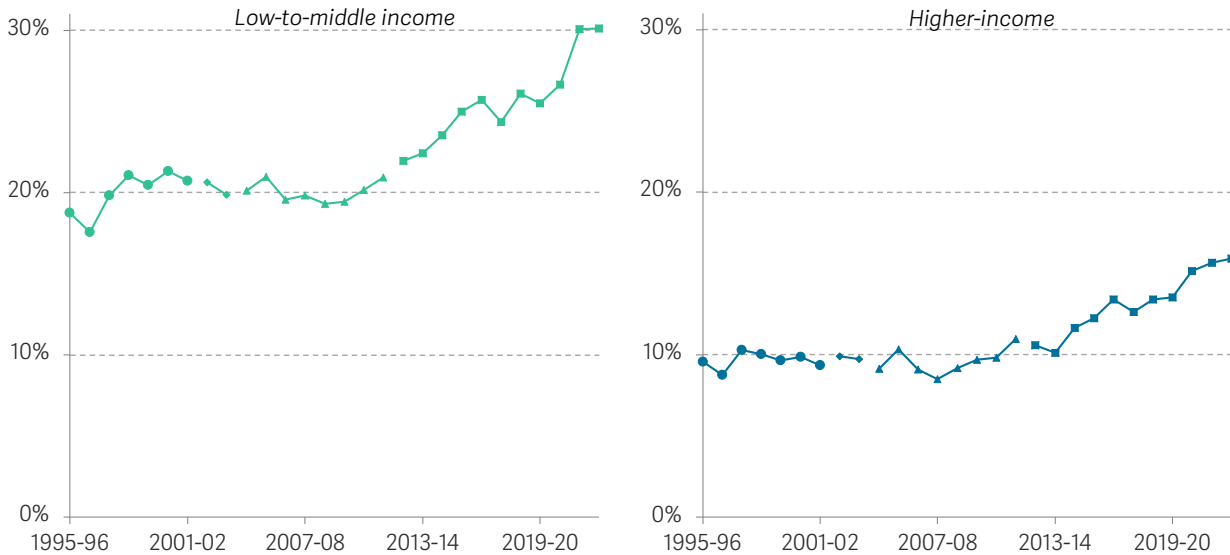
<sup>29</sup> Measures of morbidity are discussed in B Baumberg Geiger, *Has working-age morbidity been declining? Changes over time in survey measures of general health, chronic diseases, symptoms and biomarkers in England 1994–2014*, *BMJ Open*, July 2022. For recent life expectancy data, see: ONS, *National life tables – life expectancy in the UK: 2020 to 2022*, January 2024.

<sup>30</sup> Defined as having a long-standing illness, disability or impairment which causes substantial difficulty with day-to-day activities, the core definition of disability under the Equality Act 2010. L Judge & L Murphy, *Under strain: Investigating trends in working-age disability and incapacity benefits*, Resolution Foundation, June 2024.

<sup>31</sup> The definition of disability used in the FRS has changed over time. From 2012-13, a person is considered to have a disability if they regard themselves as having a long-standing illness, disability or impairment which causes substantial difficulty with day-to-day activities. This definition is consistent with the core definition of disability under the Equality Act 2010, and complies with harmonised standards for social surveys published in August 2011. We do not make comparisons with data from before 2012-13, since they may be affected by the change in the definition of disability.

**FIGURE 17: 3-in-10 working-age adults in lower income families said they had a disability**

Proportion of working-age low-to-middle income adults (left panel) and higher-income adults (right panel) who report a disability: GB/UK



NOTES: The basis of identifying people with a disability has changed over time. Gaps in the series are where survey question wording changed. GB before 2002-03.  
 SOURCE: RF analysis of DWP, Family Resources Survey.

In future work we will unpack the link between income levels and ill health and consider what, if anything, policy makers can do to improve labour-market outcomes.<sup>32</sup>

**Caring for the sick and elderly has become a bigger part of life for low-to-middle income families**

The deterioration in health has come with an increase in the number of people reporting that they have caring responsibilities for another adult. Figure 18 shows the proportion of working-age people that say they are caring for an ill, disabled or elderly adult for at least five hours a week.<sup>33</sup> While this data is subject to a series break between 2008 and 2009-2010, reflecting changes in survey design,<sup>34</sup> there is a clear and familiar pattern: those on low-to-middle incomes have been more likely to have caring responsibilities throughout the past three or so decades than those on higher incomes. In the latest data, 1-in-8 people in low-to-middle income families reported having caring responsibilities,

<sup>32</sup> The rise in health-related inactivity doesn't necessarily imply that improvements to those individuals' health would lead to changes in labour market outcomes for those individuals. See B Boileau & J Cribb, [Is worsening health leading to more older workers quitting work, driving up rates of economic inactivity?](#) Institute for Fiscal Studies, October 2022.

<sup>33</sup> This is very different definition of caring to that used as eligibility for Carers Allowance which, among other eligibility criteria, requires caring for someone for at least 35 hours a week.

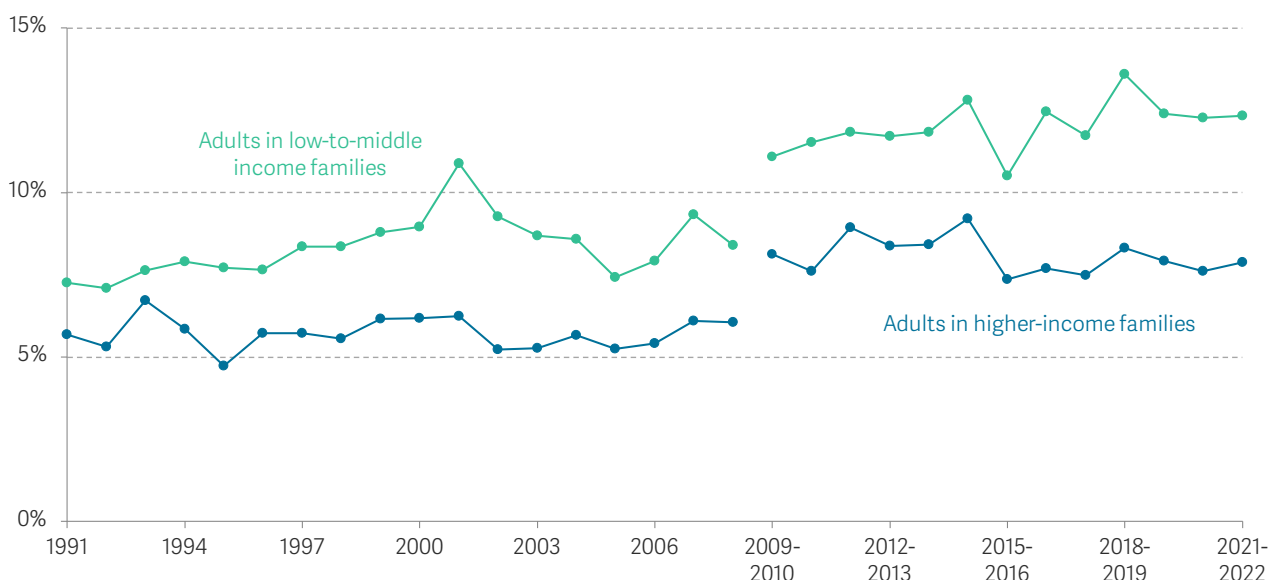
<sup>34</sup> The analysis uses Understanding Society (and its predecessor the British Household Panel Survey), a longitudinal survey of UK households. In 2009-2010 there was a change in the wording on the question about how many hours people spend caring with a more explicit question about the number of hours of caring both within and outside the respondent's immediate household. This seems to have led to an increase in the average hours reported by people doing both types of care.

compared to 1-in-12 people in higher-income families. This difference has also become more pronounced over the past decade: since 2009-2010, there has been a rise of 11 per cent in the proportion of low-to-middle income adults who are carers, compared with a small fall for those on higher incomes. By 2022, 2.6 million adults in low-to-middle income families were providing care for five or more hours a week.

Once again, we leave delving into the drivers and implications of these developments for future work. But it's clear that a larger caring burden will make it harder for people in those in low-to-middle income families to work.

**FIGURE 18: 1-in-8 adults in low-to-middle income families report that they have caring responsibilities**

Proportion of 16-64-year-olds who are caring for an ill, disabled or elderly adult for at least 5 hours a week, by income group: GB/UK



NOTES: This includes caring for people within the same household or in a different household.  
 SOURCE: RF analysis of ISER, British Household Panel Survey & Understanding Society.

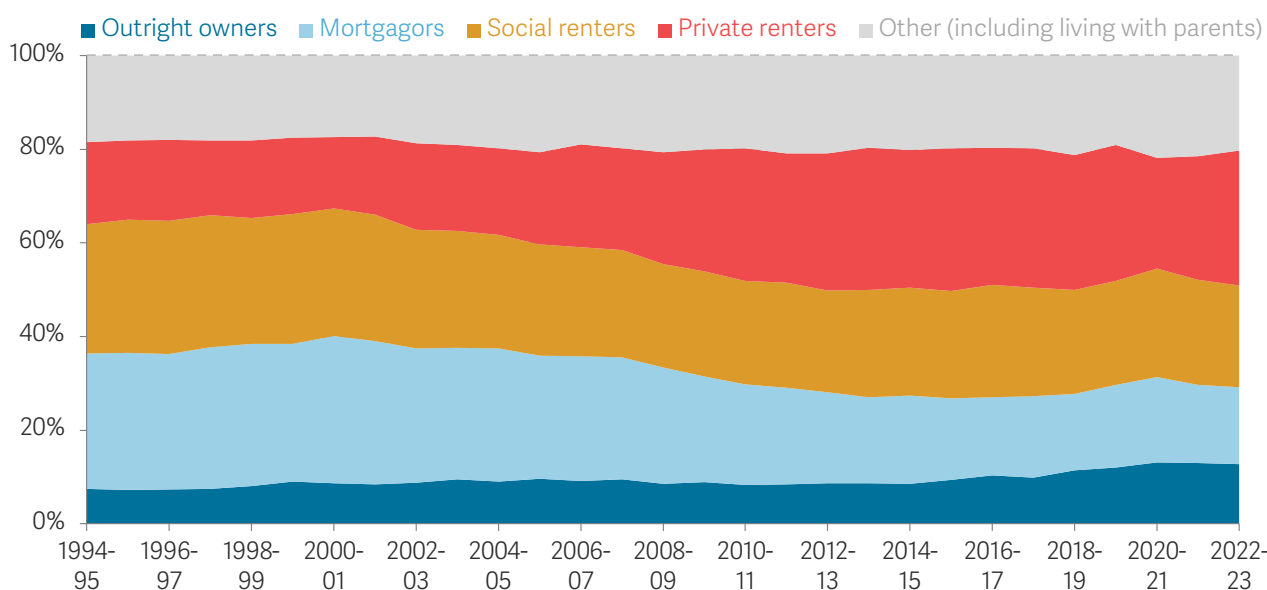
Changes in incomes have been closely linked to patterns of employment, with positive developments in the labour-market participation of low-to-middle income families, particularly among women. But household costs – particularly housing costs – are a key influence on living standards. So next we turn to how changes in housing have shaped the living standards of different income groups.

## More low-to-middle income families are renting in the private sector

In recent decades, the seismic shift in the price of housing has put home ownership out of reach for many low-to-middle income families. As interest rates fell in the years between the financial crisis and the pandemic, and as housing-supply growth slowed, average house prices have surged from five-times average earnings, to over eight times over the past two decades.<sup>35</sup> Interest rates have been very low for much of this period, offsetting the impact of this price rise on the cost of servicing a mortgage. But even when rates were low, the high price level has meant that the reality for many low-to-middle income families is that the deposit constraint has made it very difficult for many to fund a house purchase.<sup>36</sup> Unsurprisingly, then, as shown in Figure 19, the proportion of low-to-middle income families owning their own home has fallen – from a peak of round 4-in-10 (40 per cent) in 2000-01 to around 3-in-10 (29 per cent) in 2022-23.<sup>37</sup> This reflects a fall in those owning with a mortgage, given a small rise in outright owners.

**FIGURE 19: The proportion of low-to-middle income families with a mortgage has declined over the past 30 years, with many more private renting**

Proportion of low-to-middle income families in different tenure types: GB/UK



NOTES: GB before 2002-03.

SOURCE: RF analysis of DWP, Households Below Average Income.

<sup>35</sup> For a discussion of the drivers of house prices over this period, see: D Miles & V Monro, [UK house prices and three decades of decline in the risk-free real interest rate](#), *Economic Policy*, 36, pages 627-684, 2021.

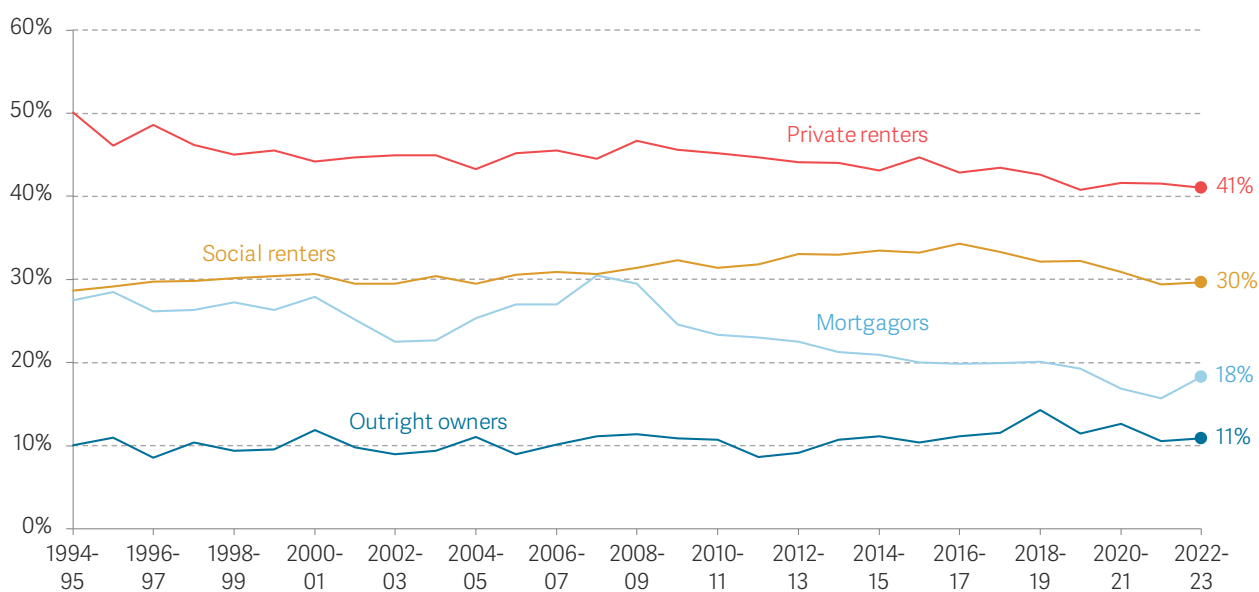
<sup>36</sup> L Judge & J Leslie, [Stakes and ladders: The costs and benefits of buying a first home over the generations](#), Resolution Foundation, June 2021.

<sup>37</sup> For more on recent changes in the housing market, see: C Aref-Adib et al., [Home truths: Putting housing policy in context for the 2024 general election](#), Resolution Foundation, June 2024.

With fewer families owning, and a fall in social renting (from 28 per cent in 1994-95 to 22 per cent in 2022-23), many more low-to-middle income families have had to rely on renting from private landlords. Indeed, the proportion of families doing so increased by more than 50 per cent between 1994-95 and 2022-23, rising from 18 per cent to 29 per cent. And an increase in the proportion of private renters is important for living standards because it puts upward pressure on housing costs for low-to-middle income families. This is because, as shown in Figure 20, average housing costs are higher for families in this position. As a result, the overall housing-cost-to-income ratio (HCIR) has not fallen significantly since 1994-95, despite the cost of both renting and paying off a mortgage rising more slowly than incomes.<sup>38</sup>

**FIGURE 20: Privately renting low-to-middle income families spend over two-fifths of their income on housing costs on average**

Household housing cost to income ratio (gross of housing benefit) for low-to-middle income families, by tenure type: GB/UK



NOTES: GB before 2002-03. Housing costs include water rates, structural insurance premiums, ground rent and service charges.  
SOURCE: RF analysis of DWP, Households Below Average Income.

But housing costs alone do not tell the full story. The quality of housing is also worse for low-to-middle income families. Indeed, as shown in Figure 21, low-to-middle income households face nearly four times the levels of overcrowding (here defined as relative to

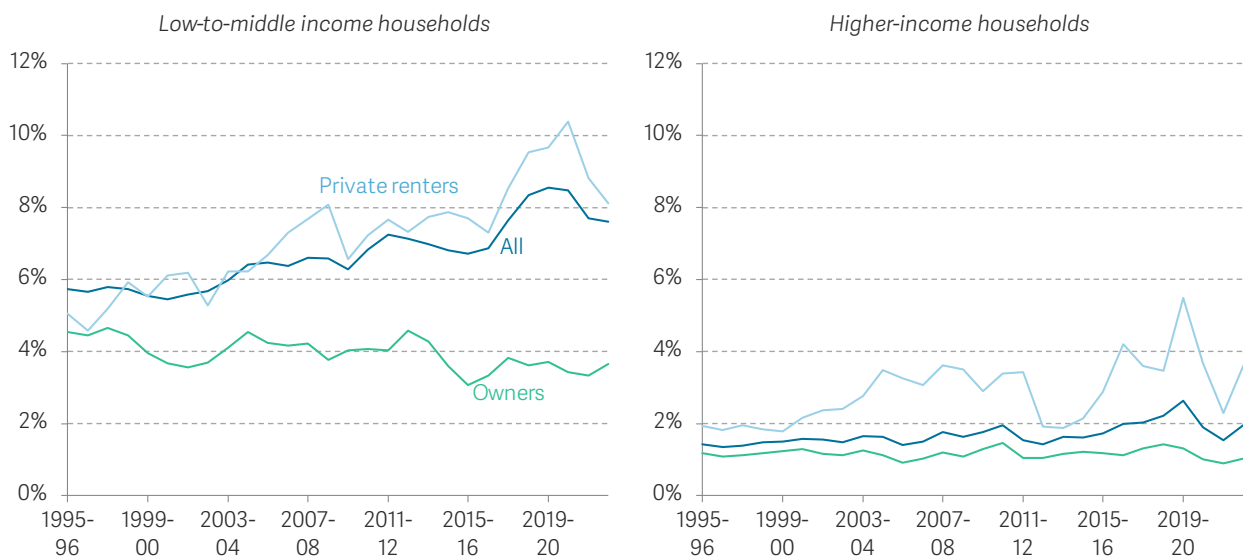
<sup>38</sup> It is important to keep in mind that data here only go up to 2022-23 and mortgage and rental costs have risen rapidly since then.



the bedroom standard)<sup>39</sup> of those on higher incomes – nearly 8 per cent compared with less than 2 per cent, reflecting overcrowding in the private-rented sector.<sup>40</sup> There is also evidence that renters in the UK are forced to accept markedly lower-quality housing than families in other rich countries.<sup>41</sup>

**FIGURE 21: Overcrowding is more severe for low-to-middle income families renting privately**

Proportion of overcrowded households: England, 1995-96 to 2022-23



NOTES: The figures have been analysed using a two-year rolling average.  
SOURCE: RF analysis of DWP, Family Resources Survey.

Overall, the shift away from owning to renting in the private sector on the part of low-to-middle income families has put this group in more a precarious position, forced to accept lower-quality housing and unable to take advantage of the benefits home ownership confers. Looking ahead, future work in this area will delve into the impact of this on living standards and consider what policy makers can do to resolve the crisis in housing.

<sup>39</sup> The bedroom standard allocates a bedroom for each married or cohabiting couple, and for each single adult aged 21 or older; it allocates children’s bedrooms based on age and sex: two children of the same sex aged 10-20 share a bedroom; two children under 10 share a bedroom regardless of sex; two children of the same sex where one is aged 10-20 and the other is under 10 share a bedroom; and any person under 21 who cannot be paired as above gets a separate bedroom. For more information, see F Odamtten, *Housing Outlook Q2 2024*, Resolution Foundation, August 2024.

<sup>40</sup> F Odamtten, *Housing Outlook Q2 2024*, Resolution Foundation, August 2024.

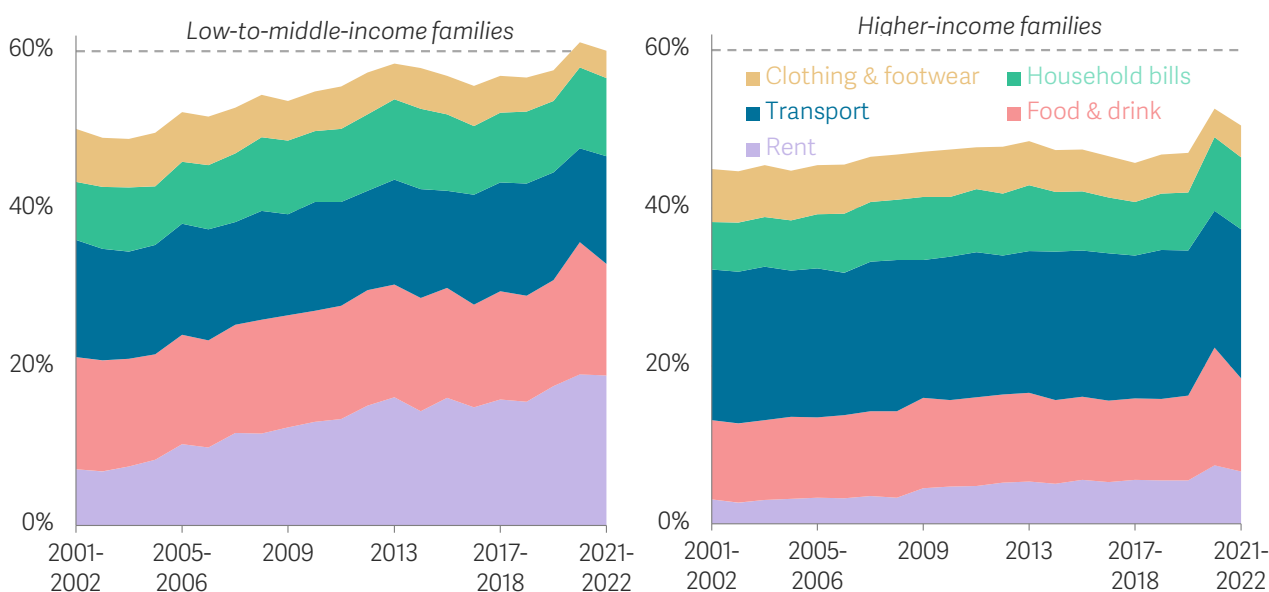
<sup>41</sup> A Corlett & L Judge, *Housing Outlook Q1 2024*, Resolution Foundation, March 2024.

## Low-to-middle income families’ spending has become more concentrated on essentials

Changes in the pattern of housing costs has had a knock-on effect to other types of spending, too. Most striking in this context is the increase in the proportion of low-to-middle-income spending on ‘essential’ items. As shown in Figure 22, the amount such families spend on food, non-alcoholic drinks, fuel, clothing, transport and rent has been rising since the turn of the century. The proportion has increased from around £5 in every £10 to around £6 in every £10.<sup>42</sup> But the key message from such measures, as discussed in our previous work, is that the increasing concentration of spending on essential items reflects the stretched nature of low-to-middle income families’ personal finances, making it more difficult for that group to adjust spending in the face of shocks.<sup>43</sup> This strain is evident in broader measures of hardship since the onset of the cost of living crisis. For example, food insecurity has increased significantly to three times its pre-pandemic levels, with 1-in-5 Britons in 2023 skipping meals or eating less.<sup>44</sup>

**FIGURE 22: £1 in every £5 of low-to-middle income households’ spending goes on rent**

Proportion of household consumption spent on ‘essentials’, for low-to-middle-income families & higher-income families: UK



NOTES: Drink refers to non-alcoholic beverages.  
SOURCE: RF analysis of ONS, Living Costs and Food Survey.

<sup>42</sup> Figure 20 is based on data from the Living Costs and Food Survey (LCFS). This data is only available to 2021-22 and so remains affected by temporary changes in spending patterns observed during the pandemic. There are also some items that could be considered essentials that are not included in the definition used in Figure 20, such as childcare costs. These are excluded because they do not represent essential costs for all low-to-middle income families.

<sup>43</sup> Resolution Foundation & Centre for Economic Performance, LSE, [Ending Stagnation: A New Economic Strategy for Britain](#), Resolution Foundation, December 2023; L Gardiner, [Five key takeaways on UK household spending](#), Resolution Foundation, January 2019; M Gustafsson et al., [After shocks: Financial resilience before and during the Covid-19 crisis](#), Resolution Foundation, April 2021.

<sup>44</sup> T Bell, J Smith & L Try, [Food for thought: The role of food prices in the cost of living crisis](#), Resolution Foundation, May 2023.

So what lies beneath this rise in essential spending? The key driver has been the increasing proportion that goes on rent. As shown in Figure 22, nearly £1 in every £5 spent (19 per cent) by low-to-middle income families now goes on rent. In this way, higher housing costs have a very direct effect on the living standards and resilience of low-to-middle income families. In future work, we will examine how the cost of living crisis affected spending patterns, to build a more complete picture of the financial strain on low-to-middle income families' household budgets.

## Low-to-middle income families' finances have improved but vulnerabilities remain for many

In the run up to the pandemic there was an improvement in the finances of the average low-to-middle income family.<sup>45</sup> Despite stagnating incomes and increased spending pressures, there has been a modest improvement in the net wealth of low-to-middle income families since 2010-12 (see Figure 23).<sup>46</sup> In particular, the average net family wealth per adult for those in low-to-middle income households increased from £97,000 in 2010-12 to £157,000 in 2018-20. This higher wealth was almost entirely down to 'passive' gains from increases in the value of assets, particularly affecting housing and pension wealth.<sup>47</sup> The average adult in a low-income family saw their pension wealth double between 2010-11 and 2018-20, from £31,000 to £64,000, and their average property wealth increased by around £17,000. There was also a strong improvement in net financial wealth among low-income families, although this only accounts for less than 10 per cent of the average low-income family's wealth.

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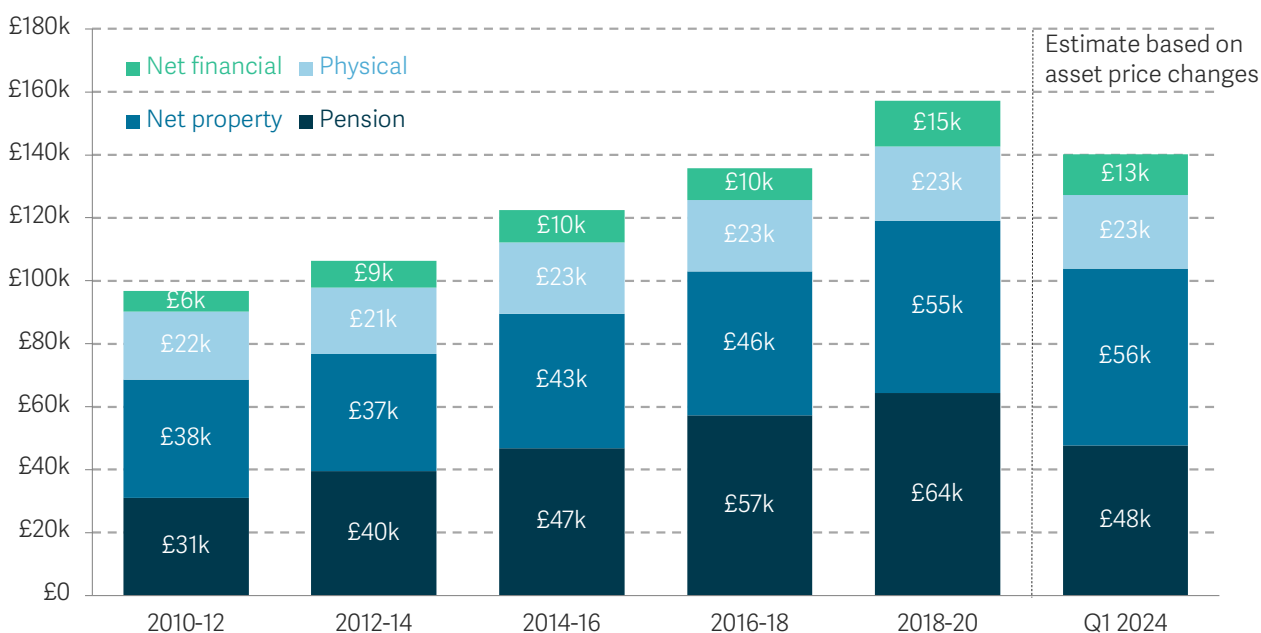
<sup>45</sup> The main source for data on the size and distribution of household wealth in Great Britain is the Wealth and Assets Survey (WAS) for which time-series data is available from 2010-12, meaning that is the starting point for much of our analysis of household balance sheets.

<sup>46</sup> M Broome, I Mulheirn & S Pittaway, *Peaked interest? : What higher interest rates mean for the size and distribution of Britain's household wealth*, Resolution Foundation, July 2023.

<sup>47</sup> G Bangham & J Leslie, *Rainy days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain*, Resolution Foundation, June 2020.

**FIGURE 23: Average wealth has increased for adults in low-to-middle income families since 2010-12**

Average net family wealth per adult among low-to-middle income families, by source of wealth: GB



NOTES: Data are adjusted into January 2024 prices using CPIH index. Income and wealth measured at the benefit unit level. Data for Q1 2024 are estimated using the methodology set out in Box 1 of M Broome, I Mulheirn & S Pittaway, *Peaked interest?: What higher interest rates mean for the size and distribution of Britain's household wealth*, Resolution Foundation, July 2023.  
 SOURCE: RF analysis of ONS, Wealth and Assets Survey.

Increases in asset prices tend to boost household wealth proportionately across households. This means that relative measures of inequality – such as the Gini coefficient – have been stable. But, given that wealth is relatively concentrated, the rises in asset prices have considerably increased the gaps in the absolute levels of wealth across the distribution. In 2006, the average wealth per adult of a family in the richest tenth was £1 million higher on an inflation-adjusted basis than for a family in the fifth decile; by 2020, this difference had increased to £1.4 million.<sup>48</sup>

However, the cost of living crisis put an end to the trend of rising wealth, as higher interest rates led to sharp falls in asset prices. Our previous research showed that the majority of the fall in household wealth since the pandemic is due to falls in the value of financial assets.<sup>49</sup> This trend is evident in Figure 23, which also includes a ‘nowcast’ for recent changes in asset prices and shows that average pension wealth of adults in low-income families has dropped significantly, from £64,000 in 2018-20 to £48,000 in Q1 2024 – equivalent to a fall of 26 per cent.

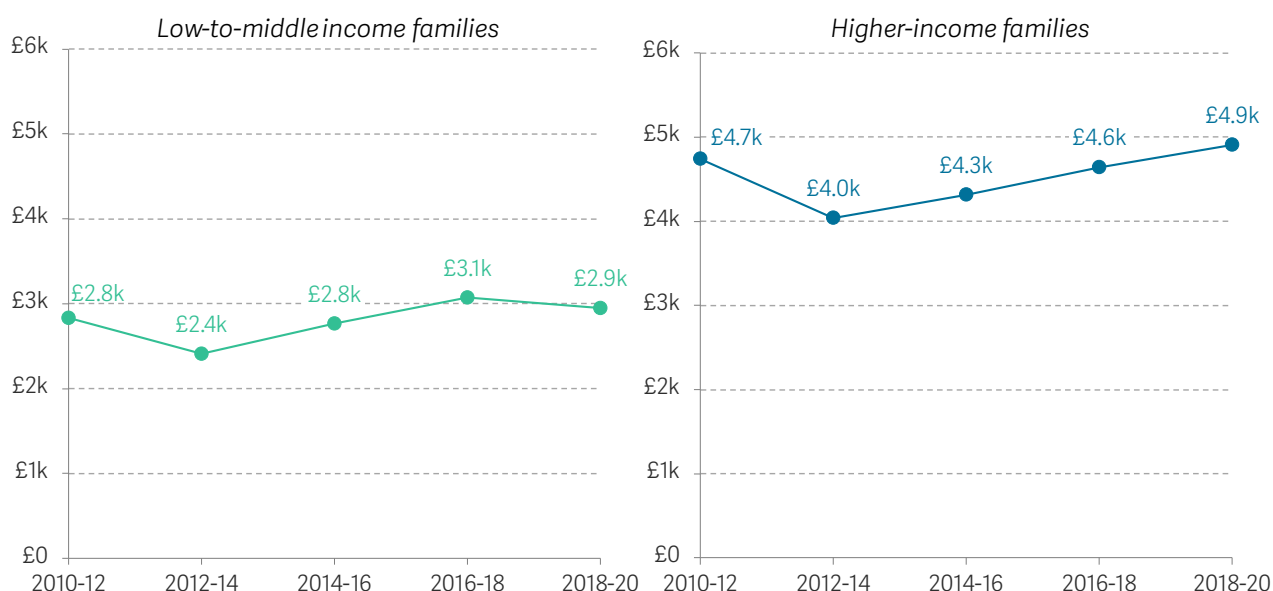
<sup>48</sup> M Broome, I Mulheirn & S Pittaway, *Peaked interest?: What higher interest rates mean for the size and distribution of Britain's household wealth*, Resolution Foundation, July 2023.

<sup>49</sup> M Broome, I Mulheirn & S Pittaway, *Peaked interest?: What higher interest rates mean for the size and distribution of Britain's household wealth*, Resolution Foundation, July 2023.

As shown in Figure 24, the holdings of unsecured debt had, on average, been pretty stable in the run up to the pandemic, even falling slightly in 2018-20 for adults in low-to-middle income families. This continues a pattern of falling consumer debt since the mid-2000s.<sup>50</sup> Despite the pressures from the pandemic and cost of living crisis, such debt has continued to decline: in aggregate, consumer debt has fallen to its lowest level as a proportion of income since records began in 1999, as families paid down debt during the pandemic.<sup>51</sup> Total unsecured debt fell by £26 billion between December 2019 and March 2021,<sup>52</sup> and survey data suggests that the drop in outstanding balances has been largest for poorer households.<sup>53</sup>

**FIGURE 24: Adults from low-to-middle income families’ unsecured debt levels fell somewhat in the run up to the pandemic**

Average non-secured debt per adult for low-to-middle income families and higher-income families: GB



NOTES: Income and wealth measured at the benefit unit level. Debt based on the total population of low-to-middle income and higher-income families, so includes families with no debt.  
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

But unsecured debt remains a problem for low-to-middle income families. Indeed, part of the reason consumer debt has not risen in recent years is that lenders have made it harder to access credit. According to the Bank of England’s Credit Conditions Survey, for example, lenders have tightened their risk appetite for unsecured lending every

<sup>50</sup> Source: RF analysis of Bank of England, Bankstats and ONS, Economic Accounts.  
<sup>51</sup> Source: RF analysis of Bank of England, Bankstats and ONS, Economic Accounts. For a discussion, see: F Odamtten & S Pittaway, *In too deep?: The impact of the cost of living crisis on household debt*, Resolution Foundation, February 2024.  
<sup>52</sup> Source: RF analysis of Bank of England, Bankstats and ONS, Economic Accounts.  
<sup>53</sup> Source: Bank of England, NMG Survey.

quarter since mid-2022, and today's tighter lending conditions are more likely to bite for low-to-middle income households.<sup>54</sup>

Debt problems seem to be changing rather than disappearing. In recent years, many poorer families have fallen behind on energy and other bills as a way of coping with the rising cost of living. In October 2023, nearly double the number of low-to-middle income families were behind on one or more priority bills compared to higher-income families: more than 1-in-5 families (22 per cent) in the bottom half of the income distribution owed money on priority bills like utilities and Council Tax, compared to 14 per cent of families in the top half. Ofgem data indicates that the total financial value of customer debt and arrears reached the highest level since records began in Q1 2024, and continues to rise.<sup>55</sup> Compared with consumer debt, this so-called 'priority debt' comes with high stakes, including the threat of being cut off from essential utilities.

Despite the improvement in the overall state of low-to-middle income families' finances, it's clear that many such families still have very thin financial buffers, and so remain vulnerable to a loss of income. In 2018-20, a typical low-to-middle income family had just £990 in accessible savings, around a sixth (16 per cent) of the amount held by a typical higher-income family. This low level of readily-accessible buffer for the typical low-to-middle income family has barely increased since 2010-12, the aftermath of the financial crisis. More recent data suggests things have not improved. In October 2023, more than 2-in-5 families (43 per cent) in the bottom half of the income distribution had less than £1,000 in savings, more than twice the proportion of families in the top half of the income distribution (21 per cent). Perhaps more worrying, though, is the proportion of low-income families with no financial buffer at all to fall back on: more than a quarter (26 per cent) of low-income families reported having no savings in October 2023, compared to just 11 per cent of high-income families.<sup>56</sup> Looking ahead, our programme of work will investigate the vulnerabilities caused by such thin financial buffers.

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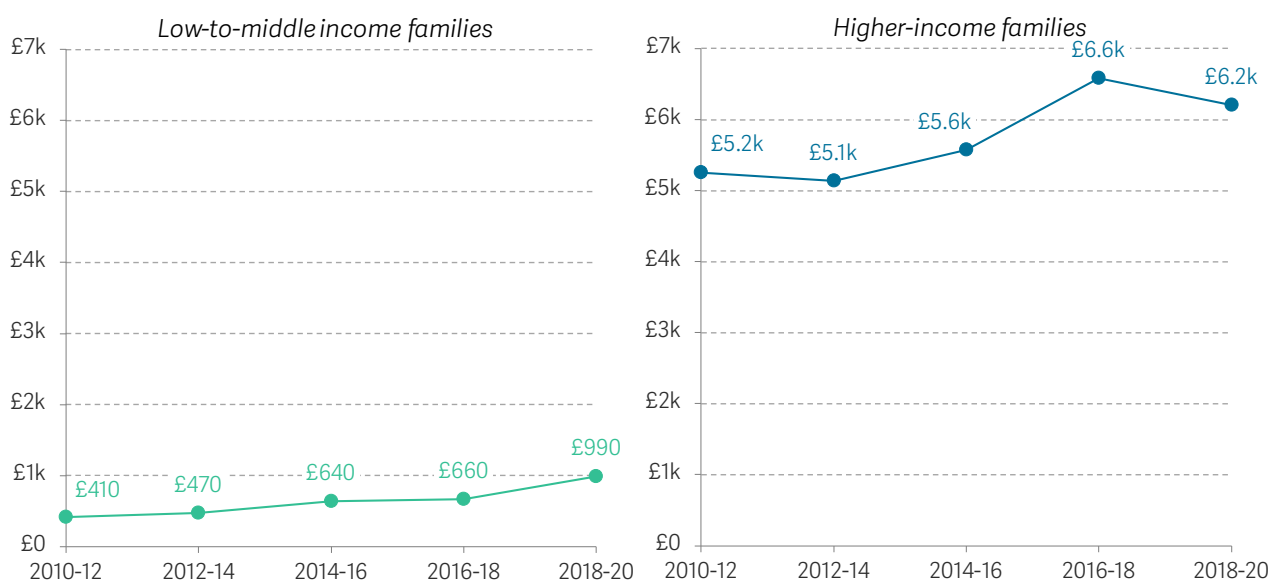
<sup>54</sup> F Odamtten & S Pittaway, [In too deep?: The impact of the cost of living crisis on household debt](#), Resolution Foundation, February 2024.

<sup>55</sup> Ofgem, [Debt and Arrears Indicators](#), accessed 11 September 2024

<sup>56</sup> RF analysis of YouGov, Cost of Living Crisis October 2023 wave.

FIGURE 25: **Low-to-middle income families have significantly lower savings**

Typical accessible savings per adult for low-to-middle income families and higher-income families: GB



NOTES: Data are adjusted into January 2024 prices using CPIH index. Income and wealth measured at the benefit unit level. Accessible savings are defined as the combined value of current accounts in credit, savings accounts, ISAs, national savings products and informal savings excluding money loaned to others. SOURCE: RF analysis of ONS, Wealth and Assets Survey.

## The challenges facing low-to-middle-income families should be at the forefront of the minds of policy makers

In this briefing note we have outlined the significant and often negative changes in the economic circumstances facing the poorer half of the population in recent decades.

Incomes have stagnated across the board since the financial crisis, but for low-to-middle income families, this phenomenon can be traced back even earlier. This means the past two decades have been tough for low-to-middle income families’ living standards and personal finances. Although there has been some good news in terms of increases in employment, the past 20 years have been very disappointing from the perspective of reducing hardship and delivering consistent improvements in living standards.

Over the past 30 years, low-to-middle income families – like the population at large – have become older and more ethnically diverse. Mirroring broader developments, low-to-middle income families have also experienced a deterioration in their health, affecting wellbeing as well as participation in the labour market. It is concerning that poorer families have high levels of ill health – much higher than those on higher-incomes – with ill health now trumping caring for children as the key reason why those on low-to-middle incomes are out of the labour market, with the situation continuing to deteriorate. This

means attention needs to shift from just thinking about how to help parents balance work and family life to policies to improve people's health, keep those with health issues in work, and to help those out of work with health issues into work.

It is well known that an increasing number of low-to-middle income families are forced to rely on the private-rented sector. The deposit hurdle has proved just too large for many, leading to a fall in the numbers of low-to-middle income families owning their homes. Forced to rent, this group has actually faced higher on-going housing costs and poorer-quality housing. The shift to the private rental sector means that across all low-to-middle income families, housing costs as a share of income have hardly changed since the mid-1990s. In turn, this has left poorer families spending more on 'essentials', reducing scope for leisure or luxury, symptomatic of stretched family finances. And, although there is good news in the form of average wealth rising since the aftermath of the financial crisis, many low-to-middle income families remain vulnerable to a loss of income or a major expense, and absolute gaps in wealth with higher income families have increased significantly.

This is the troubling economic reality facing the poorer half of the population. This launch paper has set out the scale of the changes in the economic life of low-to-middle income families in recent decades. And in doing so it provides key context for a new Government that must make improving living standards – and particularly those for the poorer half of the population – a priority for this Parliament after two decades of stagnation. This paper marks the start of *Unsung Britain*, a one-year programme of work which aims to bring together rigorous quantitative research with direct evidence on the lived experience of low-to-middle income families, setting out an agenda for improving the economic circumstances of low-to-middle income families.



The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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