



IHS Markit™

# Living Wage Research for KPMG

2017 Report

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## Executive summary

### 1. Structure of hourly pay across UK jobs and regions

#### i) Key findings:

- We estimated that 21% of all employee jobs pay less than the Living Wage in 2017 (down from 22% in 2016).
- This means that an estimated 5.5 million jobs in the UK pay less than the Living Wage, down from 5.6 million last year.
- We estimate that the total number of jobs earning below the Living Wage is down by 100,000 compared to last year – the lowest since 2014.
- Around 3.1 million part-time employees earn less than the Living Wage, compared with 2.4 million full-time workers.
- Part-time jobs are around three times more likely to pay below the Living Wage than full-time roles (42% versus 13%).
- Sales & retail assistants make up the largest number of jobs earning less than the Living Wage (around 740,000).
- Bar staff are the most likely to be paid less than the Living Wage (86%).
- By region, the proportion of workers earning below the Living Wage is highest in Northern Ireland at 26% and lowest in the South East (17%).
- Around 3.4 million females earn less than the Living Wage – significantly more than the 2.1 million males earning below the Living Wage.
- In percentage terms, we estimate that 26% of female employee jobs earn less than the Living Wage, against 16% for males.

*Data source: IHS Markit estimates based on ONS figures*

### 2. KPMG Living Wage Household Finance Index survey

#### ii) Key findings (for people earning below the Living Wage):

- Setback for financial wellbeing amid sharp increases to living costs.
- Current spending supported by renewed rise in household debt.
- Demand for unsecured credit rises at fastest pace since 2014.
- More than one-in-five (21%) of employees signalled a drop in job security, compared with just 8% that noted an improvement.
- Expectations for living costs over the next 12 months are at a four-year high.

*Data source: IHS 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, with employers choosing 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 IHS Markit for KPMG and uses the Living Wage threshold as at October 2017, which is as follows:

- The UK Living Wage for outside of London is currently **£8.45 per hour**.
- The London Living Wage is currently **£9.75 per hour**, which covers employers based in all Greater London boroughs.

The rates are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission.

- The UK minimum wage for people aged 25 and over is **£7.50 per hour** as at October 2017. The figure for people aged 21-24 is **£7.05**.

New Living Wage figures for 2017/18 will be announced on Monday 6<sup>th</sup> November 2017.

### i) About the research

KPMG commissioned IHS Markit to conduct a sixth annual update of its data analysis on the Living Wage, which draws together official hourly earnings figures and 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 compile estimates for the number and percentage of people earning less than the Living Wage in the UK. These figures are provided for job types and broken down across key demographics, including region, gender, and part-time / full-time employees. Our aim is to highlight the 'hot spots' where workers are earning below the UK Living Wage.

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 several broad themes; financial well-being, labour market sentiment, household debt, 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.

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

The methodology section outlines how IHS Markit 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 IHS Markit's analysis of the 2017 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.

### Summary of findings:

- We estimate that 21% of all jobs held by UK employees pay less than the Living Wage in 2017
- The current estimate suggests that around 5.5 million jobs earn less than the Living Wage
- Both figures are down slightly since 2016, when an estimated 22% of all jobs and 5.6 million roles paid less than the Living Wage
- This marks the first reduction since our estimates began five years ago, and takes the prevalence of employee jobs earning less than the Living Wage down to the lowest level since 2014
- The total number of full-time roles earning below the Living Wage is down by approximately 100,000 since 2016, but for part-time jobs it is broadly unchanged from last year
- An estimated 2.4 million full-time jobs pay less than the Living Wage in 2017, compared to 3.1 million part-time roles
- Part-time roles are still around three times more likely (42%) to pay less than the Living Wage than full-time jobs (13%)
- Earnings below the Living Wage are most prevalent for job roles in the hospitality sector, particularly Bar Staff (86%) and Waiters & Waitresses (83%)
- Launderers, dry cleaners & pressers (77%), kitchen & catering assistants (75%) and vehicle valets & cleaners (73%) are the next most likely jobs to pay less than the Living Wage
- An estimated 740,000 sales & retail assistants earn less than the Living Wage, which is the largest category in numerical terms
- Kitchen & catering assistants (410,000), cleaners & domestics (390,000), care workers & home carers (280,000) and elementary storage occupations (180,000) are the next largest
- There are more females earning less than the Living Wage in both percentage terms (26% of females vs. 16% of males) and numerical terms (3.4 million females vs. 2.1 million males)
- By region, we estimate that the proportion of all jobs earning below the Living Wage is highest in Northern Ireland at 26%, and lowest in the South East (17%)
- London has a relatively low proportion of jobs paying less than the Living Wage (19%) but in numerical terms it is the highest of all UK regions (750,000)

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

We estimate from the provisional 2017 ASHE results that there are 5.52 million employees in the UK earning less than the Living Wage. This represents a 100,000 reduction on figures estimated for last year, which recorded 5.62 million jobs earning below the Living Wage.

This is the first reduction for at least five years, and takes both the number and proportion of employees earning below the Living Wage to its lowest level since 2014.

However, the proportion of jobs paying less than the Living Wage is up from 19% in 2012. We estimate that the number of employees earning less than the Living Wage has increased by one million compared with five years ago.

The official data signal that UK median earnings rose by 2.7% between the 2016 and 2017 ASHE surveys, compared with a 2.4% increase in the UK Living Wage (from £8.25 per hour to £8.45) and a 3.7% uplift in the London Living Wage (from £9.40 per hour to £9.75).

**Table 3.1.1: Overview of UK Living Wage statistics**

Year	Total jobs (000s) <sup>1</sup>	UK Living Wage (£)	London Living Wage (£)	UK median wage (£)	No. below Living Wage* (millions) <sup>1</sup>	% below Living Wage*
2012	24,203	7.20	8.30	11.28	4.5	<b>19%</b>
2013	24,575	7.45	8.55	11.59	4.9	<b>20%</b>
2014	25,036	7.65	8.80	11.61	5.3	<b>21%</b>
2015	25,997	7.85	9.15	11.78	5.6	<b>22%</b>
2016	25,758r	8.25	9.40	12.16r	5.6	<b>22%</b>
2017	26,240	8.45	9.75	12.49	5.5	<b>21%</b>
% chg from 2016	1.9%	2.4%	3.7%	2.7%	-1.8%	

\*IHS Markit estimates, rounded

r = Revised since the 2016 Living Wage Report (ONS revise the provisional ASHE data each year).

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

Source of total employee jobs each year is the Annual Survey of Hours and Earnings

### 3.2 Regional analysis (IHS Markit calculations, based on ONS data)

Estimates for 2017 show that the vast majority of regions have seen a decline in the percentage of employees earning less than the Living Wage since last year.

Northern Ireland has the highest proportion of jobs earning below the Living Wage (26%), followed by the East Midlands, Yorkshire & Humber, Wales and the West Midlands (all around 24%).

The lowest proportion of employees earning less than the Living Wage is found in the South East (17%), Scotland (18%) and London\* (19%).

Looking at the absolute number of employees earning less than the Living Wage, the highest totals are in London at around 750,000, followed by the South East and North West (estimated 635,000).

**Table 3.2.1: Regions by number and proportion of earners below Living Wage**

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)	% below Living Wage* (2016)
1	Northern Ireland	816	11.09	2.4	14.13	1.8	211	26%	27%
2	East Midlands	1,758	11.24	3.6	14.33	3.2	429	24%	26%
3	Yorkshire & Humber	2,086	11.28	1.6	14.30	1.9	502	24%	25%
4	Wales	1,122	11.18	0.4	14.12	1.0	268	24%	23%
5	West Midlands	2,180	11.55	1.2	14.91	3.1	518	24%	24%
6	North West	2,790	11.70	2.2	14.84	2.0	634	23%	24%
7	North East	986	11.65	3.5	14.51	3.4	222	23%	24%
8	South West	2,175	11.73	3.0	14.81	2.1	463	21%	22%
9	East	2,335	12.15	3.3	15.50	3.3	484	21%	22%
10	London	4,049	16.74	3.6	21.78	5.1	749	19%	18%
11	Scotland	2,251	12.59	3.0	15.71	3.2	404	18%	19%
12	South East	3,691	13.13	1.6	16.75	1.5	635	17%	18%
	United Kingdom	26,240	12.49	2.7	16.20	3.0	5,520	21%	22%

\* IHS Markit estimates. Note that Markit's regional estimate for London differs from the estimate compiled by the Greater London Authority. See methodology section for full details of IHS Markit's calculations.

### 3.3 Job type analysis (IHS Markit calculations, based on ONS data)

Bar staff are the most likely job category to earn less than the Living Wage (86%), followed closely by waiters & waitresses (83%). Note that the gross hourly pay measure does not include tips.

Meanwhile, in numerical terms the highest prevalence of jobs paying below the Living Wage is for sales & retail assistants, with an estimated 740,000 earn less than the Living Wage. Kitchen & catering assistants (410,000), cleaners & domestic workers (390,000), care workers & home carers (280,000) and elementary storage occupations (180,000) make up rest of the top five.

Table 3.3.1: Job type by **proportion** of earners below Living Wage

Rank	Job type	% below UK Living Wage	Median wage
1	Bar staff	86%	7.50
2	Waiters and waitresses	83%	7.50
3	Launderers, dry cleaners and pressers	77%	7.61
4	Kitchen and catering assistants	75%	7.60
5	Vehicle valeters and cleaners	73%	7.50
6	Leisure and theme park attendants	70%	7.80
7	Cleaners and domestics	70%	7.90
8	Other elementary services occupations n.e.c.	69%	7.90
9	Hairdressers and barbers	68%	7.57
10	Elementary administration occupations n.e.c.	66%	7.91
11	Sales and retail assistants	64%	7.97
12	Shelf fillers	63%	8.19
13	Sewing machinists	60%	8.11
14	School midday and crossing patrol occupations	60%	8.27
15	Cooks	60%	8.23

\*IHS Markit estimates, rounded

Table 3.3.2: Job type by **number** of earners below Living Wage

Rank	Job type	Number below UK Living Wage (1000's)	% below UK Living Wage	Median wage
1	Sales and retail assistants	743	64%	7.97
2	Kitchen and catering assistants	407	75%	7.60
3	Cleaners and domestics	391	70%	7.90
4	Care workers and home carers	279	41%	8.82
5	Elementary storage occupations	181	33%	9.33
6	Waiters and waitresses	161	83%	7.50
7	Bar staff	136	86%	7.50
8	Receptionists	122	44%	8.65
9	Van drivers	112	37%	9.10
10	Nursery nurses and assistants	106	59%	8.14
11	Teaching assistants	103	30%	9.12
12	Chefs	98	42%	8.85
13	Retail cashiers and check-out operators	65	49%	8.48
14	Food, drink and tobacco process operatives	65	44%	8.74
15	School midday and crossing patrol occupations	64	60%	8.27

\*IHS Markit estimates, rounded

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

The proportion of sub-Living Wage earners remains much higher among part-time than full-time workers, at 42% and 13% in 2017. In numerical terms, this works out at an estimated 3.1 million part-time jobs paying less than the Living Wage compared to 2.4 million full-time jobs.

This means that while part-time roles account for around 28% of all UK employee jobs, they represent more than half (around 56%) of all jobs paying less than the Living Wage.

We note that a relatively large amount of part-time roles are on offer in retail & hospitality, which are sectors that tend to have a widespread prevalence of jobs earning less than the Living Wage.

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

Type of work	Total jobs (millions)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*	No. below LW (millions)*
Full-time	18.9	14.0	2.5	17.0	3.0	13%	2.4
Part-time	7.3	9.1	2.4	12.1	2.9	42%	3.1

\*IHS Markit estimates, rounded

**Table 3.4.2: Full-time jobs by region earning below Living Wage**

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	Northern Ireland	577	12.5	1.9	14.75	1.1	96	17%
2	East Midlands	1251	12.5	3.1	14.91	3.4	198	16%
3	West Midlands	1569	13.0	1.1	15.55	3.1	235	15%
4	Wales	790	12.6	-0.1	14.75	1.4	117	15%
5	Yorkshire & Humber	1467	12.7	1.0	14.91	1.9	215	15%
6	North West	2000	13.1	1.9	15.46	2.1	279	14%
7	North East	700	13.0	3.3	15.05	3.3	96	14%
8	South West	1472	13.2	3.1	15.46	2.0	187	13%
9	East	1608	13.7	3.1	16.17	3.0	201	13%
10	London	3203	18.3	4.2	22.62	5.1	362	11%
11	Scotland	1597	14.0	2.9	16.48	2.9	165	10%
12	South East	2661	14.7	2.2	17.49	1.7	266	10%
	UK	18,894	14.0	2.5	16.95	3.0	2,400	13%

\*IHS Markit estimates, rounded

**Table 3.4.3: Part-time jobs by region earning below Living Wage**

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	Northern Ireland	239	8.7	5.0	10.94	4.9	110	46%
2	North East	286	8.8	3.2	11.76	3.9	132	46%
3	Yorkshire & Humber	619	8.7	2.4	11.29	1.8	279	45%
4	North West	791	8.7	2.9	11.51	1.3	357	45%
5	East Midlands	507	8.7	3.6	11.28	3.4	227	45%
6	West Midlands	611	8.8	3.3	11.38	2.4	273	45%
7	London	847	10.2	2.4	14.96	3.8	377	45%
8	Wales	332	8.8	2.1	11.05	-0.6	146	44%
9	South West	704	9.2	2.6	11.86	2.7	277	39%
10	East	727	9.1	3.4	12.16	5.4	284	39%
11	South East	1030	9.4	1.5	12.53	1.3	379	37%
12	Scotland	654	9.4	2.8	11.84	5.5	229	35%
	UK	7,346	9.1	2.4	12.09	2.9	3,100	42%

\*IHS Markit estimates, rounded



### 3.5 Gender analysis (IHS Markit calculations, based on ONS data)

Around 26% (3.4million) of female employees earn less than the Living Wage, compared to 16% (2.1 million) of all males.

The proportion of females earning less than the Living Wage is considerably higher than among males in full-time roles. An estimated 16% of females earn less than the benchmark for full-time roles, compared with 11% of males.

The proportion of males earning less than the Living Wage in part-time jobs is 47% while around 40% of females in part-time roles earn less than the Living Wage benchmark.

However, in numerical terms, jobs earning less than the Living Wage are much higher for female part-time workers (approximately 2.2 million) compared to around 850,000 male part-time jobs.

**Table 3.5.1: Male employee jobs below Living Wage**

Type of work	Total jobs (1000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	No. below LW (1000s)*	% below Living Wage*
Full-time	11405	14.59	2.4	17.90	3.0	1,250	11%
Part-time	1,852	8.75	2.9	12.52	2.7	850	47%
All jobs	13,257	13.81	2.7	17.54	3.0	2,100	16%

\*IHS Markit estimates, rounded

**Table 3.5.2: Female employee jobs below Living Wage**

Type of work	Total jobs (1000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	No. below LW (1000s)*	% below Living Wage*
Full-time	7,490	13.18	2.7	15.40	3.0	1,200	16%
Part-time	5,494	9.20	2.2	11.95	3.0	2,200	40%
All jobs	12,983	11.20	2.4	14.48	3.0	3,400	26%

\*IHS Markit estimates, rounded

**Table 3.5.3: Full-time male jobs by region below Living Wage**

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	Northern Ireland	353	12.4	2.0	14.94	0.6	56	16%
2	Wales	466	13.0	0.1	15.28	2.0	63	14%
3	East Midlands	791	13.2	3.6	15.70	3.6	103	13%
4	Yorkshire & Humber	902	13.2	0.9	15.54	1.8	113	13%
5	North West	1184	13.5	1.6	16.17	1.8	145	12%
6	West Midlands	977	13.7	1.4	16.44	3.3	119	12%
7	North East	405	13.5	3.2	15.72	3.8	43	11%
8	London	1870	19.7	4.5	24.66	5.1	196	10%
9	South West	908	13.8	3.4	16.25	1.6	92	10%
10	East	985	14.4	3.4	17.10	3.2	98	10%
11	Scotland	932	14.4	2.8	17.25	3.2	93	10%
12	South East	1632	15.5	1.6	18.61	1.1	163	10%
	United Kingdom	11,405	14.6	2.4	17.90	3.0	1,250	11%

\* IHS Markit estimates, rounded

Table 3.5.4: Full-time female jobs by region below Living Wage

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	East Midlands	460	11.3	1.5	13.44	2.8	100	22%
2	West Midlands	592	11.9	2.4	13.98	2.7	117	20%
3	Northern Ireland	224	12.8	2.3	14.42	1.9	43	19%
4	Yorkshire & Humber	565	11.8	2.7	13.82	2.2	104	18%
5	North East	295	12.1	3.5	14.05	2.6	50	17%
6	East	623	12.7	3.8	14.60	2.8	104	17%
7	Wales	324	12.0	1.2	13.93	0.5	54	17%
8	South West	564	12.1	3.4	14.09	2.8	91	16%
9	North West	816	12.4	2.8	14.36	2.6	129	16%
10	London	1332	16.8	2.7	19.64	4.8	172	13%
11	South East	1029	13.4	1.8	15.60	2.6	130	13%
12	Scotland	665	13.4	3.3	15.32	2.6	80	12%
	United Kingdom	7,490	13.2	2.7	15.40	3.0	1,200	16%

\* IHS Markit estimates, rounded

Table 3.5.5: Part-time male jobs by region below Living Wage

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	Northern Ireland	61	8.1	2.1	10.42	3.4	34	57%
2	Wales	74	8.4	3.9	10.75	-3.3	38	51%
3	West Midlands	151	8.4	2.2	11.33	-2.2	77	51%
4	North West	203	8.4	4.7	11.43	-1.2	102	50%
5	Yorkshire & Humber	149	8.5	4.2	11.82	3.0	75	50%
6	London	276	9.8	2.9	15.02	1.9	137	50%
7	East Midlands	122	8.5	3.2	11.40	4.9	61	50%
8	North East	72	8.6	2.6	13.30	4.7	35	48%
9	East	165	8.8	-0.4	13.04	8.3	75	46%
10	South West	171	8.8	2.7	12.43	2.7	77	45%
11	South East	262	9.2	1.9	13.23	2.0	109	41%
12	Scotland	146	9.0	5.8	12.13	10.2	59	41%
	United Kingdom	1,852	8.8	2.9	12.52	2.7	850	47%

\* IHS Markit estimates, rounded

Table 3.5.6: Part-time female jobs by region below Living Wage

Rank	Region	Jobs (000s)	Median wage	Annual % chg	Average wage	Annual % chg	No. below Living Wage* (000s)	% below Living Wage* (2017)
1	Yorkshire & Humber	470	8.8	1.8	11.14	1.4	205	44%
2	East Midlands	385	8.8	3.8	11.24	2.9	168	44%
3	North East	215	8.9	3.5	11.28	3.4	93	43%
4	Northern Ireland	178	8.9	5.8	11.11	5.2	77	43%
5	North West	587	8.9	2.5	11.53	2.1	253	43%
6	West Midlands	460	8.9	3.9	11.40	3.8	197	43%
7	London	571	10.5	1.6	14.93	4.8	239	42%
8	Wales	258	8.9	1.7	11.14	0.1	107	41%
9	South West	533	9.2	2.0	11.68	2.6	205	38%
10	East	562	9.2	4.2	11.91	4.5	212	38%
11	South East	768	9.5	1.9	12.30	1.0	269	35%
12	Scotland	508	9.5	2.4	11.76	4.3	172	34%
	United Kingdom	5,494	9.2	2.2	11.95	3.0	2,200	40%

\* IHS Markit estimates, rounded

### 3.6 Age group analysis (*IHS 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 66% of employees in this category are below the threshold.

This falls to 25% for those aged 22-29. For employees aged 30-39 and aged 40-49 the figure drops to 15%. The proportion then rises to 16% for those aged 50-59, and to 22% for those aged 60 and above.

**Table 3.6.1: Age group jobs by proportion below Living Wage**

All Jobs	Total jobs (1000s)	Median wage (£)	Annual % chg	Mean wage (£)	Annual % chg	% below Living Wage*
Age 18-21	1,219	7.8	4.50	8.77	6.1	66%
Age 22-29	4,421	10.9	3.30	12.76	3.1	25%
Age 30-39	5,929	13.9	2.40	16.83	3.0	15%
Age 40-49	6,108	14.3	2.70	18.29	3.0	15%
Age 50-59	5,496	13.5	2.00	17.69	2.4	16%
Age 60+	2,023	11.6	2.40	15.69	4.4	22%

\*IHS Markit estimates; calculation excludes Northern Ireland

### 3.7. Appendix: top job types for proportion earning less than Living Wage

Rank	Job Type	% Below UK Living Wage	Median Salary (£ per hour)
1	Bar staff	86	7.50
2	Waiters and waitresses	83	7.50
3	Launderers, dry cleaners and pressers	77	7.61
4	Kitchen and catering assistants	75	7.60
5	Vehicle valeters and cleaners	73	7.50
6	Leisure and theme park attendants	70	7.80
7	Cleaners and domestics	70	7.90
8	Other elementary services occupations n.e.c.	69	7.90
9	Hairdressers and barbers	68	7.57
10	Elementary administration occupations n.e.c.	66	7.91
11	Sales and retail assistants	64	7.97
12	Shelf fillers	63	8.19
13	Sewing machinists	60	8.11
14	School midday and crossing patrol occupations	60	8.27
15	Cooks	60	8.23
16	Nursery nurses and assistants	59	8.14
17	Animal care services occupations n.e.c.	58	8.06
18	Industrial cleaning process occupations	57	8.19
19	Housekeepers and related occupations	57	8.20
20	Pharmacy and other dispensing assistants	56	8.25
21	Care escorts	55	8.33
22	Elementary sales occupations n.e.c.	54	8.30
23	Beauticians and related occupations	54	8.32
24	Playworkers	53	8.34
25	Horticultural trades	52	8.33
26	Packers, bottlers, canners and fillers	51	8.42
27	Sports and leisure assistants	50	8.45
28	Fishmongers and poultry dressers	49	8.48
29	Retail cashiers and check-out operators	49	8.48
30	Fishing and other elementary agriculture occupations n.e.c.	49	8.51
31	Telephonists	46	8.55
32	Tyre, exhaust and windscreen fitters	45	8.62
33	Food, drink and tobacco process operatives	44	8.74
34	Receptionists	44	8.65
35	Farm workers	42	8.68
36	Chefs	42	8.85
37	Care workers and home carers	41	8.82
38	Elementary process plant occupations n.e.c.	40	9.03
39	Taxi and cab drivers and chauffeurs	39	9.29
40	Cleaning and housekeeping managers and supervisors	39	8.87
41	Van drivers	37	9.10
42	Bakers and flour confectioners	36	8.98
43	Merchandisers and window dressers	35	9.32
44	Hospital porters	35	9.19
45	Debt, rent and other cash collectors	33	9.13
46	Security guards and related occupations	33	9.23
47	Leisure and travel service occupations n.e.c.	33	9.27
48	Elementary storage occupations	33	9.33
49	Butchers	33	9.20
50	Educational support assistants	32	9.05

Source: IHS Markit estimates, rounded

## 4. KPMG Living Wage Household Finance Index Survey

People earning below the Living Wage reveal rising debt and squeezed finances as inflation exceeds pay in 2017

### Key findings: (people earning less than the Living Wage)

- Setback for financial wellbeing amid sharply higher living costs
- Current spending supported by renewed rise in household debt
- Demand for unsecured credit increases at fastest pace since 2014

### Summary

KPMG survey data indicates that people earning less than the Living Wage are experiencing a severe squeeze on **financial wellbeing** this autumn, reflecting the fastest increase in their **living costs** since 2013. The strain on finances represents a clear setback for personal finances compared to the same time in 2016, when pressure on household finances was at a five-year low.

The latest KPMG survey of UK household finances highlights that **demand for unsecured credit** among people earning less than the Living Wage increased at its steepest pace since 2014, as employees sought to bridge their income shortfalls by taking on more **debt**.

People earning less than the Living Wage were particularly downbeat about their **job security** in comparison to the UK-wide trend (see section 5 for methodology notes), with this gap the second-largest since the survey began in 2012.



Sources: KPMG, IHS Markit

## Divergent trends by income group for financial wellbeing in 2017

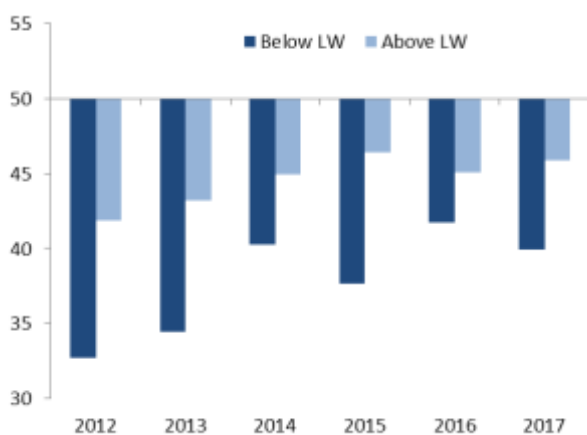
The latest data revealed a **widening financial gap** between those earning either side of the Living Wage threshold. Employees paid less than the Living Wage saw their financial wellbeing squeezed to the greatest degree since 2015, while those earning above this threshold reported that their finances were under slightly less pressure than at the same time last year.

Almost four times as many respondents earning less than the Living Wage (27%) indicated that their **household finances** had worsened than those that experienced an improvement in October 2017 (7%). At 40.0, the resulting index was down from 41.7 in 2016 (any figure below 50.0 signals deterioration) and much weaker than the equivalent figures for those earning more than the Living Wage (45.8).

Worries about the **outlook for household finances** were broadly similar by income group in October 2017, and both categories were slightly more downbeat than at the same time last year.

### Current Household Finance Index

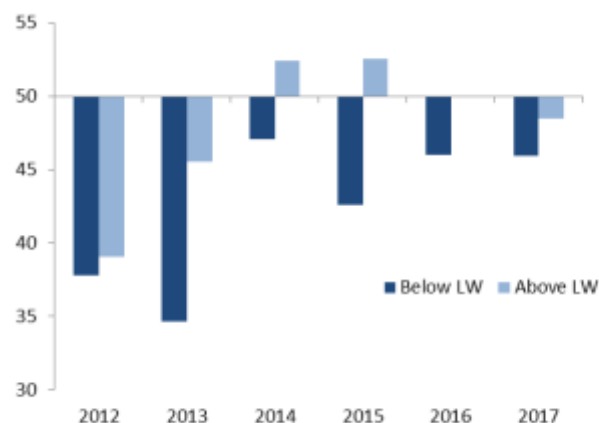
(50 = no-change)



Sources: KPMG, IHS Markit

### Future Household Finance Index

(50 = no-change)



Sources: KPMG, IHS Markit

## Demand for credit index hits three-year peak as living costs rise

October survey data highlighted a sharp increase in the **cost of living** for those earning below the Living Wage, with around 59% of those earning below the threshold reporting an increase, compared to only 3% that signalled a decline. This resulting index figure of 78.0 was up from 69.2 in October 2016, to signal the steepest increase in living costs since 2013. At the same time, households earning above the Living Wage registered an index reading of 82.3; the highest since the survey began in 2012.

Looking ahead, UK households believe that the cost of living will continue to rise markedly over the coming year. Notably, **expectations for living costs over the next 12 months** were at a four-year high for both those earnings above and below the Living Wage in October 2017. Nearly four

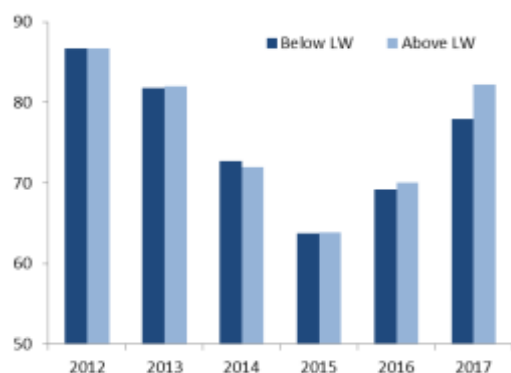
out of five (78%) employees earning less than the Living Wage forecast a further hike in living costs over the next year, while just 2% anticipate a fall.

A tighter squeeze on household finances amid rising living costs coincided with stronger **demand for unsecured credit** for those earning below the Living Wage during October. Around 14% of people earning less than the Living Wage signalled a greater need for unsecured credit, compared to 6% that registered a fall, resulting in an index reading of 53.8. This pointed to the strongest increase in demand for unsecured credit since 2014. Meanwhile, those earning above the Living Wage threshold expressed a less pronounced need for unsecured credit (index at 52.2 in October).

Concurrently, **household debt** held by those earning below the Living Wage increased during October 2017. An index reading of 50.7 indicated only a marginal upturn in debt levels, but this was nonetheless the first time that an increase had been seen since 2015. This contrasted with a sustained drop in debt levels for those earning above the Living Wage (index at 47.3).

### Living Costs Index

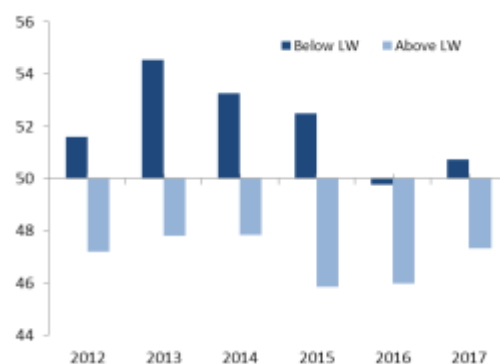
(50 = no-change)



Sources: KPMG, IHS Markit

### Household Debt Index

(50 = no-change)



Sources: KPMG, IHS Markit

### Labour market

Although the cost of living rose sharply, employees earning below the Living Wage reported a drop in **income from employment** for the second year in a row in October 2017. Notably, nearly twice as many (17%) of those earning below the Living Wage noted a decline in pay compared to those that recorded an increase (9%).

This contrasted with the picture seen for employees earning above the Living Wage, who registered an upturn in pay (as has been the case since 2013).

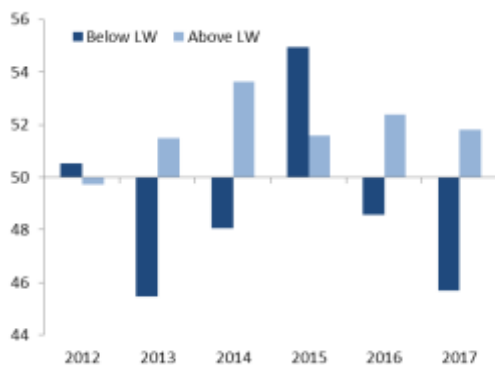
At the same time, people earning less than the Living Wage recorded a steeper fall in **job security** compared to a year ago. More than one-in-five (21%) of employees earning below the threshold signalled a drop in job security, compared with just 8% that noted an improvement. At 43.5, the

resulting index posted well below the neutral 50.0 mark and was at its lowest level since 2015. Furthermore, the deterioration in job security was more severe than that seen for those earning above the Living Wage (index at 48.0).

Divergent trends were seen for **workplace activity** for those earning above and below the Living Wage threshold in October. Approximately 21% of employees earning less than the Living Wage signalled reduced activity levels at their workplace, against 12% that reported a rise. As a result, the respective index reading of 45.7 was below the neutral 50.0 value to signal a steep decline in activity, following a modest upturn in October 2016 (index at 51.2). This was also a stark contrast to what was reported by those earning above the Living Wage, who noted the steepest increase in workplace activity since 2014 (index at 55.8).

### Income From Employment Index

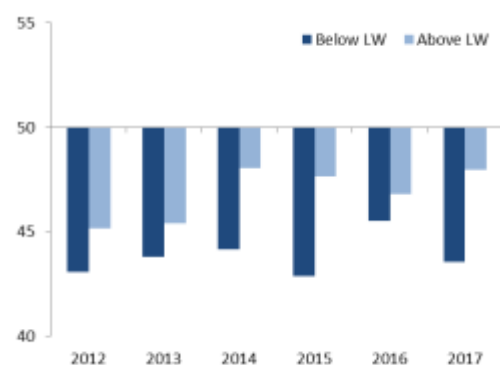
(50 = no-change)



Sources: KPMG, IHS Markit

### Job Security Index

(50 = no-change)



Sources: KPMG, IHS Markit



**Table 4.1: Summary of data findings in October 2017**

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 2017			Index	vs. 2016	Oct-16 Index	October 2017			Index	vs. 2016	Oct-16 Index
	% Higher	% Same	% Lower				% Higher	% Same	% Lower			
<b>Financial Wellbeing</b>												
Household Finances	7%	66%	27%	40.0	↓	41.7	10%	72%	18%	45.8	↑	45.1
Household finances in 12 months' time	24%	44%	32%	45.9	↓	46.0	28%	40%	32%	48.4	↓	49.9
Savings	9%	67%	24%	42.3	↓	44.5	17%	64%	19%	48.8	↑	48.4
Cash availability	12%	62%	25%	43.5	↑	37.9	9%	68%	23%	43.2	--	43.2
Debt	16%	69%	15%	50.7	↑	49.8	15%	64%	21%	47.3	↑	46.0
Need for unsecured credit	14%	80%	6%	53.8	↑	50.7	12%	80%	8%	52.2	↑	50.3
<b>Labour Market</b>												
Job security	8%	72%	21%	43.5	↓	45.5	10%	76%	14%	48.0	↑	46.8
Workplace activity	12%	67%	21%	45.7	↓	51.2	23%	66%	11%	55.8	↑	54.8
Income from employment	9%	74%	17%	45.7	↓	48.6	10%	84%	6%	51.8	↓	52.4
<b>Spending Sentiment</b>												
Spending	20%	63%	17%	51.2	↑	48.1	19%	69%	12%	53.7	↑	51.5
Appetite for major purchases	4%	67%	29%	37.6	↑	33.6	7%	65%	28%	39.2	↑	38.9
Ease of obtaining unsecured credit	10%	81%	9%	50.5	↑	47.9	9%	86%	6%	51.6	↑	50.1
<b>Cost of Living</b>												
Cost of living	59%	37%	3%	78.0	↑	69.2	66%	33%	1%	82.3	↑	70.1
Cost of living in 12 months' time	78%	21%	2%	87.8	↑	82.5	84%	15%	1%	91.3	↑	85.4

**Table 4.2: Summary of data findings in October 2016**

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 2016			Index	vs. 2015	Oct-15 Index	October 2016			Index	vs. 2015	Oct-15 Index
	% Higher	% Same	% Lower				% Higher	% Same	% Lower			
<b>Financial Wellbeing</b>												
Household Finances	8%	67%	25%	41.7	↑	37.6	8%	74%	18%	45.1	↓	46.4
Household finances in 12 months' time	23%	45%	31%	46.0	↑	42.6	29%	42%	29%	49.9	↓	52.6
Savings	13%	64%	24%	44.5	↑	42.9	18%	62%	21%	48.4	--	48.4
Cash availability	5%	66%	29%	37.9	--	37.9	23%	68%	9%	43.2	↓	46.2
Debt	16%	68%	16%	49.8	↓	52.5	13%	65%	21%	46.0	↑	45.8
Need for unsecured credit	10%	81%	9%	50.7	↓	51.6	10%	80%	10%	50.3	↑	49.9
<b>Labour Market</b>												
Job security	9%	72%	18%	45.5	↑	42.9	9%	76%	15%	46.8	↓	47.6
Workplace activity	19%	64%	17%	51.2	↑	48.1	22%	66%	12%	54.8	↓	55.7
Income from employment	9%	80%	11%	48.6	↓	54.9	9%	86%	5%	52.4	↑	51.6
<b>Spending Sentiment</b>												
Spending	16%	65%	19%	48.1	↓	49.7	17%	69%	14%	51.5	↓	52.0
Appetite for major purchases	5%	57%	38%	33.6	↓	37.4	8%	62%	30%	38.9	↓	42.3
Ease of obtaining unsecured credit	4%	87%	9%	47.9	↓	49.2	6%	87%	6%	50.1	↓	51.1
<b>Cost of Living</b>												
Cost of living	43%	53%	4%	69.2	↑	63.7	44%	53%	4%	70.1	↑	63.8
Cost of living in 12 months' time	68%	29%	3%	82.5	↑	79.1	73%	24%	2%	85.4	↑	80.0

## 5. Methodology

### i) ONS hourly earnings data analysis

The structural information on Living Wages, analysed in section 3, is based on data from the provisional 2016 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. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period (April 2017).

#### **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 2017, an additional question was added to the IHS 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 well-being, focusing on household spending, savings and debt levels, and also includes several forward-looking opinion questions to help anticipate future trends.

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

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

The new question was placed into the regular HFI questionnaire as shown in the information box below. This formed a ‘Living Wage filter’ for all responses to the individual questions on the HFI survey, such as those on debt, savings and the cost of living. In order to make the figures consistent on a residence basis, a code was also introduced so that respondents living in London were asked whether their hourly wage was higher/same/lower than £9.75, while for respondents in the rest of the UK the figure was £8.45.

### KPMG Living Wage survey filter

Q. ASK ALL WHO ARE EMPLOYED

*"How does your hourly wage compare to [£9.75] IF REGION IS LONDON / [£8.45 ] IF REGION IS NOT LONDON. Is it:"*

SELECT ONE

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

The fieldwork was conducted between the 11<sup>th</sup> and 15<sup>th</sup> October 2017. 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?**

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