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Low-income families and household spending

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Summary

Chapter 1 – Introduction

The National Centre for Social Research was commissioned by the Department for Work and Pensions (DWP) to carry out a study exploring how low-income families (couples and lone parents) with dependent children spend an increase in household income. The study focused in particular on the impact of an increase in income on living standards for low-income families and in particular for children, and on low-income families’ financial positions with regard to debt and access to financial services. (Section 1.1)

Given the need for in-depth understanding of household spending patterns and impacts on living standards and financial services, qualitative interviews were conducted with individual households. The sample was purposively selected from low-income families who had taken part in the 2000 and 2001 waves of the DWP’s Families and Children Study. (Sections 1.2 and 1.3)

Following a pilot stage, it was decided to interview only households who had experienced an increase in income as a result of a move into work, as households who remained on benefits found it hard to perceive any increase. Out of a final total of 37 interviews, 15 couple households and 22 lone-parent households were interviewed. The key sampling criterion was that all households were to have been claiming IS or JSA at the FACS 2000 wave, and (at least one partner in couple households) moved into work by the 2001 wave. Quotas were set with regard to family size and level of household hardship and debt, and selection was also controlled for location, age of respondent and age of youngest child. (Sections 1.3.1 and 1.3.2)

All interviews were conducted in the month of August 2002 in respondents’ homes and were tape recorded with their permission. The data were then analysed using Framework, a thematic content analysis method for analysing qualitative research. (Sections 1.4 and 1.5)

Chapter 2 – Sample description and context

The sample consisted of both lone parent and couple families. Long-established couple households were interviewed as well as those who had more recently re-partnered. Re-partnering often coincided with the move into work. Contact with a child’s birth father varied, as did the payment of child maintenance. (Section 2.1)
Housing tenure varied across the sample, with a mix of private and local authority rentals and mortgages, some of which were as a result of the move into work. Another section of the sample was living in the home of a parent. (Section 2.2.1)

Health problems were fairly common within the sample, as was depression, but people often reported it had been reduced through being in work. (Section 2.2.2)

Informal support networks were an important source of financial aid and childcare following the move into work. (Section 2.2.3)

Among couples, sometimes both partners moved into work, which permitted large increases in income compared to lone-parent and single-earner couple families. The length of time in work varied from three weeks up to approximately two years. (Section 2.4)

Lone parents tended to have been unemployed for longer periods than long term couples, where at least one partner had been working more recently. (Section 2.5.1)

It was common for the longer-term unemployed in the sample to seek to improve their job skills through education and work experience. (Section 2.5.2)

Jobs acquired were generally low paid. Hours worked varied from 16 ½ hours up to and beyond 35 hours, depending on the age of children, the presence of a partner, the availability of childcare, and the availability of work. (Sections 2.6.1 and 2.6.2)

The move into work had often been delayed whilst children grew up to avoid the need for costly childcare. Motivations to work included:

- a need to be active;
- a wish to no longer rely on benefits and to no longer suffer the stigma of claiming benefits;
- a desire to increase household income;
- a natural progression to a first job;
- a longing to do a particular type of job; and
- to assuage the guilt of relying on a new partner. (Section 2.7)

Chapter 3 – Impact of work on household finances

A combination of four factors determined whether a household became better off following a move into work. These included:

- the actual level of increase in income;
- the additional costs associated with a move into work;
- how far households were able to manage their money; and
- the existence of pre-work debt.

The additional costs associated with a move into work included rent or mortgage repayment, Council Tax, school meals and, depending on individual circumstances, also work-related costs and childcare costs. Whilst costs like rent and Council Tax were now present in all but a few households, it was often the additional expense of formal childcare costs and, to a lesser extent, work-related costs that had the most significant negative impact on increases in household income. (Section 3.1.1)
Where people on low incomes struggled to meet outgoings, effective money management, characterised by spending on essentials before non-essentials, often made the difference between a household feeling better or worse off in work. More effective budgeting behaviours, where formal budgets were used, were common where strong positive attitudes towards money were present. In contrast, some people found it difficult to cope with the added responsibility of paying new outgoings such as rent and Council Tax and struggled with allocating their limited household income effectively. Other negative impacts on budgeting behaviour included:

- a lack of access to financial products, such as direct debits, that facilitated bill paying;
- inconsistencies in the payment of income, due to an irregular income in self-employment, gaps in the renewal of claims for Working Families’ Tax Credit, and general changes in pay frequency;
- deciding not to pay certain outgoings, such as water rates and Council Tax ‘on principle’, although this sometimes seemed to be used to mask an inability to pay;
- spending beyond one’s means as households expected to be better off than they actually were;
- lacking the financial, and to some extent also emotional, support of a partner; people who struggled with budgeting were typically lone parents. (Section 3.1.2)

The presence of large debts accrued whilst on benefits often added a significant strain to incomes already overstretched by new outgoings. (Section 3.1.3)

The key indicator of an improvement in household financial well-being was whether there had been an increase in ‘discretionary income’ (income remaining once all essential outgoings were paid) since the move into work. (Section 3.1.4)

Based on the impact of an increase in household income, additional outgoings, money management and the presence of pre-work debt, it was possible to situate households along a financial well-being continuum. Along this continuum, it was possible to identify the four following groups:

- Those who felt significantly better off than when on benefits.
- Those who felt moderately better off than when on benefits.
- Those who felt essentially neither better nor worse off than when on benefits.
- Those who felt worse off than when on benefits (and as a result may have left work and returned to benefits).

‘Significantly better off’ households often experienced increases in discretionary income of around £250 per week. This was in a large part due to large increases in household income where there were often two earners, and/or where jobs were full-time, and/or where jobs were well paid. Additional costs and pre-work debt had limited impacts. Furthermore, spending was less restricted, allowing positive impacts on material well-being, and also little need for credit.

Increases in discretionary income in those households considered ‘moderately better off’ tended to be between £50 and £150 per week, allowing moderate improvements to living standards, especially for children. Household income was often moderate, based on either a single earner working full-time or part-time in a relatively well paid job or a more moderate dual income, but was sufficient to outweigh any additional costs. In other cases, a higher income was reduced by high childcare costs, or effective money management skills reduced the impact of higher additional costs on a more moderate income.
Households who considered themselves ‘neither better nor worse off’ in work had more limited increases in discretionary income (approximately £20–£30 per week), which only permitted very small improvements in living standards, and these were often limited to children only. Typically, households had low incomes as a result of low paid jobs, which were often swallowed up by basic additional costs such as rent and Council Tax. Some on more moderate incomes who struggled with budgeting also considered themselves only marginally better off. Pre-work debt was often hard to clear in households in this category, and new debt was often required to help make ends meet.

Increases in discretionary income were often only a matter of pounds per week, if not negative, in households who described themselves as financially ‘worse off’ in work. Once again, household incomes were low, due to low paid jobs, but in these cases additional costs were higher than for the marginally better off. The largest impact on incomes came from expensive childcare costs, where families had no option but to pay for expensive formal childcare services. Large pre-work debts were commonplace too and placed another strain on low incomes. New debt was often taken on to provide extra income to make ends meet. Arrears in rent and Council Tax were also common as spending was directed elsewhere. Enhancements in living standards were non-existent, and often deterioration was more common, especially for children. Psychological benefits derived from being in work were often key to households in this category remaining in work.

In some cases ‘worse off’ households ended up back on benefits, as they found that, in work, not only were they financially worse off but psychologically worse off too. However, the final decision to leave work often came after a threat of eviction for rent arrears accrued whilst in work. (Section 3.2)

Chapter 4 – Material and psychological impacts of a move into work

What households spent their new earned incomes on reflected their financial priorities. Commonly, perceived financial priorities included:

- ‘maintaining a roof over our heads’ – rent or mortgage and Council Tax;
- ‘heat and light’ – gas and electricity;
- ‘fed and clothed’ – groceries and clothing.

However, how realistic these priorities were depended on financial well-being. In less well off and ‘worse off’ households, an inability to cover all outgoings on a low income often meant that priorities changed. Other outgoings often took precedence over supposedly higher priorities due to an obligation to pay. Debt repayments were often prioritised where heavy and more imminent penalties (interest and charges) were associated with non-payment.

Juggling was a common way of ensuring as many outgoings were paid as possible, and this often highlighted how perceived priorities differed from true ones. For example, food bills were often cut back to allow for spending elsewhere and in other cases rent payments were missed so that money was freed up for other outgoings. The ability to juggle depended on flexibility in payment methods. (Section 4.1)

In addition to financial priorities, human priorities were also identified in this study. Children consistently remained every household’s main priority both prior to, and following, the move into work. Their importance was highlighted both in the comments of parents and also in their actions. Parents often talked about the lengths they would go to, to ensure a child’s well-being. For example, some parents used to go without a meal so that their child had more to eat.
The way in which outgoings were prioritised also highlighted the importance of children in the household. For example, gas and electricity were often priorities in order to ensure that children were warm and that they had simple entertainment and light. (Section 4.1.2)

Impacts on living standards, which varied according to financial well-being, were visible in a number of different areas:

- As households became better off, food shopping became more spontaneous, less frequent, as households started to bulk buy, and was bought from better quality outlets. With regard to the food bought, quantity increased first, followed by quality as households’ incomes increased. Meals became healthier and more well-balanced, with the introduction of more meat and fresh fruit and vegetables. Treats were more common too, such as sweets, crisps and desserts, especially among children. In contrast among ‘worse off’ households, parents had to economise on food to ensure that, despite no improvements in the quality, there was no deterioration in the quantity of food available to eat. Treats were not affordable either. (Section 4.2.1)

- Improvements in housing among the better off ranged from decorating, through new furniture, to extensions and house purchases. In contrast, ‘worse off’ households often struggled to keep their homes warm. (Section 4.2.2)

- In a similar way to which changes were seen in the buying of food, impacts on clothing were first present in quantity, with quality improving only with higher levels of financial well-being. Children saw improvements before their parents did. Branded clothing was anomalous as its purchase was present regardless of financial well-being, as it was often linked to preventing children being taunted at school for not wearing the ‘right’ clothing. In ‘worse off’ households parents made do with the clothes they had always worn, and children relied on hand-me-downs and clothing from charity shops. (Section 4.2.3)

- Where affordable, holidays were generally a new experience to all. They varied from inexpensive local day trips, through longer UK-based holidays, to vacations abroad, according to improvements in financial well-being. ‘Worse off’ households remained unable to enjoy holidays. In fact some activities that were available free when claiming benefits were lost. Often a trip to the local park was all that was on offer. (Section 4.2.4)

- Luxuries were common among better off households, and more so for children where they ranged from simple and inexpensive treats like sweets or an ice-cream in the park, through trips to the cinema and organised birthday parties, to CDs, DVDs and computer games among children in ‘significantly better off’ households. Parents in ‘significantly better off’ families were able to treat themselves too, usually in the form of more expensive clothes, a trip to the hairdressers or lunch out with a friend. Mobile phones and cable or satellite TV were anomalous, as they were common luxuries across all better off households. Luxuries were not possible among ‘worse off’ households. (Section 4.2.5)

Children benefited most from any material impacts in better off households, whereas adults tended to benefit indirectly from improvements aimed at the family. Only in ‘significantly better off’ families did adults start to see a direct material benefit where they felt they were able to spend on themselves. In ‘worse off’ households nobody experienced any improvements. In fact, children often lost out materially: what little money had been available for treats had been directed at children rather than adults but this now had to be reduced, and some previously free activities were no longer available now their parents were working. (Section 4.2.6)

As well as the material impacts of a move into work, there were also important psychological impacts
for both adults and children. Although adults tended to experience less of the material improvements associated with the move into work, they did benefit more psychologically.

One benefit was boosted self-esteem, self-worth and confidence, which was derived from the following sources:

- the ‘normality’ of having a job together with the loss of stigma associated with claiming benefits;
- being self-reliant in terms of providing for one’s own family rather than rely on the State;
- feeling valued as a worker;
- having a life of one’s own away from the home and the family;
- the accomplishment of finding and keeping a job;
- setting children a positive example; that working for a living was preferable to relying on the State.

Stress was also an area that saw positive impacts. As incomes increased money worries tended to decrease. Furthermore, those with new partners now had someone to share the financial burden. For some, earning an income from working felt more secure than being on benefits.

Improvements in relationships between adults and their partners and their children were commonly reported. Often this was a result of having less cause to argue due to having less money worries than before.

Adults also gained psychologically from seeing their children enjoy material improvements. (Section 4.3.2)

However, there were negative impacts too. These included the guilt associated with missing out on time once spent with children. Though not widely reported, the stress of a new job could also impact negatively, in one case causing a worker to leave their job. The new financial responsibility associated with no longer being on benefits was also stressful for some. (Section 4.3.3)

Children benefited psychologically too. These benefits included:

- gaining pleasure from material improvements such as more treats and activities;
- fitting in more with peers and losing the stigma attached to claiming benefits;
- becoming more independent of their parents, through learning to look after themselves;
- understanding the value of money through working towards it (e.g. chores in exchange for pocket money);
- having a less stressful home life, due to less arguing over money; and
- spending more time together as a family, as activities became more affordable. (Section 4.3.4)

Again, there were negative psychological impacts associated with life in work. It was commonly reported by parents that children resented their parents spending more time at work and less with them. Resentment was also present, but less so, where children had assumed childcare responsibilities for their siblings, where no other support was available or affordable. In better off households, parents were able to trade off these negative psychological impacts with positive material benefits. However, this trade off was not possible among the less well off and ‘worse off’ households as no material benefits were present. (Section 4.3.5)
The role of psychological impacts had significant implications for households who considered themselves ‘worse off’. Positive psychological impacts on adults were instrumental in a ‘worse off’ household remaining in work, where no material benefits were present. The move out of work and back on to benefits for some, although often ultimately triggered by a financial impact (e.g. the threat of eviction for non-payment of rent), was influenced by the erosion of any positive psychological impacts on adults by the negative psychological impacts on children. (Section 4.3.6)

Chapter 5 – Impact of work on use of financial services

Cash transactions were commonplace among the sample before the move into work. These included paying in cash for food shopping and paying bills. The post office was often a focal point for those dealing in cash. That said, there were some respondents who held accounts whilst on benefits, but usage varied. Some preferred the convenience of the post office rather than use their accounts, whereas others were more accustomed to, and familiar with, banking facilities. For others using a bank account for the payment of benefits and bills avoided the stigma associated with claiming benefits that was present with conducting one’s finances at the post office. (Section 5.1.1)

Following the move into work, some usage of bank accounts was commonplace, if only for the receipt of wages and the payment of key bills. Those more accustomed to banking products tended to acquire better quality accounts and facilities, such as full service current accounts, whereas those new to accounts tended to make less use of bank account facilities as they were less familiar with what was available.

The availability and usage of accounts and facilities also varied according to financial well-being and credit histories. On the whole, the quantity and quality (in the sense of affordability) of banking products held and used improved as households became better off, where credit histories were good. In contrast, those on lower incomes and/or with poor credit histories tended only to be offered more basic products.

Attitudes towards financial services also impacted on product holdings and usage. Where positive attitudes were held, having a bank account was seen as desirable as it allowed working households to feel more ‘normal’. They also avoided the stigma associated with the post office. For those who mistrusted banks and their products, usage of accounts was minimal and only where no other alternative was available, such as the automated payment of wages. (Section 5.1.2)

Some financial products had significant positive impacts on how households managed their money. Direct debits, in particular, were effective in ensuring key outgoings were paid, as they removed the responsibility of remembering to pay from the householder. Those who did not have access to direct debits felt that they would have been able to manage their money more effectively had they had them. (Section 5.1.3)

The possession of some form of credit based debt was common across the sample, prior to the move into work, whereas arrears based debt was much less common. The credit options open to households on benefit were limited and included:

- credit from private loan companies and to a lesser extent catalogues. Private loans, though expensive in terms of interest, were praised for their convenience, flexibility and availability;
- loans from the Social Fund. Among those who were positive towards the Social Fund, the benefits included the following: interest free terms, available and critical in an emergency, and minimal and hassle free repayments. In contrast, others described them as ‘degrading’ and reported difficulties with eligibility;
- informal loans, gifts and support from families and friends. (Section 5.2.1)
It was common for households now in work to want to clear any pre-work debts without any pressure from creditors. Success at this varied according to financial well-being. ‘Worse off’ households tended to have large pre-work credit-based debt which was often ‘crippling’ for them in work and tended to lead to the accrual of arrears in other areas in an attempt to make ends meet. (Section 5.2.2)

Access to more conventional, low cost credit and loan facilities tended to increase with improvements in financial well-being, whereas the need for and usage of such products generally decreased. On the whole, debit cards and cash were favoured over credit, among the better off. However, credit cards and store cards were popular as they were seen as important status symbols and were easily available. Usage of such products varied according to attitudes towards debt. The more averse towards debt tended to use their cards more for convenience rather than as credit as such, whereas others preferred to borrow up to the limit.

In contrast, low cost credit was often unavailable to those who needed it the most, i.e. less well off and ‘worse off’ households. Those families who remained on low incomes commonly required some form of credit to help them make ends meet. With the Social Fund no longer available to them, their only options were expensive private loans or informal loans.

Arrears were more common following the move into work, particularly in the first month where there was usually a gap between the last benefit payment and the first wage packet. (Section 5.2.3)

Chapter 6 – Conclusions and implications for policy

This chapter presents the key conclusions of the study by providing direct responses to the objectives cited in Chapter 1:

- Decisions on spending and financial management were shown to be dependent on whether there was sufficient money coming in to cover outgoings, any budgeting strategies in place, the presence of pre-work debt and its impact on limited incomes, and access to financial products (such as direct debits) that aided financial management. Financial priorities varied in accordance with the above factors, whilst in terms of human priorities children remained the highest priority across the sample.

- Not all households perceived themselves to be better off in work. In fact some considered themselves to be worse off due to a combination of low earned income, high additional costs (predominantly childcare), high levels of pre-work debt and budgeting difficulties.

- Whilst better off households benefited from material improvements to their lives, worse off households more typically experienced deterioration in their living standards.

- Debt, in some form, was commonplace across the sample prior to the move into work. A need to clear this debt, voluntarily, was also common once households were in work, but not always satisfied especially among those who remained on limited incomes and struggled to make ends meet.

- Some new debt was often taken on following the move into work, but less so among the better off. Credit was taken on by the less well off and worse off to bolster low incomes and arrears were often the result of an inability to make ends meet.

- Availability of, and the need for, low cost credit were commonly mismatched in this study. Such facilities tended to be only available to those who were already better off financially with good credit histories, and thus had less need for them. In contrast, those low-income households in greatest need were generally precluded from such products.
The lack of low cost credit available to those on low incomes was exacerbated by no longer having access to Social Fund loans.

These conclusions in turn highlight some considerations for Government policy which centre on the need for:

• greater access to low cost credit along the lines of the Social Fund but in a new form which avoids the stigma associated with benefit related facilities;

• improved provision of more affordable childcare in line with the Government’s National Childcare Strategy;

• greater access to bank accounts and basic facilities like direct debits to provide help with money management; and

• general support, both financial and advisory, for families in work particularly in the difficult period prior to, and following, the move into work.
1 Introduction

1.1 Background to the research

The National Centre for Social Research (National Centre) was commissioned by the Department for Work and Pensions (DWP) to carry out a study exploring how low-income families (couples and lone parents) with dependent children spend an increase in household income.

The key objectives of this study were to explore the impact of an increase in income on:

- living standards (including for example food, clothing and housing) for low-income families and in particular for children;
- low-income families’ financial positions with regard to debt and access to financial services.

More specifically, the research sought to explore the following:

- How decisions on spending and financial management are made, highlighting spending priorities.
- Whether low-income families are aware of increases in income and whether they feel any better off as a result.
- How an increase in income impacts on living standards for families and children.
- In what circumstances any additional household income is spent on repaying debt.
- In what circumstances the movement into work and any increase in income trigger or reduce the likelihood of taking on future debt.
- How the move into work impacts on access to financial products and services, in particular low cost credit.
- How useful access to Social Fund loans might be to those who have moved into work.
- The implications for policy of families’ experiences of moving into work.
- Whether the answers to these questions differ according to the level of the increase in income.
- How increases in out-of-work income compare to changes in in-work income.*

* This latter objective is not answerable in this report due to the changes to the sample following a pilot stage, which meant that the study no longer included those who had experienced an increase in household income as a result of changes in benefits rather than through a move into work. Section 1.3.1 provides a detailed explanation of these changes and the rationale behind them.
As well as providing a greater depth of understanding as to how changes in income can impact on material well-being and living standards for adults and children, this study was also designed to inform policies aimed at meeting one of the Government’s key pledges: to tackle poverty and provide opportunity for all, and within this, to eradicate child poverty in a generation.

1.2 Research design and methods

Given the need for in-depth understanding of household spending patterns and impacts on living standards and access to, and use of, financial services a qualitative research methodology was chosen. In-depth interviews were conducted with individual households rather than group discussions as the discussion of finances is a particularly sensitive and personal topic, and because of the need for detailed information at the individual household level. A qualitative approach allows probing and depth and is therefore ideal for capturing individual respondent’s perspectives, as well as exploring diversity within a sample. However, given that qualitative research samples are small and purposively selected and therefore not designed to be statistically representative of the research population, it is not possible to make statistically reliable statements on the basis of this data.

1.3 Sample design

The sample was purposively selected from low-income families who had taken part in the 2000 and 2001 waves of the Families and Children Study (FACS) which is carried out by the National Centre for the DWP. All those contacted had already given their consent to being re-contacted for future research at the time of taking part in the last wave of the survey. A letter was sent to each potential household explaining the nature of the study and the organisation, as well as giving them prior notification of a phone call inviting them to take part. A phone number was given to allow those unwilling to take part the opportunity to opt out.

1.3.1 Modifications

When first designed, this study had intended to consider increases in income not only among households who had moved off benefits and into work (‘into work’ group), but also among those who had remained on benefits. It was envisaged that the ‘out-of-work’ group would have experienced an increase in their income as a result of increments in benefit payments or due to changes in entitlement to benefits. However, given an underlying concern that the latter group might not perceive an increase in income, only five initial interviews were carried out as a pilot. This pilot confirmed these suspicions as no one in the five interviews recognised any significant increase in their household income.

In all cases, respondents were able to recall the timing and the amount of any increases in their benefits. They talked about how increases occurred every April and how increases in benefits were highlighted during the Chancellor’s budget. The increases reported varied from 50p up to £3, but they were all seen as negligible and as unlikely to make any difference to their lives:

‘I’ve never felt better off when they’ve said they’re gonna give you extra money, I’ve never noticed it to be honest. I’ve never sort of thought ‘Whey-hey, I can get this or that.’

(Out of work group female, 36, lone parent, 2 children, age of youngest child: 8)
Whereas some respondents simply described such increases as ‘not noticeable’ others were more pointed about the minimal impact of, as they perceived them, such small changes:

‘It’s funny actually I mean the sums are so petty that you can laugh about it. […] I sit there when the budget is on and throw things at the screen when Gordon Brown tells us how much money he’s giving us.’

(Out of work group female, 57, couple, 2 children, age of youngest child: 13)

There were also reports about how increases in one benefit were offset by a reduction in another, which was key to these households’ perception that the increases had no impact on their financial well-being:

‘Well you’re no better off, because the Child Benefit went up 50p a child, I think. So then you get a letter from the Income Support saying your money coming in each week has now increased, so you’ll be deducted. If you get it [an increase] on one, they take it off the other.’

(Out of work group female, 43, lone parent, 3 children, age of youngest child: 10)

There were differences in the reports of which benefits were increased and which were reduced in order to balance out incomes. Where one respondent reported that an increase in Income Support had been stopped in her Child Benefit, others recalled how it had been the Child Benefit that had seen the increase and Income Support the decrease. A nother referred to any increases in her Child Benefit being offset by money being taken off her Housing Benefit.

Given this perceived lack of increase in income, it was impossible for those interviewed to talk about how their lives had changed and how they spent any extra money, as this was not the situation in which they found themselves. Whilst some were able to hypothesise about how they might spend any future increase, this was not seen to be a robust enough base upon which to report. Having assessed the output of this pilot stage, it was agreed by the research team and the Department that the ‘out-of-work’ group would not be followed up, allowing the remaining interviewing capacity to be transferred to the ‘into work’ group.

Of the 40 interviews conducted in total, this meant that there would be some 35 interviews remaining to be conducted with those households who had moved into work. These were split between couple and lone-parent households in the following way:

• 15 couple households;
• 20 lone-parent households.

This split was based on the fact that lone parents are a particularly significant group among low-income households generally and within the FACS sample.

1.3.2 Sample criteria

The key criteria used to select respondents for the ‘into work’ sample were the following:

• **Moved into work:** to qualify both lone-parent and couple households were to have been claiming either Income Support or Jobseeker’s Allowance in the FACS year 2000 interview wave but (at least one partner in couple households) had moved into paid work of at least 16 hours, thus making them no longer eligible for these benefits, by the 2001 wave. In theory, all households should have been in work for at least six months when we interviewed them in August 2002, as FACS interviews take place between September and February. However, some had been in work for a shorter period of time. (See Section 2.4 for details).
• **Relationship status:** the sample was split between couples and lone parents with a bias towards the latter as described in the previous section,

• **Family size:** quotas were set for households with 1 child, households with 2 children and households with 3 or more children. Whilst it was possible to get a more even spread of these sizes among the lone parent group, it was not feasible in the couple group due to the difficulties in recruiting this group in general (as is discussed in Section 1.3.3).

• **Hardship:** in order to ensure that sufficient households with existing debt were included in the sample, all households selected registered either ‘moderate hardship’ (a score of 1 or 2 on a nine point scale) or ‘severe hardship’ (scores of 3 to 9 points on the same scale) on a hardship index used in the FACS. (An explanation of this measure is included in Appendix B). Again in the lone parent group, it was easier to ensure a mix, providing approximately a 50:50 split between those with ‘moderate hardship’ rating and those with ‘severe hardship’ rating, including scores of up to 7 and 8 in some cases. An even spread was not feasible in the couple group for the same reasons as with family size, but some high scores (up to 5) were registered nonetheless. (See Section 1.3.3 for more details).

• **Rural/urban split:** the following areas were selected to allow for diversity: Greater London and the South East (inner city, suburban and outlying towns), Greater Glasgow (urban) and Lanarkshire and Ayrshire (rural), Northamptonshire (small towns), South Wales (urban and rural) and West Yorkshire (mainly urban).

• **Age of respondent:** a good range of ages from 20 years up to 58 was achieved, with most in their twenties, thirties and forties.

• **Age of youngest child:** again a good range was recruited, starting from eight weeks up to 17 years with a wide spread in between.

A more detailed sample profile can be found in Appendix C.

### 1.3.3 Recruitment issues

Because of over-recruiting to allow for any dropouts, the final number of ‘into work’ interviews conducted rose from 35 to 37, with the extra two interviews being conducted with lone parents. However, it should be noted that despite this success, recruitment was by no means easy. The sample frame for ‘into work’ couples who were eligible to be interviewed was very small for the number of interviews conducted. Initially there was a base of 22 households from which to recruit our initial 10 interviews. However, once it was decided to increase this group to 15 it was necessary to supplement the sample. This was done, in agreement with the Department, by relaxing the quotas for hardship scores to allow those with a hardship score of zero (rated as ‘no hardship’) and those where no score was measured to be interviewed where necessary. This was agreed with the proviso that any remaining sample with higher hardship scores would be recruited in preference. Despite this, the sample did include couple households whose financial circumstances before the transition to work were broadly comparable with the most deprived lone parent households.

Out of a total final sample frame of approximately 36 ‘into work’ couple households it was possible to recruit the desired 15. However, it would not have been possible to increase this number and similarly had any of those recruited at this stage been unable to participate it would have been impossible to replace these as the whole of this sample frame had already been contacted (but unsuccessfully recruited) or ruled out for appropriate reasons.
Of those not successfully recruited:

- some 11 were not contactable (wrong numbers, numbers temporarily out-of-service, moved on with no forwarding number, no answer on a number of attempts);
- another five refused to take part due to a lack of interest, a bereavement in the family, and three were too busy in their new jobs to spare the time;
- the other five were deemed not eligible to take part, due to no longer having dependent children, being unavailable at the time of interview or being outside the selected geographical areas.

There were no major problems experienced with the recruitment of the ‘into work’ lone parent interviews as the sample frame was sufficiently large, although more sample had to be contacted than anticipated as a result of losses due mainly to refusals and inability to make contact.

### 1.4 Conduct of interviews

In-depth interviews were conducted in the month of August 2002 with female householders, and in some cases there was additional input from partners and children who were present at the time of interview. Mothers were interviewed rather than fathers, as they are usually the main respondent taking part in FACS, except for lone fathers or where the father has custody of the children. Furthermore, it was expected that mothers would have more detailed knowledge of how money is spent particularly in relation to children in a household. The interviews took place in respondents’ homes and lasted between an hour and a half and two hours and were tape-recorded with the permission of respondents. All respondents were guaranteed anonymity and confidentiality at all stages of the research, including during recruitment, at the interview and in the reporting of the findings. Each individual who took part in an interview was given £20 in cash as a token of thanks for their participation in the study. Respondents were also sent a thank-you letter shortly after their interview.

Topic guides were used for all interviews to ensure that a similar series of issues were explored with each respondent. While topic guides provide a broad agenda of areas to be covered, they are used as a flexible tool and an aide memoire rather than a fixed data collection instrument, as is the case with a survey questionnaire. This allowed the interviews to remain open-ended and responsive to the issues of particular relevance to each respondent, while simultaneously ensuring that the full range of study questions was covered with each person. Following the pilot interviews some amendments were made to the structure rather than the content of the original guide. A copy of the topic guide used can be found in Appendix A.

### 1.5 Analysis

All the tape recorded interviews were transcribed verbatim and the transcripts were used as the basis for the analysis reported here. The analysis was undertaken using ‘Framework’, a method developed by the Qualitative Research Unit at the National Centre. This involves the classification and interpretation of qualitative data within a thematic matrix. The matrix is made up of a number of charts, with one chart per theme. Within each chart, columns represent key sub-themes and rows represent individual respondents. Data from each interview were summarised for each theme and the context of the information retained along with references to where the original data could be found in the transcript. This facilitated easy retrieval of respondents’ own words as required. This method allows both within and between case analysis as well as detailed exploration of themes relevant to all study participants.
1.6 Report coverage

The report is divided into five further chapters. Chapter 2 provides a profile of those interviewed, highlighting their current situation following a move into work. Chapter 3 explores variation in whether, and how far, families had become better off as a result of the move into work and the influences on this. Chapter 4 goes on to describe the impacts of the move into work on living standards and the role of psychological well-being for families moving into work. Chapter 5 looks specifically at the impact of a move into work on access to financial services and debt. Chapter 6 draws some key conclusions and looks at the implications for policy of the experiences of families moving into work.

The evidence presented in this report provides in-depth analysis of the impacts of a change in income on the living standards and material well-being of low-income families and their children. Every attempt has been made to convey the full range and diversity of views, experiences, explanations and outcomes.

Quotes have been used throughout the report to illustrate key points with respondents’ own words. In all cases, measures have been taken to preserve the anonymity of the contributor, which made it necessary to change details that could potentially identify respondents, such as names.

1.6.1 Reporting the experiences of lone parents and couples

Despite the fact that the study focused on both couples and lone parents there were few significant differences in the experiences of these two groups. Financial well-being was one area where it was anticipated there would be significant differences between lone parents and couples, given that couples might be expected to be relatively better off than lone parents due to the advantages of having a partner (for example, having additional emotional, practical and financial support). However, analysis of financial well-being in both groups showed that lone parents and couples were well represented in each of the four groups along the financial well-being continuum. Nevertheless, the evidence did highlight that lone parents had to ‘work’ harder in order to reach similar levels of financial well-being as couples. For example, whilst lone parents were present among the ‘significantly better off’ they typically had been in a well paid full-time job with little or no childcare expenses, whereas couples who were both working in lower paid full-time jobs or better paid part-time jobs found themselves in a similar financial position. (See Section 3.2 for more detail.)

Given the scale of the sample and the nature of the diversity in the personal circumstances of lone parents and couples in the study it was not possible to make further statements about key differences between these two groups. Where the evidence suggested that lone parent experiences might differ from that of couples this has been highlighted, but further research would be required to fully explore the nature and extent of these differences.
2 Sample description and context

The role of this chapter is to provide a context for the rest of the report by describing key background information relating to the sample. The chapter looks at household make-up, the role of informal support networks, the nature of the move into paid work, the types of employment engaged in and the reasons behind the move into work.

2.1 Household structure

The key differentiating factor in this sample was relationship status. Out of a total of 37 interviews, 15 of the mothers were either married or cohabiting at the time of interview, whilst the remaining 22 were identified as lone parents, although some had partners but were not cohabiting. Of the mothers currently in relationships, it was possible to distinguish between those who were in more established relationships and those whose relationships were more recent (started within the last two to three years and commonly identified as lone parents in earlier FACS waves).

Among this second group of newer couples, where both partners were in work, the start of a relationship often coincided directly with the former lone parent’s move into work. McKay’s (2002) work, based on FACS data, suggested that re-partnering had a strong influence on the move into work for former lone parents. Millar and Ridge’s (2001) literature review also recognised this association but reported that it was not clear whether re-partnering motivated the move to work of the former lone parent or whether the move into work led to the re-partnering. In this study, both situations were found. For some, the once lone parent had already decided to look for work or had found work, whereas for others the working partner came into their lives first which helped them to go out and look for work too. In other cases, the once lone parent remained out of work, generally to care for children, but gained from a new partner who was already in work.

Children’s contact with their birth father varied within the sample. Among those families where the birth father was not present, there were cases of continued contact with the father. Absence of the father tended to be as a result of separation or divorce (both before and after the birth of a child), but also widowhood or a partner in prison. Payment of maintenance also varied, occurring both where there was contact with fathers and where there was none. Reasons, reported by the mother, for non-payment of maintenance were a lack of contact, because the father was unable to pay or due to a poor relationship with the father.
2.2 Household context

2.2.1 Housing and tenure

The sample was balanced between those living in rented accommodation and those who held mortgages for their properties. Rented accommodation tended to be through local authorities and housing associations, but there were also some private rentals in the sample.

Housing tenure often changed with the move into work. Mortgages had been taken on as a direct result of the move into work, either as a result of exercising the right-to-buy on Local Authority properties or a move into private housing. Other changes in the financial aspects of housing included taking over joint mortgages from ex-partners, starting to contribute to a new partner’s existing mortgage or resuming responsibility for one that had been paid by the State during a time on benefit.

There was another group of families who lived in their parents’ home, ranging from a 27 year old with two children who had never left the parental home, to others who had moved back in with their parents following the breakdown of a marriage or due to an inability to afford the rent on their own home. These circumstances often had a significant impact on life in work, as these women were often free of some key responsibilities such as housing costs and household bills.

2.2.2 Health issues

Whilst most of the sample claimed to be in good health or as suffering from complaints that they felt did not really impact on their daily lives (for example asthma and allergies), there were also those who reported more serious health issues. These problems included arthritis, back problems, sciatica, a prosthetic limb, diabetes, epilepsy and a child’s immune deficiency, and psychological problems. Depression, in particular, was common in this sample, as a result of relationship break-ups, the deaths of loved ones (partner, parent, and sibling), child custody battles with estranged partners and partners in prison, or the worries brought on by financial problems.

Of all the conditions present in the sample, psychological problems like depression appeared to have the greatest impact on households remaining in work. The pleasure derived from being in work, together with the financial benefits from an increase in income, often reduced feelings of depression, reducing any desire to return to a life on benefits. However, where work was stressful and/or where households felt no better off for working, depression could increase and ultimately lead to a return to benefits. In subsequent chapters, reference is made to the role of psychological well-being in households remaining in work in the long term.

2.3 Support network

Some sort of network of informal support was common across the sample, but not in all cases. Where it did exist siblings, older offspring, parents, and grandparents were often the key source of support, and for some others so too were neighbours, friends, non-cohabiting partners, parents-in-law and to a lesser extent ex-partners. For those who had more recently entered into a long-term relationship (cohabiting or marriage) the new partner was seen as their key provider of support.

Such networks had a number of roles, which changed with the move into work. Providing free or inexpensive childcare became very important once families were in work, and its availability was often decisive in the move into work which is discussed later in this chapter. Networks had a different but equally important role when families were not in work. This was financial support, mainly in the guise of a first port of call for emergency borrowing, but also in other ways: financial gifts, provision of meals...
or grocery items, clothes for children, provision/payment of holidays, free odd jobs or repairs and second-hand furniture and household goods. Once in work, the need for informal financial support was more likely to diminish while childcare needs increased, but for some financial support was still relied upon where alternative sources were unavailable or increases in income were more limited.

2.4 Transitions into work

Among the couples in the sample the transition into work varied in the following ways:

- **Both partners had moved into work.** This situation was particular to existing couples and tended to either follow a long period of unemployment for both, for example since the birth of children or the start of a relationship, or a shorter period of unemployment following the loss of both their jobs. This situation was also true of some new couples (through re-partnering), where the former lone parent moved into work at the same time as starting a new relationship with a partner already in work, as was discussed earlier in this chapter.

- **One partner had moved into work.** In some cases, it was only the male partner who moved into work, while the mother stayed at home and cared for the children. In other cases, a partner formerly claiming benefits joined the other partner who was already in work on a low income.

Some of the biggest impacts of an increase in household income on material and psychological well-being were felt by those couples where both partners had moved into work. Lone parents on the other hand were reliant on a single income, and the impacts here were generally more modest. The material impacts of the transition into work are discussed in Chapter 4.

Length of time in work also varied. Some 33 households out of the total of 37 interviewed had been in continuous employment since the last FACS interview they took part in, in 2001 (interviews would have taken place any time between September 2001 and February 2002). Among these, periods of employment ranged from six months up to two years. The remaining four households had been in work for a shorter period, which was due to having experienced periods out of work since the FACS 2001 wave interview, due to job loss and gaps between temporary contracts. In one household, the most recent period of employment had only begun three weeks prior to the interview.

It should be noted that there were cases where respondents had recently left work and gone back on to benefits. In general this was because of the pressures of their financial position if they were not better off in work, coupled with the psychological pressures of the new job, but there were also cases where the move back to benefits was the direct result of a job loss and an inability to find a suitable replacement straightaway.

2.5 History of employment, education and skills

2.5.1 Employment history

Long-term unemployment was a typical experience among both current and former lone parents, as looking after young children had taken precedence over working. However, within this group there were variations. For example, for those who had never lived with the birth father, their life on benefits began at the birth of the child, if not before, whereas for those who had started their families within a relationship, and had been caring for their children while their partner had worked, their need to claim benefits only occurred once the relationship had ended and they had become a lone parent family.
For those who had been employed prior to the end of a relationship the move on to benefits was either because their income was not enough to sustain their reduced family unit, or because there was no longer the support of the partner to share the childcare responsibilities necessary to allow the parent to go out to work. Changes in other circumstances, such as moving out of a parent’s home, also triggered a move on to benefits.

Those with mortgages, in particular, had seen the route of claiming benefits as their only means to ensure that their mortgage would be paid and that their house would not be repossessed. Some people had gone back into education once relationships ended in order to find work that would provide sufficient income to support a lone parent family.

For younger lone parent mothers their time on benefits was often much shorter due to their age. Having a child had often disrupted school studies, and some were studying while on benefits in preparation for taking up a first job.

Among the more established couples the most recent period of unemployment tended to be shorter, as either one or both partners had been working more recently, until losing a job. In one example a couple had both had full-time jobs in a local factory until they were both made redundant when the company left the area. In another case, a husband had taken early retirement from a driving job for a security firm following an accident which prevented him from working. In a third example, the wife had been unfairly (according to a tribunal) dismissed from her accounts clerk post when she was on maternity leave. In these last two cases, it was the loss of the main breadwinner’s job that triggered the move on to benefits as the other partner’s income would not have sustained the family alone.

There were cases of couples, however, where both partners had been unemployed in the longer term. In one such case, the mother had chosen to concentrate her time on bringing up her children whilst her partner looked after a sick and ageing parent.

### 2.5.2 Skills and educational attainment

It was common for those contemplating a move into work to consider their skills and take action to brush up on old skills or acquire new ones. Going back to school or college in order to take on a course was the most common form of action. Those who had decided to go back into education in order to gain more skills took one of three routes:

- a general course to acquire basic skills that could be used in any job;
- a training course that related specifically to a desired post; or
- a higher level qualification in an area of interest.

Those looking for general basic skills such as IT tended to go on short courses without an end qualification, that were in some cases provided through the New Deal for Lone Parents (NDLP) programme.

For those choosing route two, NVQs and, to a lesser extent diplomas, were a common choice for those wanting to gain specific skills for a job. Subjects commonly included care (residential care, childcare, nursery nursing), administration and secretarial, and cooking.

Route three, which was characterised by degree courses (for example in psychology and sports science) was, in the cases of those concerned, an unsuccessful choice as circumstances (lack of funding or course closure) meant that it was cut short.
The desire to improve one's skills through education continued for some in work but started for others as a result of the move into work. The pattern of courses followed that of those taken prior to work. Some courses were directly connected with the current activity engaged in with a view to progressing, examples of which included NVQs in residential and elderly care and professional accountancy qualifications. Others were more general skills, such as IT and Marketing through evening classes and distance learning. For some, a course was chosen to follow a change in direction, whether related to the current work, such as the move from youth worker into the wider field of psychology via a degree or totally unrelated, such as moving from sales assistant to driving instructor. Some had their courses funded by their employers, whereas others were self-funding.

Skills were also acquired through work experience, although this was sometimes a by-product of an activity taken on to relieve the boredom of not doing paid work, rather than a direct approach to improving skills. Such activities included unpaid voluntary work for charity shops or the Samaritans for example, or paid part-time work (cleaning etc) both within and outside the allowances permitted for claimants of Income Support. In some cases voluntary work continued in any spare time, especially if it provided work experience relevant to a current job. Work experience or a part-time job sometimes ended up being the source of current work.

2.6 Current employment

2.6.1 Types of jobs
The activities engaged in by the women interviewed fell into the following broad areas:

- employment in the retail sector (sales assistants and other roles);
- office based administration positions (mostly secretarial and accounting);
- jobs involving caring or looking after others (mainly residential care assistants but also teaching assistants);
- other activities included factory work, catering and cleaning jobs. Finally, one woman was a freelance make-up artist, and another had, along with her new partner, recently set up a cleaning business.

2.6.2 Working patterns
Hours worked per week also varied across the sample. There were three distinct scenarios: those working the minimum hours (mostly 16½ hours but also up to 22 hours) to take them off benefits and on to Working Families’ Tax Credit; those working around 30 hours; and those working more than 35 hours.

There were several factors that dictated the hours that were worked:

- the ages of the children: children over the age of 12 were generally considered responsible enough to fend for themselves and allow their mothers to go out to work, whereas a lone parent with a younger child (between five and 12 years of age) and little scope for child support, was more likely to do part time hours (between 16 and 30 hours) in order to fit work in around school hours;
- the presence of a working partner meant that either one partner was able to work fewer hours, or that as a household more hours were worked;
other favourable circumstances: those for example living in a parent’s house were able to work fewer hours as they were generally sheltered from some of the responsibilities of the cost of living (rent and Council Tax). Or in contrast, the support provided by that parent in the form of free or inexpensive childcare could mean more hours could be worked;

other commitments: hours were more limited where lone parents were studying alongside their jobs;

the availability of suitable hours: being able to fit work in around school hours also depended on finding an employer that would allow this. This was not always possible.

2.7 Motivations/reasons for the move into work

In order to put the motivations behind a move into work in context it is useful to look at what barriers had impeded an earlier move into work and how these had since been counteracted. Findings here are broadly consistent with previous research conducted into barriers to work for lone parents and transitions into work.

One of the key reasons cited for not returning to work sooner, especially among lone parents, was the priority they gave to bringing up their children, particularly not wanting to miss out on their children growing up. However, there was also a strong resistance to the use of formal childcare in terms of cost, availability and also confidence in the carer and a reluctance to leave a child with a stranger. Therefore, fears about the cost and quality of childcare, coupled with a desire to watch one’s children grow up had a strong impact on the likelihood of this group moving into work.

The pattern of this eventual return follows two key actions that are dependent on the age of the youngest child.

Those more keen to get back to work but still be involved in their children’s upbringing waited until their children had reached school age (around five years old). This work tended to be part-time, fitting in with school hours so as not to miss out on spending time with the child but also to avoid the need for childcare. However, finding a job that could fit these hours and provide enough income to live on, was not always easy.

An alternative scenario was where mothers preferred to wait until children were at an age (typically 12) where not only could they look after themselves outside of school hours, thus allowing for full-time working hours for the mother, but also start to become more independent of their parents so that work for the mother was felt more appropriate. This choice again avoided childcare and the fear of not being present during the child’s upbringing.

For some people, it was having a strong informal support network which could provide childcare that meant they were now able to work, avoiding not only the issue of cost but also the worry of who was looking after the child.

There was often a combination of reasons for a move into work, and again some of these mirror those cited in previous research:

A need to be active. For some, now that children had reached their teens they no longer had as much need for their mother as when they were younger. Consequently parents had begun to feel bored being at home.
• A wish to no longer to rely on benefits and no longer to suffer the stigma of claiming benefits. This was particularly significant for the lone parents in the sample who felt that being a lone parent was stigma enough, but that being a lone parent on benefits had even greater negative connotations. Here there was a desire to be earning one’s own money rather than rely on the State as well as setting children a good example: that they should not expect the State to look after them their whole life.

• A desire to increase household income. The impact of this desire on decisions to move into employment was complex. Whilst lone parents hoped they would be financially better off working and described this as a key motivation, not all believed that this would in fact be the case. As a result, uncertainty about the likelihood of a return to work increasing household income also acted as a barrier to the return to work for some parents, whilst others took some convincing before taking the plunge. Where lone parents (both current and former) had had a calculation of in-work costs done to assess whether they would be financially better off in work this was commonly provided through the New Deal for Lone Parents (NDLP) programme. However, some lone parents had made use of the services of Citizen’s Advice Bureaux (CAB) in preference to the NDLP calculation. Their reasons for doing this differed. In one case, a lone parent reported that the “benefits people” had simply been unable to provide a calculation for her, whereas another lone parent felt that the NDLP advisors might make her feel obliged to move into work if the calculation showed she would be better off and felt the CAB would provide the advice she needed without any pressure to take the job in question. Regardless of the source of the calculation, those who were advised that they would be financially better off in work tended to believe this advice and found it reassuring when deciding whether to move into work or not. NDLP advisors were also praised for their help in finding work, their advice on training courses and for the provision of financial aid such as the Back to Work Bonus. However, not all were told that they would be better off. In one case, a lone parent had been advised by the CAB that she was better off remaining on benefits but she wanted to move into work despite this. In other cases, lone parents had no calculation to base their decision on, despite having sought one either through the Benefits Agency (both as part of NDLP and more generally) or the CAB. In addition to these calculations, Working Families’ Tax Credits (WFTC) were reported, by couples and lone parents alike, as a key incentive for households considering a move into work. Awareness had been strong as a result of NDLP advice, general advertising and word of mouth. In one particular case a respondent had become aware about the credits from taking part in a FACS interview in the past. Another incentive for moving into work, for some, was the entitlement to full child maintenance through the CSA. McKay’s (2002) analysis of FACS data showed that receipt of maintenance was a strong influence on the move to work.

• A natural progression. For those, especially teenage mothers, who definitely planned to work as soon as possible, getting a job was often simply the next step after their study course had finished.

• A longing to do a particular type of job. For some there was a strong desire to do the job they had always wanted to do, which was either directly pursuing a dream as in the case of the freelance make-up artist or by coming across an ideal job in the newspaper as in the case of a youth worker.

• Guilt and re-partnering. Where a former lone parent had taken on work after forming a new long-term relationship, the reason behind a move into work was to show appreciation for the advantages of having an extra income and the support of a new partner, but also to gain equality, and assuage guilt, within the relationship, where other circumstances (e.g. childcare provision) allowed both to be in work.
Most of the barriers and motivations described above were more common to the longer-term unemployed.

For the short-term unemployed, commonly more established couples, the move into work was essentially a return to work. This group saw themselves as having ‘always worked’ and saw their time on benefits as definitely a temporary situation. Furthermore, there was likely to be less attachment to any advantages of being on benefit as well as fewer fears about being worse off in work, as they were able to compare their previous working situation with their time on benefits. In terms of motivations, whilst to a degree most were still relevant (to be active, and not rely on benefits) perhaps the key motivation for this group was about getting back to work in order to increase household income to either match or improve upon previous in-work income levels.

Many of the factors described so far (receipt of maintenance, presence of a support network, re-partnering and number of incomes coming into the household, skills base, types of activities engaged in and how well they pay, and hours worked) will have a bearing on any increases in income and whether families perceive themselves to be better off as a result of a move into work. The chapters that follow will develop each of these themes and highlight their impact on household financial well-being where relevant.
3 Impact of work on household finances

The underlying aim of this study is to understand how the extra income generated from a move into work is spent and how this impacts on families and children. This chapter looks specifically at whether households perceived themselves to be financially better or worse off as a result of the move into work. It begins by describing the factors that influence whether a household will be better or worse off in work, and then goes on to illustrate how and why some families are better off and others are essentially worse off.

3.1 Factors underpinning financial well-being

This section looks at the combination of factors that determined whether a household would experience an improvement in their financial circumstances and consider themselves better off in work. Two key sets of factors influenced this. First, the level of earned income varied quite considerably in the sample, particularly since, in some cases, there were now two new in-work incomes. Whereas some households saw their incomes increase two- and three-fold following the move into work (for example one household’s income increased from £140 per week to £500 per week) others experienced more modest increases in their income. In this latter case it was more common for households to see their income increase by approximately half their starting income (for example from £154 to £246 in one household). However, the impact of any such increase in income was also strongly affected by their broader financial circumstances, particularly the additional costs of moving into paid work, their approach to money management, and the existence of debt.

3.1.1 The additional costs of moving into paid work

A key influence on the potential impact of an increase in income was any additional expenses that came about as a result of a move into work. These typically included:

- rent or mortgage repayment: previously covered by Housing Benefit;
- Council Tax: previously covered by Council Tax Benefit;
- school meals: previously free;
- work-related costs: both one-off purchases like uniforms, clothes for work, specialist equipment or a car, and more regular costs such as travel to and from work and lunch;
- childcare costs: either formal (paying a formal childminder) or informal (paying a relative or friend for childminding).
The greater these ‘costs’ were, the greater their impact on any net increase in income, and in turn financial well-being. However, not all of these costs were present for all households.

With the exception of those who were living in a parent’s house, where household bills were the responsibility of the head of the household, all other families in the sample were now obliged to pay Council Tax and rent (or mortgage). Taking on costs that were once paid for by the State had an important impact on financial well-being, especially where increases in incomes were lower. Incurred other costs (work-related costs and childcare costs) in addition to these housing costs had very significant effects on financial well-being. Some households made concerted efforts to avoid such costs, but households who had to pay them in addition to “housing” costs were more likely to be only marginally better off or worse off in work, as these costs reduced the impact of an increase in income.

Those households with no option but to use formal childcare found this to be particularly expensive and this was often perceived to be the key reason why they felt less well off or worse off. Throughout the sample, formal childcare was felt to be very expensive, and being able to avoid the cost had often been decisive in whether a household made the transition into work. Avoidance of such costs altogether or a search for cheaper alternatives was common behaviour among other households. Making use of an inexpensive or free support network of family and friends was usually a first choice, where such a thing existed. Other parents delayed finding work until their children reached an age where they did not require childcare.

Whilst work costs in themselves were not perceived to be that great, when they were in addition to other costs like rent, Council Tax and sometimes childcare, they were sufficient to reduce the positive impacts of income on financial well-being. Again these costs were not always present or were avoided where possible. For some, the place of work was local and within walking distance thus not requiring any transport costs. A packed lunch often replaced eating expenses, and uniforms and equipment were sometimes provided by the employer, rather than necessitating the expense of a new set of clothes. Financial help with work set-up costs was available to some. Those who had found their jobs through the NDLP programme usually received help with buying new work clothes, for example a uniform and shoes, and also fares to and from job interviews were paid. Benefit run-ons were also available to some of those interviewed but not all. Nevertheless it was common for people to find the first weeks or months in work a period of real financial difficulty when they built up debt or arrears. The experiences of households during this transition period and the impacts these had on financial well-being are discussed in subsequent chapters.

3.1.2 Effective money management

The level of earnings was obviously very influential in how well people managed financially once they were in work. However, moving from benefits to paid earnings brought some significant changes in people’s financial arrangements and commitments which meant that different approaches to money management were now required. Some families were able to make this transition relatively smoothly with active strategies for managing their money. But for others the change was more difficult, and they found themselves missing payment commitments and sometimes overspending, accruing debt or arrears. There was much variation in how households managed their money, and whilst it was not possible to describe clear models of money management, it was possible to highlight the types of financial behaviour which were more effective in ensuring that an increase in income had the most favourable impact on financial well-being.

Those families who managed their money more effectively tended to get more benefit from the increase in their income; making money work harder in order to improve financial well-being, however marginal this may have been. The key to effective money management was to ensure that
all outgoings were paid before any non-essentials, thus reducing the likelihood of accruing arrears. Households who displayed this type of behaviour were often characterised by the following:

- A formalised household budget was in place. At the extreme, this was characterised by comprehensive, written records kept of income and outgoings along with regular scrutiny of bank statements as a method of double-checking. Allocating certain incomes to particular outgoings was also common here. For example, Child Benefit was often saved up to be used for children’s clothes. In other cases, the payment of outgoings relied more upon budgeting tools like direct debits and payment meters.

- Strong, positive attitudes towards money management and financial control typified these households; characterised by a desire to ensure that all outgoings had to be met where possible. Avoidance of debt, either through the use of credit or arrears, was common among those sharing this attitude. Often the fear of the possible consequences of non-payment was instrumental in such attitudes:

  ‘Oh obviously it’s my responsibility now with the house, it’s kind of if we don’t get paid we lose the house it’s a simple as [that].’

  (Female, 22, lone parent, 1 child, age of child: 4)

  ‘I was scared that they’d cut me off - gas and electric. Then we’d have no warmth and no water and no electric to use.’

  (Female, 20, lone parent, 1 child, age of child: 3)

Fears like these sometimes stemmed from having grown up in a situation where debt had had a debilitating effect on the family, encouraging the offspring not to repeat the same behaviour in their own lives.

More positive attitudes like these were generally consistent in encouraging more effective money management behaviour regardless of income level. Among households where incomes were more restricted and where there was real difficulty in covering essential outgoings, these attitudes meant that spending was tightly controlled and that competing commitments were carefully prioritised and juggled to ensure as much financial stability as possible. Similar attitudes were also present where increases in income were greater. Here is an example of a woman who, despite being in a more favourable financial position, found it hard to break her frugal habits:

  ‘Yeah I’m always going without. No it’s mainly by choice now that I do but before I’d have to go without, sort of thing. […] Where now I think ooh shall I buy myself something, no I’ll buy [my daughter] something just to, you know, something like that. […] I sort of think well I’ll get her a few more bits and go without… […] I suppose it’s habit ‘cos I’ve done it all this time I suppose. As I say I think it’s just a habit that I’ve got into now, and I feel guilty if I go out and buy myself something, you know.’

  (Female, 34, couple, 1 child, age of child: 12)

Not all households, however, were as able to control their household finances. Spending behaviour, for some, was often the direct opposite to that described above. Instead, money earmarked for key outgoings like rent and / or Council Tax was spent on non-essentials, such as giving children a treat, or buying them more expensive clothes where really household income levels did not allow this.
The impact of this behaviour was often to accrue arrears, with rent for example, due to a missed payment. Repayment of arrears, therefore, became yet another outgoing that stretched often already limited incomes, which in turn put families in a worse financial position than they should have been. In fact, within the sample it was possible to find households with similar incomes and outgoings, but find that one felt better off than the other. The reason behind this was that the former was managing their household income more effectively; paying outgoings first and not accruing arrears.

The reasons behind less effective spending behaviour were varied:

- Households were not used to budgeting and/or did not know how to budget effectively. Some of the younger mothers who had not worked before, in particular, found it hard to cope with managing their more complex financial arrangements now they were working, as they had previously had only a few outgoings to pay as the rest were paid directly by the State:

  ‘Yes, so that the more income I get, the more my outgoings go up. [...] And like water, that used to get taken from my benefit book, and the responsibility of having to pay for your own stuff now is, is quite hard. [...] It’s having to like, you know think right well I’ve got to actually pay my rent, and I’ve got to actually pay my water, and I’ve got to pay this and I’ve got to pay that, and it’s ‘Oh my God’.’

  (Female, 25, lone parent, 1 child, age of child: 5)

- In some cases, these households lacked some of the tools that made budgeting easier for others. Those without access to financial services like direct debits, had to rely on self-discipline to ensure that payments were made. Respondents in this situation often found they simply forgot to pay key bills or were tempted to spend the money elsewhere. The importance of financial products in aiding money management is covered in more detail in Chapter 5.

- Inconsistencies in receipt of income and/or changes in payment frequencies also impacted on these households’ ability to budget effectively. Some found the transition from a weekly benefit payment to, for example, a monthly wage difficult to get accustomed to, and often ended up missing payments as a result of money coming in too late. For others, a combination of a monthly wage and weekly Child Benefit payment was also confusing, as they found it hard to keep track of what money was due when. Some, such as one respondent who worked freelance, also had irregular incomes. There were also setbacks when certain income payments did not arrive as usual, such as at the point of re-applying for Working Families’ Tax Credit. Often, households had to survive a month without this key source of income, which had a serious impact on the ability to meet outgoings.

  ‘I mean I’m not used to it, even though I’ve been working for a year and a half, because nothing’s consistent, like Working [Families’] Tax Credit, it’s really good what they give me and everything. But it’s not consistent like, because they messed up my claim, it then fell back on me, so I was responsible for the first two weeks [...] to you know, explain to everyone, ‘well I haven’t got the money, they’ve messed up my claim’, and they were like, ‘well we want it anyway’.’

  (Female, 25, lone parent, 1 child, age of child: 5)
Strong principles relating to specific outgoings also existed among this group which often led to a decision not to pay certain outgoings. For example, some disagreed with having to pay Council Tax or water rates. In the latter case, it was felt that the provision of water should be free as a basic human right:

‘I haven’t paid my water bill. I think it’s criminal that people should have to pay for water, I really do.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

These principles appeared more common among those on more restricted incomes, which might suggest that they were merely masking a more fundamental problem: an inability to make ends meet. Among the better off, the financial penalties associated with non-payment not only became undesirable but also unnecessary.

Another reason behind less effective spending patterns was a gap between expectations and financial realities. Households expected to feel better off in work, which meant being able to spend more on treats and luxuries. For some families, spending on luxuries exceeded the levels feasible for their income level. Often money was spent directly on children, which left families short in other areas. In some cases spending on children was chosen instead of paying a key bill,

‘It’s more like shall I pay my water or shall I pay it next week and take [my son] swimming? [...] It’s the water that always goes.’

(Female, 25, lone parent, 1 child, age of child: 5)

Difficulties with managing money were particularly common among lone parents in the sample. Their incomes were generally much less than those of couple households especially if both were working, and did not have access to cheap or free childcare from a partner. However, it may also be that having the support of a partner had a positive impact on the ability to budget effectively.

Whilst money management was fundamental to all families’ financial well-being, it tended to have a more significant impact where incomes were only just meeting outgoings. Here, how money was managed could make the difference between feeling moderately better off and feeling only marginally better off. Where incomes were so low that it was impossible for all outgoings to be met, even the most effective budgeting could not improve situations. At the other extreme, where incomes substantially exceeded outgoings, budgeting was perceived to be much easier compared to when on benefits.

3.1.3 Debt

Debt was another factor that could have an important impact on whether a household became better off in work. Chapter 5 describes in detail the nature of the debt that existed within the sample before the move into work. However, when assessing its impact on financial well-being, the type of debt held was less important than the amount of the debt and the ability to clear it once in work.

Households who had existing debt had also, of course, to service it while they were on benefits. However, in some cases, the existence of heavy credit-based debt (bank loans rather than arrears) was particularly debilitating when they began earning, especially for those earning lower incomes. This was not because creditors were demanding higher payments now families were in work, but because debt repayments ended up taking priority over new outgoings such as rent and Council Tax, and thus more debt was accrued as a result of arrears. In contrast to spending on food and clothing for example, more conventional debts like bank loans and credit cards could not be cut back or juggled
with, without incurring severe penalties. Furthermore, the amount of debt kept increasing due to minimum payments only being met. The second half of this chapter gives examples of how this type of debt was instrumental in causing families to become worse off following a move into work.

### 3.1.4 Change in ‘discretionary income’

The combination of the four factors described above (levels of earnings, the additional costs of work, money management skills and the level of debt) determines whether a household is financially better off. The key indicator of this change is what is here termed ‘discretionary income’. In this report this is taken to mean money that is left over once key outgoings are paid such as rent (or mortgage), Council Tax, other household bills (utilities etc), essential expenses (food, clothing, childcare and transport), and debt repayments. This is money that can be freely spent on ‘luxury’ food, extra clothing, material goods and other ‘treats’. The presence of an increase in discretionary income was how families gauged whether they were better off or not.

### 3.2 Financial well-being in work

As a result of the factors described in the previous section, the extent to which a move into work brought an improvement in families' general financial circumstances was very varied, and by no means did all households feel that they were now better off. Among those interviewed, a diversity of impacts was observable. This section describes these differences in financial well-being as a result of a return to work and illustrates the effects of additional costs, money management and existing debt.

Four key groups were identified along a continuum of financial well-being, based on the impact of income, additional costs, money management and debt on household discretionary income. These were:

- Those who felt significantly better off than when on benefits.
- Those who felt moderately better off than when on benefits.
- Those who felt essentially neither better nor worse off than when on benefits.
- Those who felt worse off than when on benefits (and as a result may have left work and returned to benefits).

A full explanation of each group is detailed below, and a summary of the key characteristics of each group can be found at the end of this chapter.

#### 3.2.1 Group 1 - Significantly better off

It was common to find couples who were both earning full time, including in low-paid jobs, at the ‘significantly better off’ end of the financial well-being continuum, as the advantage of dual incomes led to a larger increase in household income compared to being on benefits. However, there were also lone parents and single-earner couples in well paid work, such as full-time administration posts where responsibility meant a higher wage, who also fell into this category. Working full-time was key and only possible if children were over 12 and seen as capable of looking after themselves, or if younger children were looked after by family and friends free of charge. Smaller family sizes of one or two children were also typical among those who were ‘significantly better off’, which meant less strain on household finances. The key indicator of this group’s financial status was the impact on discretionary income, and it was common to experience increases in this of over £250 per week.
For families in this group it was often the increase in income, rather than other factors, that had the
greatest impact on improving their financial situation. Increases in income were usually high enough
that the impact of additional costs was low. Work-related costs such as paying for lunch were often
absorbed more easily and sometimes taken on as they were seen as acceptable and affordable. For
example, some chose to pay for a lunch at work not only because they could afford it but also because
they thought they deserved it and that it was a key element of the ‘normal’ life of someone in work.
The same was true of costs such as rent and Council Tax. Unlike in interviews with the less well off,
where payment of Council Tax in particular was heavily resented, families in this group talked more
often in terms of what they had gained from the move into work, such as the new areas in which they
were able to spend, and felt little resentment about paying Council Tax and rent. Here is a
‘significantly better off’ couple’s response to how their life was different now they were in work,

‘It […] makes a big difference now. It’s amazing actually how much difference it does make, we
can … I mean we are in the middle of doing [up the] house, we’ve put a … just put a new
kitchen in, got all the back garden done, so we’re like doing a room at a time. So now we don’t
worry where the money’s coming from, because we’re both working we can … we don’t have
to go into debt we can just go out and buy the stuff we want, you know, which is a lot better,
hell of a lot better, I don’t have to worry where the money’s coming from.’

(Female, 38, couple, 1 child, age of child: 9)

The increase in income was also sufficient to ensure that any existing debts were easily managed if not
cleared.

Whilst money management skills remained important in making the most of this extra discretionary
income, spending was typically less restricted, and was now possible in areas where it would have
either been seen as out of reach before or would have required advance saving or recourse to some
sort of credit. This permitted significant changes in material lifestyle for adults and children alike.
Improvements in food, clothing, housing, and activities were felt both in terms of quantity and quality.
Furthermore, usage of credit and the accrual of arrears tended to be limited due to lack of need.

Below is a case example of a ‘significantly better off’ household.

**Case example 1**

A has been married for over 19 years and has two daughters who still live at home, aged 13
and 19. The eldest is self-supporting, as she has a well paid job, but pays her parents board.
Both parents have now been working full-time for about a year after being on Income Support
since the birth of the eldest child.

Their combined income has increased from £140 per week to £500 per week, an increase of
£360 which, taking into account the additional outgoings of mortgage payments and Council
Tax, leaves a discretionary income of approximately £280 extra per week. The key additional
costs of moving into work have been rent (now mortgage repayments) and Council Tax. They
have no childcare costs as they consider their youngest daughter (aged 13) old enough to look
after herself outside school, and she can turn to her maternal grandmother if she needs a
meal or company after school while A is at work. Therefore, for this couple the additional
costs of work are low.

Continued
As well as allowing this couple to exercise their right-to-buy on their former council house, their general spending patterns have seen dramatic changes, benefiting the whole family. A now thinks nothing of buying expensive cuts of meat or buying in bulk without first checking her cupboards. Where she and her family shop for clothes has changed too. She now shops in department stores like Debenhams rather than more thrifty chains like New Look. She recently spent £70 on a pair of boots for a trip to the races without having to save up or fall back on credit, whereas when she was on benefits she thinks she would have scrimped and saved to afford a £30 version. Another sign that their lives have improved is that the once relied upon source of income Child Benefit is now saved for future spending.

Her children have seen their lives improved too. Whilst the eldest was already benefiting from her own income, the younger child is able to do more and have more as a result of her parents having more money to spend. She is now able to go out more with friends, for example to the cinema, and she now enjoys piano lessons that were not affordable before.

As a family, Christmas is much more special than it used to be, as they can afford to buy more presents. Their holidays have evolved too, from camping trips in the next county to trips to Disneyland.

Despite these changes, A feels that she still spends within her means. She is generally averse to debt, as her mother was often in debt, behaviour that she did not want to mirror. This attitude is highlighted by the fact that she has no credit card through choice and the only credit she has used has been for a sofa and only because it is interest free. In the past the only credit facility she allowed herself was the Social Fund loan and again only because of the interest free terms.

3.2.2 Group 2 - Moderately better off

Families in this group were a mix of lone parents and couples with a single income, often working full-time or in a well paid part-time job, or where both worked but on low incomes and/or part-time. Again, having older self-sufficient children and/or inexpensive childcare arrangements allowed parents to work full-time. Household size was varied, with up to three dependent children. Typically household discretionary income was moderate showing an increase of approximately £50 to £150 per week, compared to when on benefit.

At this point on the continuum, factors other than the actual level of earned income came into play. Different combinations of these factors could lead a family becoming ‘moderately better off’:

- A fairly typical situation was one where family income was generally moderate but sufficient to outweigh additional costs, either as a result of low additional costs (no work and childcare costs) or low levels of existing debt. Good money management skills were also key here.

- In other cases, family income was high but its impact was reduced as a result of high childcare costs and/or debt. Less effective money management could also impact negatively on a higher income thus reducing additional discretionary income.

- Less commonly, family income was moderate and additional costs high but effective money management skills improved the financial situation.

Like the ‘significantly better off’ families, the increase in discretionary income had a positive material impact on the living standards of both adults and children but to a more modest degree. In general it was the children who saw more benefit from improvements, as discretionary income was still not
enough for parents to start benefiting directly. Instead adults benefited from changes that benefited the family as a whole, which included:

- holidays, even if only day trips or inexpensive UK holidays, were now possible where they were not before;
- food shopping was no longer just the basics, permitting access to both healthier meals as well as treats;
- spending on clothing increased too in terms of quality and quantity.

However, such changes were often reliant on effective money management.

**Case example 2**

E is 36 and a lone parent with two children of 12 and 13. She is employed full-time and is also studying for a diploma (funded by her employers) alongside her work. Her move into work follows some six years claiming Income Support.

Her monthly income has increased by £770 which, after taking into account the additional costs of her mortgage and Council Tax, gives her a discretionary income of approximately £68 extra per week. She has no childcare costs thanks to the ages of her children and the responsibility for the payment of school dinners has been assumed by her mother. Her family have always been there to support her financially in the past in the form of food parcels and free holidays, and although the support is still there if she needs it, she now feels able to support herself and can afford to pay for most of the things for which she once relied on her family.

She is now in a position to clear past debts. She has already paid off her gas and electricity debts and is well on the way to clearing her Council Tax arrears. Nowadays she can pay for holidays herself, such as camping trips in and around the UK. She has been able to redecorate to make her children’s home more comfortable.

Her children seem to benefit the most from material improvements. For example she had set up internet access, and paid for a satellite TV package so that her children would have more entertainment at home.

**3.2.3 Group 3 – Neither better off nor worse off**

Families in this group could also be described as ‘marginally better off’, as any increase in discretionary income was often minimal, for example up to a maximum of around £20 or £30 extra a week. Whilst for some any increase, however small, was seen as an improvement, for others it was the limited impact this extra money had upon their lives that made them feel they were no better off but certainly no worse off than before. Families in this group were often really struggling financially, juggling spending commitments and incurring debt and arrears.

Families perceived themselves as only marginally better off due to a variety of circumstances:

- In some cases, it was lone parents working full-time but in a low-paid job such as residential care, or couples with low-paid jobs working limited hours who found themselves in this situation. Typically their low household income was all but swallowed up by additional costs such as rent and Council Tax. For others it was childcare costs that tipped the balance. They were also very aware of the loss of some of the advantages of being on benefits (e.g. free school meals).
‘I don’t suppose I’ve lost out on anything cos I’m now earning, but what I feel is whereas I didn’t have to worry about the mortgage and about the rates and the school meals, […] the biggest, I think the thing that really … is the Council Tax. That’s a right … it’s whoo. It’s so expensive. […] £90 a month is a hell of a lot of money, I think anyway.’

(Female, 45, lone parent, 2 children, age of youngest child: 12)

- Couples in this situation sometimes had larger dependent families (three or more dependent children and in one case an aged parent) which meant any larger household income was spread too thinly to make much of a difference to lifestyles. Juggling was often evident in order to ensure all outgoings were paid.

- Some others (typically lone parents) were on more moderate incomes but felt less well off as they found it hard to manage their money effectively; spending beyond their means, often on ‘treats’ for themselves and children, whilst accruing debts in other areas where spending was lacking. Sometimes this was due to pressure from children who expected their parents to be better off in work and thus demanded more from them.

In all of these circumstances, existing debt was a common problem too, which meant that a limited income was stretched even more and it was often difficult for families in this situation to clear these debts. It was also common to find new debts being accrued as a result of tight household budgets.

In such households it was only the children who tended to see any material benefit, but this was often in the form of cheap treats, such as the bus fare to go into town with friends, or enough for a meal at a fast food restaurant.

**Case example 3**

R is a 48-year-old lone parent with a 14-year-old daughter at home with her. She has been living in her rented council house for some 11 years. She has been in her current job for three years but has only been eligible for Working Families’ Tax Credit in the last two, when she increased her hours, initially to 16½ hours and then up to 30 which is what she works now. Before this she had been claiming Income Support since moving into her current home, whilst bringing up her daughter. Alongside her current job she is doing a course in an attempt to progress to a better paid job.

Her total income is now £215 per week which includes her wage, Working Families’ Tax Credit and Child Benefit compared to £105 per week when she was on Income Support. This is an increase of £110 per week, but much of this is swallowed up by the new outgoings she has as a result of being in work and no longer on benefits. These include £52 weekly rent, approximately £14 per week Council Tax, her daughter’s school dinners at £10 per week, contents insurance (seen as essential following a house fire in which many of her belongings were lost) which works out at £3 per week (though paid monthly), and her course which also works out at £3 per week, which leaves her only £28 each week on top of what she would have had when on benefits. R maintains that any left over money is always swallowed up by some unexpected problem, such as replacing her iron, or having to pay for her uniform when she first started work.

R continues to juggle her bills and borrows from a private loan company in order to make ends meet. She still sometimes goes without a meal to ensure that her daughter has at least one ‘proper’ meal (meat and vegetables) a day to compensate for the ‘junk’ (chips etc) eaten at school. Although R is able to spend more on food shopping and allow her daughter to go out a little bit more often with friends she sees the changes as minimal.
3.2.4 Group 4 - Worse off

Families (typically lone parents but also couples) who considered themselves financially worse off found it very hard to make ends meet now that they had more outgoings to cope with. There were a number of reasons for this:

- Some had very large families with five or six children but no support of any kind from outside the family for financial aid or help with childcare. This not only meant that incomes had to stretch further, but also limited the hours that could be worked, thus reducing incomes. Otherwise expensive childcare was needed to allow parents to work longer hours.

- Household income was low. This was mainly due to the fact that jobs were low paid (typically cleaning, factory work and caring jobs). For some income was unreliable either because of the nature of the job held, as in the case of a freelance make-up artist, or because of inconsistent payments of other income such as child maintenance or Working Families’ Tax Credit, in the latter case due to an administrative difficulty or delay.

- Additional costs tended to be higher too. In addition to the more common housing costs of rent and Council Tax, formal childcare costs were commonplace, which were ‘crippling’ for families like these on low incomes. The conditions attached to formal care were often very restrictive and made such services artificially expensive. In the case of one couple, with five children ranging in age from eight weeks to 13 years, where the husband worked full time but on a low wage and the wife part time, in order to keep a place for their second youngest child, they were obliged to pay for year-round childcare even in the school holidays. They felt under pressure to keep their child in the nursery for a minimum of four days out of five for fear of losing their place to someone who could fill all five days. As it was, they were obliged to pay 85% of the cost of any day their son did not attend. However, as they had no family support and as this was the only place that they trusted with their son and that had the capacity to take him, they had no other choice but to pay.

- Large debts from a time on benefits had a large part to play in families finding themselves financially worse off. Struggling to pay existing debts on a limited income often led to debts being accrued elsewhere as there was not enough money to cover all outgoings. In the case of the freelance make-up artist, her income was erratic due to the nature of her work, but also low due to the fact that she had to fit her work in and around her two children’s schooling. On top of this she had large debts (bank loans to pay for childcare) from when she had worked in the past. She prioritised repayments to the loan companies over her rent and Council Tax as she could only afford to pay one outgoing at a time. Over time she accrued large arrears with the Council for rent and Council Tax and found herself ultimately threatened with eviction.

- Ineffective budgeting would, in theory, exacerbate such a situation. However, as money was so tight in such situations it was often impossible to spend on non-essentials as there were too many demands on money. Often households tried their best to make their money go as far as possible, juggling what little they had to keep all their creditors happy.

These families felt they had not experienced any material gain from moving into work. In fact it was common for these families to report that they now went without things that were affordable or available freely when they were in receipt of benefit. Both parents and children were deprived materially but it was often the children who suffered directly. While on benefits there had been little discretionary spending directed to adults: what little there was, was spent on children. Now that the family was worse off it was the children’s activities, such as swimming at the local pool, which ceased.
Children suffered in other ways too; they missed out on holidays or socialising with their peers. In one extreme case, a child’s health was suffering as his parents could no longer afford to buy the foods that counteracted his food-induced hyperactivity.

Another important negative impact for the ‘worse off’ was the power of expectations. Families coming off benefits and into work expected to be better off and this often encouraged behaviour associated with that situation, such as spending more on food and luxuries where really the money was not available. These actions made the financial situation worse as it often led to debt through the use of credit and arrears in areas from where money was siphoned to spend elsewhere.

**Case example 4**

**D** is 34, a lone parent and lives with her three children aged 14, eight and four. She has been living in her rented council house for the past eight years. She has been working 16½ hours a week for the last 14 months. Prior to her job she had been on Income Support and in the last two years of her claim was doing a course to prepare her for her job.

She does not use childcare and instead she relies on her eldest child to look after the youngest. The father of her middle child looks after her for a few days a week, but other than this **D** has no real support network.

Her weekly income has increased from around £154 per week on benefit to £247 each week now she is working, which is a difference of £93. From this extra £93 she pays £47 a week in rent, £20 a week in Council Tax payments which includes repayment of some £800 in arrears accrued since she has been in work. She also has to pay £25 per week for school dinners, which were free when she was on benefit. This comes to a total of £92 in basic outgoings, leaving her £1 better off.

However, she has accrued other debts whilst in work, from loans taken out when she has needed extra money such as for clothes for her children. She has repayments totalling £87 per week. She also has legal bills from a custody case with one child’s father which means a weekly repayment of around £21.

Much has suffered as a result including the weekly shopping budget which has dropped from £60 to £20. The only treats she can afford for her children are the ‘odd bag of sweets’ or chocolate bar. She strongly feels that she and her children are worse off financially being in work and that they would be better off if she were to go back on to benefits.

Whilst some ‘worse off’ families were determined to remain in work and off benefits, others found that the impact of being worse off financially, and psychologically too, became too much over time. Ultimately, some households felt forced to leave their jobs and return to benefits as they saw this as being the better option. However, whilst some did find they were better off on benefits, in other cases the situation did not improve. Arrears for rent and Council Tax stopped growing, but debts from private loans continued to mount. Those with mortgages only now realised that they had to continue to pay this outgoing themselves for the first part of their claim for Income Support, which was ‘crippling’.

What ultimately triggered the return to benefits was often a combination of both financial and psychological motivations (these are further discussed in Chapter 4). The key psychological trigger was that the pleasure derived from working for the parent waseventually eroded by the distress of the child who no longer got to see his or her mother as much as before coupled with a lack of obvious
improvements in his or her material lifestyle. However, often the ‘last straw’ was financial in nature. As juggling and arrears were often the only way of dealing with an income that did not meet outgoings, threats of court proceedings, hefty bailiff bills and threats of evictions for non-payment of rent were common outcomes and were often instrumental in the decision to leave work and a move to the supposedly safer haven of benefits where the responsibility for some costs (rent and Council Tax) was removed.

**Case example 5**

**N** is a 24-year-old lone parent with two young daughters aged six and three. Her partner and daughters’ father is a heroin addict and is currently in prison. She has only recently left her cleaning job (35 hours a week) of one year and is now claiming Income Support once again. Despite her decision to leave, she really enjoyed working as it got her out of the house while her daughters were at school and nursery. However, she had expected that she would be better off than on benefits and found this not to be the case.

She had several reasons to leave: her daughters were getting more and more upset due to the fact that they saw less of their mother when she was at work, but the ultimate trigger was the fact that the Local Authority was threatening her with eviction for non-payment of rent.

Like **D** (case example 4), **N** felt that she was worse off financially when she was working. She was earning just under £200 a week when working compared to about £118 now on benefits. This meant she had some £82 extra per week in work. However, from this money she paid £41.92 for her weekly rent, £32.50 for the week’s share of her Council Tax bill, £10 a week for water which she had stopped paying at the time as she could not afford it, repayments of £9 each week to various private loan companies, and childcare costs which she recalls were half her weekly wage (approximately £40). She also owed money to the Social Fund which she refused to pay as she knew she could not afford it.

All in all, her outgoings exceeded her income, which is why she ended up ‘robbing Peter to pay Paul’ in order to survive; paying rent one week and say Council Tax the next, and never paying some others (e.g. water). The result of this attempt to manage her financial situation was that she accrued hefty arrears with her rent (£900), as well as Council Tax (£670) and water, which ultimately led to the threats of eviction. She feels no better off now she is back on benefits as she still has all her debts and is having to pay back her arrears in amounts she finds difficult to cope with. However, her children are happier now that they get to see more of their mother.
3.3 Summary of definitions of financial well-being categories

3.3.1 The ‘better off’ groups:

'Significantly better off'
Increases in discretionary income of around £250 per week, dependent on:

- Large increases in household income based on:
  - two earners; and/or
  - full-time work; and/or
  - well paid jobs;
  - limited impact of additional costs and pre-work debt on income.

- Increased spending with less recourse to credit.

- Significant improvements to material well-being for both adults and children:
  - Food: improvements in quality and quantity including more fresh meat and vegetables, convenience foods, takeaways, desserts and confectionery.
  - Clothing: department stores and high street chains for designer wear and branded clothing for children and adults.
  - Activities: family holidays abroad.
  - Housing: up to and including property purchase and major refurbishments.
  - Luxuries: computer games and DVDs for children and socialising for adults.

'Moderately better off'

- Increases in discretionary income of between £50 and £150 per week, as a result of:
  - a moderate household income based on a single earner working full-time or part-time in a relatively well paid job; or
  - a more moderate dual income sufficient to outweigh any additional costs; or
  - a higher income reduced by high additional costs (childcare); or
  - the impact of higher additional costs on a more moderate income reduced by effective money management skills.

- Moderate improvements to material well-being in particular for children:
  - Food: improvements in quality and quantity including more fresh meat and vegetables, and basic treats such as confectionery.
  - Clothing: high street chains and branded clothing for children and basics for adults.
  - Activities: UK based holidays and day trips.
  - Housing: up to and including new furniture and furnishings.
  - Luxuries: trips to the cinema, organised birthday parties and swimming for children.
3.3.2 The ‘less well off’ and ‘worse off’ groups

‘Neither better off nor worse off’ (aka ‘Marginally better off’ or ‘Less well off’)

- Increases in discretionary income of approximately £20-£30 per week, based on:
  - low household incomes (from low paid jobs) swallowed up by basic additional costs such as rent and Council Tax; or
  - a more moderate income but difficulties with budgeting effectively;
  - pre-work debt hard to clear and new debt required to help make ends meet.

- Minimal improvements in living standards, limited to children only:
  - Food: increases in the amount purchased and eaten but little improvement in its quality.
  - Clothing: more basic clothing bought from thrift chains and charity shops for children but not adults.
  - Activities: local day trips and inexpensive activities such as the cinema.
  - Housing: basic redecoration possible.
  - Luxuries: basic treats for children such as an ice cream in the park or a packet of sweets.

‘Worse off’

- Negligible increases or decreases in discretionary income, as a result of:
  - low household income due to low paid jobs and/or inconsistencies in income (self-employment, gaps in receipt of WFTC);
  - high additional costs – typically expensive formal childcare costs as a result of large families (up to 6 children) and/or no informal support;
  - large pre-work debts – unable to clear.

- Difficulties in making ends meet due to outgoings exceeding income, leading to:
  - juggling (Robbing Peter to pay Paul);
  - inappropriate spending as expect to be better off;
  - impact on financial priorities:
    - debts take precedence over rent and Council Tax leading to accrual of arrears;
    - need for new debt to provide extra income.

- Deterioration rather than enhancements in living standards especially for children. Psychological benefits derived from work key to remaining in work.

- Potential return to benefits, as a result of being financially and psychologically worse off. Ultimately triggered by threat of eviction for rent arrears accrued whilst in work.
4 Material and psychological impacts of a move into work

This chapter describes the material and psychological effects of people’s new financial circumstances in work, looking at how their spending and living standards changed. These patterns are influenced by their spending priorities and we begin by describing these, both in terms of financial priorities and the relative priority of adults and children. We then look at the material impacts of a move into work, and the psychological impacts, both for parents and for children.

4.1 Spending priorities

4.1.1 Financial priorities

Among the many and varied outgoings cited in the research, there seemed to be a number of key priorities that were common to the sample, which were:

- ‘maintaining a roof over our heads’: which included rent or mortgage repayments and depending on attitudes or principles and financial status also Council Tax, as highlighted in the previous chapter;
- ‘heat and light’: essentially gas and electricity but could also include water, again depending on attitude and financial status;
- ‘fed and clothed’: groceries and clothing.

Whilst all three areas were seen as priorities in any given household, whether spending was actually prioritised towards these areas depended very much on financial well-being.

Therefore, in ‘moderately’ and ‘significantly better off’ households, these three areas were true priorities as incomes were sufficient to cover all outgoings. However, in less well off and ‘worse off’ households, true priorities were often different as decisions needed to be made about how a limited income was spent where it was impossible to cover all outgoings. Scarce income had to be applied in ways that would create the most benefit.

Food remained a key priority even where incomes were stretched, as it was considered essential for survival. However, despite its importance, it was often a source of cutbacks and economising so that money could be spent elsewhere, as is highlighted later in this section. Similarly, whilst ‘maintaining a roof over our heads’ and ‘heat and light’ were still seen as important, as no family wanted to be
homeless or live without heat and light, a limited income often had to be spent elsewhere, as prioritising had become not only concerned with necessity but also obligation and means. That is to say that where incomes were limited and choices had to made as to who to pay, other outgoings often took precedence over supposedly higher priorities like housing costs because of an obligation to pay.

An example of this change in priorities was where debt repayments (typically for loans, overdrafts and credit card debts that required a regular minimum payment) needed to be paid first in order to prevent extra charges being received for non-payment, which would ultimately increase the size of the debt. Typically these penalties were more imminent (interest charged on a weekly or monthly basis) than threats of eviction or bailiffs whose penalty often came much further down the line:

‘I guess it’s because I don’t get penalised so much [is why I don’t pay Council Tax]. You know, if you’ve not got a lot of money you have to put into priority which things are going to cost you most if they’re not paid. And it seems the bank things cost more, whereas, yeah the Council Tax if it gets referred to bailiffs then you have to pay the bailiff’s fee, but it’s still not as much as a couple of days being overdrawn at the bank.’

(Female, 38, lone parent, 2 children, age of youngest child: 6)

‘That’s probably why I’d missed me Council Tax, to pay one of me [credit] cards, so – because if I’d missed me card again, like say two months, and then the interest on top of that, you now, where Council Tax you don’t have interest on.’

(Female, 38, lone parent, 2 children, age of youngest child: 12)

So, penalties for non-payment encouraged payment, by following the rule of ‘who shouts the loudest’, whereby those outgoings that imposed the highest penalty were paid first. Potential penalties included payment of interest and charges on debts, disconnection of vital services (gas and electricity), not having enough food, eviction or repossession (for non-payment of rent or mortgage repayments) and bailiffs (for non-payment of Council Tax). Here is an example of this behaviour:

‘It really is a case of working out who’s screaming the loudest, if the council are sending me letters saying we’re gonna evict you they get paid, if it’s the Council Tax saying we’re going to come and possess your – repossess your stuff we’ll pay them. Whoever is screaming the loudest gets paid first and the rest quite often have to wait till next week and see who screams the loudest again. And it really is that’s how we live … there’s always somebody saying if you don’t pay within seven days you’re gonna … we’re gonna send the bailiffs. I’ve got a letter down here somewhere now them saying they’re gonna send the bailiffs in seven days and yeah so they’ll be getting paid tomorrow which kind of means I won’t be paying any rent or Council Tax this week because they want paying.’

(Female, 26, couple, 2 children, age of youngest child: 1)

This example also highlights a common behaviour occurring where penalties impacted on priorities, that of juggling. Juggling occurred where one demand was paid one week (or month) and another the next, chosen on the basis of the severity of the penalty. Juggling was a behaviour typical of families who were less well off but who had a strong commitment to meeting their financial obligations. In such cases, juggling highlighted a desire to try and pay something to all outgoings at some point in time rather than a decision to concentrate on particular outgoings and simply not pay others. Despite the fact that in such cases juggling was used in a positive way to make the most of a limited income, it inevitably led to the accrual of arrears.
Being able to juggle outgoings or build up arrears depended on how these outgoings were paid and whether there was flexibility in these methods to allow non-payment. Being billed for services, such as a quarterly utility or telephone bill, made juggling easier. Waiting until the ‘final demand’ was a way of delaying payment so that something more pressing could be paid first:

‘I mean my phone’s through the bank now, but when I used to get it through the door… I wouldn’t pay it until the red letter come in, you know, things like that, I’d think: ‘Oh bugger it’, you know, ‘I can’t be bothered – I’ll get paid sort of in two weeks and I know the red bill won’t be in for three weeks – I might as well spend what I’ve got and pay for it then’.’

(Female, 28, lone parent, 2 children, age of youngest child: 6)

A second form of flexibility was where outgoings were not a regular fixed amount or where economies could be made. A good example of this was the household grocery (food) spending. Despite often being a household’s ultimate priority, food bills were often cut to the bone so that money could be used elsewhere, for example to hold off eviction, or placate a creditor, precisely because the flexibility was there to do so. In contrast, whilst economising on gas and electricity bills was possible, living without light and heat was not seen as an option where usage was charged directly, such as via a key or token payment meter rather than by quarterly bill. Such meters required payment before any gas or electricity was received thus ruling out non-payment of any kind. The only flexibility was the ‘emergency’ supply (of approximately £5 worth of electricity or gas) which acted like an overdraft. However, as this was limited, and was automatically paid off when any money was put on to the meter, the scope for long-term non-payment was non existent.

Other supposedly high priorities were also the victims of flexibility, such as rent. For example, in one case, despite the householder seeing the ‘roof over my head’ as a priority, this was the bill that was delayed as all the others were on direct debit and thus harder to juggle:

‘Obviously you always say the bills come first, and I always had that intention, and though the bills get paid, they don’t always come first … not intentionally. Well things that are paid by direct debit that I make come out the day after I get paid always come first. What things I have let slide has been like the rent, which is like I’ve said, it’s the main priority, I know I’m contradicting myself, but … Most of the things I have to pay are out of my bank, so I can’t sort of cancel that, or miss a payment. But generally, because the rent is really the only thing now that I have to go, and the gas and electric, that I have to actually go out and pay for in person… it has been where I’ve let that slip.’

(Female, 28, lone parent, 2 children, age of youngest child: 6)

Mortgage repayments were less commonly the target of juggling as they were more typical among better-off households who had no need to juggle outgoings. Furthermore the achievement of being able to afford a mortgage and have private ownership of a property was something to be proud of and protected at all costs:

‘Yer, yer, me mortgage – my mortgage is paramount – and I think that’s got a lot to do with – it’s mine – and nobody’s going to take it off of me.’

(Female, 45, lone parent, 2 children, age of youngest child: 12)

In summary, what was truly prioritised was dependent on the ratio of income to outgoings (i.e. could all outgoings be easily covered), the penalties for non-payment (interest charges, eviction, no utility services (e.g. electricity), no food or bailiffs) and the flexibility to allow juggling, by delaying payment or by non-payment (and accrual of arrears).
4.1.2 Human priorities

Human priorities are the members of a household who benefit directly from the spending of any additional discretionary income. Unlike financial priorities, human priorities appeared to remain consistent throughout the transition from a life on benefits into work. Children remained the priority throughout, regardless of changes in financial circumstances, as any extra income was spent in a way to benefit them, however minimal this was:

‘No [your priorities don’t change], because you’re still buying for your kids. I mean I know I’m alright. My shoe size never changes so I’ve got me shoes. But them, they’re growing still aren’t they so you still need to buy them stuff. It’s generally them if they want anything. I think even when you’re on a small amount of money or a large amount of money you still prioritise them.’

(Female, 27, lone parent, 2 children, age of youngest child: 2)

Arguably, the interview situation was inevitably likely to make mothers feel social pressures that would prevent them admitting that their child was not their priority. The research team addressed this by trying to create an open and non-judgemental environment in the interviews, and by asking open and neutral questions about priorities and spending. Nevertheless, it would perhaps have been surprising if any mother had not said that her children were her first priority. However, parents’ statements of attitude were supported by their accounts of their behaviour, like those highlighted in the quotes below. Furthermore, these comments are also perhaps given more credibility by the fact that people were willing to disclose indiscretions in other areas, such as admitting to have had a part-time job outside the allowances of Income Support or to falsifying applications for Social Fund loans, or describing overspending and accrual of arrears.

People were very keen to express just how important their children were to them and how they would go to any lengths to ensure their children were provided for. When income was limited either in work or on benefits, parents would often go without a meal to ensure that their children had enough to eat:

‘I have to go without the occasional [...] dinner. I eat – I have a meal twice a week, a dinner, I was forced to eat today because they was all here, but normally I can’t – because things come in so many to a packet now, and if it means that I’ve got to buy two packets of something in order for me to eat, then I won’t eat. Crazy it be, it works – I mean I eat enough to keep me alive and keep me working, otherwise I wouldn’t be sitting here talking to you now, would I?’

(Female, 58, lone parent, 4 children, age of youngest child: 5)

One woman talked about understanding how women turn to prostitution in extreme circumstances:

‘Yeah, but I mean if I was really desperate I’d sell myself! [...] But what would you do for your child, you know, I would not do that, I would never, you know, but never say never, because at the end of the day, I mean, if your child was starving – I’m lucky because I can go to my mother’s, you know, but I mean, even if it’s just a tin of beans on toast or something, you know, and as long as she eats I don’t care, but you can understand these women that do resort by those means, cos perhaps they haven’t got any family support, you know? How are they supposed to feed their children?’

(Female, 34, lone parent, 1 child, age of child: 8)

For some, there was an additional underlying reason why their child’s welfare was so important to them. In one case, a child’s poor health throughout childhood ensured she remained her mother’s priority. In fact, the mother’s devotion to her daughter was so strong that she had no issue in buying
her daughter a non-essential and expensive item of clothing instead of paying her rent:

‘I suppose [buying her a Ranger’s top instead of paying the rent is] to show her how much I love her. [...] But [that is] because I nearly lost her. [...] She took a virus. I had her at the hospital the Monday and by the Wednesday her blood count was at three. She ended up with four units of blood. And that frightened me so it did. [...] Because she’s always been a sick baby. She was a sick baby because of her spleen.’

(Female, 28, couple, 1 child, age of child: 12)

Once in work, children remained a priority for largely similar reasons to those already discussed. However, the move into work sometimes reinforced the position of children as a household’s main priority. Among lone parents and couples where both partners were in work, parents often felt guilty about the fact that they spent less time with their children now they were working. Within couples, guilt tended to be associated directly with mothers. There were a number of explanations for this. Firstly, given that mothers were interviewed and not fathers, we often only had the accounts of the mother’s feelings. Secondly, in more established couples it was generally the mother who had spent more time with children during their early development. Furthermore, in re-partnered couples, there was less guilt associated with non-birth fathers. However, there were some cases where the fathers experienced feelings of guilt also. In the case of one re-partnered couple, where the father was present at the interview, the father had spent long periods away from his partner and their children during their first year together in work. Despite having moved to another part of the country in order to find a house they could afford to buy, the father continued to work in the town in which they used to live, whilst he searched for a new job. This meant he only got to see his family every other weekend. His feelings of guilt about spending time away from his partner and children were compounded whenever he saw them. He reported how his partner and children would appear very distant at the start of a weekend visit, and in tears begging him to stay when it was time for him to leave, which often made it harder for him to visit them in the first place:

**Male partner:** ‘I mean occasionally, you know, I did drive up because I was desperate to see [my partner] and the children. But then it was like here for a few hours and having to go back and go straight to work – it was awful for everybody.’ **Female partner:** ‘I mean Sunday night, it went ‘put the kids to bed, sit and watch telly or something’, and then it’d go like 10 o’clock, half-past 10, 11 and he’s saying: “I’ll have to go.”’ **Male partner:** ‘I’ll have to go, I don’t wanna be too tired to drive’. **Female partner:** ‘And I was crying, I was crying, saying: ‘Please don’t leave me here’.’ **Male partner:** ‘I mean I was leaving here some nights at 2 o’clock in the morning – didn’t want to leave because I was upset, [my partner] was upset, but a bit of me was thinking: ‘I’m going to work in four hours’, you know, ‘I’m upset and tired, I’ve gotta drive’. [She’s] then saying: ‘Oh you can’t go ‘cos you’re gonna have an accident’. The kids – it was awful leaving the kids as well.

(Female, 33, couple, 5 children, age of youngest child: 8 weeks)

Where this guilt existed, parents tried to compensate in some way for spending less time with their children. In better-off households this was achieved by spending money on children,

‘I wouldn’t have done it before I was working.[...] The money I’ve spent on [my son] has been partly because I’ve been working, and partly because I think – and this is why I’ve got to stop – I think I’m trying to compensate for the fact that [his dad] isn’t here. Which is why I kind of at this point am thinking, I can’t keep on going home with things I’ve picked up. And also because he’s going back to the after school club and I don’t see him all day, and part of me thinks some of it’s guilt money.’

(Female, 28, lone parent, 1 child, age of child: 6)
However, this was not possible in less well off and ‘worse off’ households, as is discussed later in this chapter.

In the two cases of couple households where the mothers stayed at home, this type of guilt was not reported.

Putting children first was also highlighted by a household’s financial priorities as they often directly impacted on children.

‘I know that I have got to pay gas and electric, no matter what, me kids wouldn’t survive without gas and electric so I know I have to pay that.’

(Female, 24, lone parent, 2 children, age of youngest child: 3)

These examples also highlight how mothers in particular were always the lowest human priority in a given household. This situation was compounded in couple households, as it was generally the male partner who was prioritised next after children, especially following recent re-partnering or where the partner was the main income earner. The role of this hierarchy is reported in the next sections on material and psychological impacts when looking at when and in what circumstances parents start to see the benefits of an increase in income.

The next sections also show that, despite the fact that children were always their parent’s priority, this did not prevent them from suffering deprivation where households became ‘worse off’ in work.

### 4.2 Impacts on living standards

The material impact of an increase in household income was visible in the following areas:

- food;
- housing;
- clothing;
- holidays; and
- other luxuries.

However, the scale of any impact varied according to whether a household was better off and how much it was better off. These differences are highlighted below, as are the differences in how children and adults benefit from these impacts.

#### 4.2.1 Impacts on food

A key indicator of the impact of a move into work on living standards was the changes with regard to food, in terms of shopping behaviour, shopping budgets and types of food bought and eaten.

**Shopping behaviour** was subject to change for all households in some shape or form. As households became better off, shopping habits became less rigid. Gone were the days of shopping late in the day in search of reductions. Lists, calculators, checking the cupboards first and worries like ‘will I have enough when I get to the till?’ gave way to spontaneous shopping characterised by bulk buying and special offers now that they were affordable. There were also changes in where households shopped, with moves from discount chains like Netto and Kwiksave, via Asda and Morrison’s for the ‘moderately better off’, to Sainsbury’s and Marks and Spencer among some of the ‘significantly better off’:
‘When I feel extremely posh I like to go to Sainsbury’s. When I’ve got extra cash, when I’m feeling really ‘oh, stuff it, let’s go and have something really nice’. [...I used to shop at] Netto, Lidl, KwikSave on a night time cos they’ve got reduced... Me and me sister once went out about 7 o’clock of the night time, we got half a basket full of shopping for a fiver from KwikSave which is quite good. But it’s what nobody else wants, it’s your dregs, but it was fine, it was fine. Now we don’t actually do that.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

In some cases, households did not make changes to where they shopped as they believed their usual store offered value for money and therefore saw no benefit in changing.

Those at least ‘moderately better off’ were often shopping less frequently (monthly rather than weekly) and in more bulk, where this was practical (access to a car and/or storage space), as they were now able to afford the special offers such as buy one get one free that they felt would save them money in the long run.

Increases in shopping budgets varied: a common starting budget of £20 a week, rose to between £40 and £100 per week. This was mainly influenced by how much better off households had become but also reflected individual perceptions of value for money and spending priorities.

Eating habits changed too. Changes were not always directly in line with changes in income levels, as eating habits tended to be more idiosyncratic and based on subjective values and traditions, such as the need for a hot meal of meat and vegetables every day, but some general changes were visible. The quantity of food bought tended to improve before quality did, particularly among the less well-off who were able to afford more food than before but not also better quality. Among the ‘moderately better off’ and above, it was common to hear descriptions of cupboards and freezers being full where they were once not. Having food left over was now a common occurrence. Families now had more choice in what they ate, both in terms of main meals and between meals. Children in particular were now in the habit of helping themselves to snacks that never used to be there or were in such short supply that they used to be rationed by parents.

Quality of food was also greatly improved among the better-off. Whilst situations varied according to family traditions and values, on the whole meals were perceived to have become healthier and more well balanced, as households became better off. Gone were the days of relying on sandwiches or soup for a main meal, or inexpensive but unhealthy meals like egg and chips. Now families were buying meat more often and/or better cuts of meat than before as well as eating fresh fruit and vegetables more regularly. In both food and other household items, branded products replaced supermarket saver lines, as households could now afford better quality:

‘I’d buy like economy toilet rolls and now I buy Andrex. But, not because of the name, but ‘cos it’s just much nicer. And you get more in a roll, for a start, you know, even though it’s 85p for two rolls, whereas it would have been 85p for four or six rolls. [...] Things like now, we’ve got nice smelly soaps, whereas I wouldn’t have those, it would’ve been, you know the cheapest or just a bottle of shower gel. There wouldn’t have been any soap, or like now cleaning, I’ve got untold bottles of cleaning stuff out there, whereas before it would have been merely a bottle of bleach and a bottle of Jif, and that was it, you know. Now I’ve got different cloths for different things and crazy things. [...] I tend not to buy the economy stuff anymore. It’s snobbyish but now I buy steak now and again. Whereas I couldn’t afford to before.’

(Female, 25, lone parent, 1 child, age of child: 5)
Among the ‘significantly better off’ some felt that they had become less healthy due to changes in what they were now able to afford to eat, such as ready meals and takeaways. However, as this was the result of a lifestyle choice (convenience foods for busy lives) rather than having no choice, this was not seen as too great a concern. In fact, for some it seemed to be a way to fit in with the stereotype of the normal family.

The quantity and quality of the food treats present in a shopping basket were also a good indicator of improvements in financial well-being. For some treats were small and simple:

‘We get a lot more extra things than we did. We get yoghurts every week now. We couldn’t afford that before. [...] And I can get a nice loaf of bread if I want, whereas you know – before it would be a luxury. But I still – they get sweets and get ice cream.’

(Female, 37, lone parent, 3 children, age of youngest child: 9)

For others they were on a grander scale:

‘Well it would be, you know, [Marks and Spencer’s] cut up carrots and already mashed potato. Well sometimes, I’m not that lazy. But nice puddings for the children. Everything’s much nicer there.[...] Things like a double chocolate delight, luxury cheesecake slices for them. [...] or maybe buy some very nice pork and herb sausages for about £1.50. If I haven’t got any money I’d go to Iceland and get about 50 horrible sausages for £1.50. You just get more for your money there.’

(Female, 38, lone parent, 2 children, age of youngest child: 6)

Overall, children tended to benefit most from changes in food buying. From a parental point of view children were eating more food and better quality food, whereas, according to parents, children perceived themselves as benefiting more from having more food treats such as takeaways, sweets and crisps and desserts.

As parents had always put their children first in terms of priorities, children had always ‘eaten well’ at least in terms of having enough to eat and never having gone without. In the past, in order to ensure children had enough to eat, some parents had regularly gone without a main meal, where it went unnoticed by the child or other family members. In cases like these it was often the parents themselves who had perhaps seen the biggest improvement in that they were now eating a ‘proper meal’ themselves. Some ‘significantly better off’ parents reported having put on weight as a result of the improvements in their diets:

‘I’ve gained loads of weight since I started work. Whereas before I used to live on sandwiches and toast really. And just feed [my son].’

(Female, 25, lone parent, 1 child, age of child: 5)

In contrast, in ‘worse off’ households the quality of food bought and eaten often deteriorated, whilst trying to maintain quantity. The nature of this deterioration was often the exact opposite of the pattern of improvements among the ‘better off’. Households had to shop more cautiously, looking to economise wherever possible. This typically meant shopping at discount stores and markets, switching to economy brands, missing out on meat, fruit and vegetables and instead relying on meals of sandwiches, frozen foods (fish fingers and sausages) and cheaper staples like eggs and potatoes. Simple treats such as ice creams and sweets were often out of the question as shopping budgets were reduced. Both children and adults suffered from these changes. Generally children lost out on treats but continued to eat well, at least in terms of how much they were eating. However, children with special diets did suffer, as in the case of the boy whose hyperactivity was brought on by poorer quality
foods, as highlighted in a previous chapter:

‘We [used to buy] additive free stuff for my son to keep him calm, save me getting so stressed ‘cos he will just climb walls eventually. If he stays on this too long he’ll be uncontrollable, I’ve gotta get him back down to additive free before school otherwise the school can’t cope with him ‘cos he is so bad.’

(Female, 26, couple, 2 children, age of youngest child: 1)

4.2.2 Impacts on housing

Housing-related improvements ranged from simple and inexpensive changes such as painting and decorating of rooms for those who were only marginally better off, extending to purchases of new furniture (typically sofas and beds) and furnishings (carpets and curtains) among the ‘moderately better off’, up to more significant changes including buying properties, major refurbishments such as new bathrooms, kitchens and house extensions in ‘significantly better off’ households.

No home improvements were possible for those who felt ‘worse off’ in work. Being able to heat the house was seen as a luxury for some. In fact one household could only afford to heat the children’s rooms. In another, a lone parent shared her bed with her two children to keep warm. But the most significant impact for these households was their inability to pay housing costs, such as rent, Council Tax and utility bills, leading to large debts through arrears.

4.2.3 Impacts on clothing

Improvements in clothing tended to be focused on children first, and were initially restricted to quantity, where thrift chains and charity shops were still used as sources but small increases in ‘discretionary income’ allowed more to be bought. As discretionary incomes increased, both quality and quantity of clothing purchased started to improve, as households were able to buy from regular high street chains rather than scour charity shops or rely on catalogues as they did before. The quality of children’s clothes began to improve at this stage and adults too could start to buy cheap basics. The ‘significantly better off’ were also now buying from the high street as well as department stores for branded and designer wear. Finally, adults were able to indulge their wants, as they felt that their children had all that they needed.

One anomaly in this pattern was branded clothing, as it was also present in the purchases of those who felt ‘neither better off nor worse off’, purchased through catalogues. Although commonly a result of peer pressure among teenagers, some parents felt that, regardless of costs, branded clothes and shoes were essential to ensure that their children were not bullied at school for not wearing the ‘right’ clothes. Whilst for some, the move to work put them in a position to be able to buy branded clothes, there were some parents who had always tried to buy their children this type of clothing. So for these, the move into work allowed them to buy more.

‘I mean they get demented if they’ve no got the best gear, if they’ve no got the best trainers, no got the best trackies. I don’t like to think of my bairn going through that [bullying]. Because my mum is a single parent and she had three of us. Bullies can be hurtful. Weens [children] can say horrible things. And I always vowed that would never happen to my kids. [Buying her the latest branded clothes and trainers means] there’s less risk of her getting bullied.’

(Female, 28, couple, 1 child, age of child: 12)
Spending on clothing suffered for all members of ‘worse off’ households. Adults made do with the
clothes they had always worn, other than when they needed something new to wear for work.
Children tended only to get new clothes when they had literally grown out of their old ones, and then
clothes were never brand new, as parents had to scour charity shops or rely on hand-me-downs from
relatives.

‘My son’s gonna have to wear the same uniform this year at school as he did last year ‘cos it still
sort of fits him and I’ll replace it as and when I can and when I need to. That sort of thing I have
to do without. I haven’t bought myself new clothes for years.’

(Female, 26, couple, 2 children, age of youngest child: 1)

4.2.4 Impacts on holidays

Having a holiday was typically a new experience across the sample, as it had only become affordable
since households had been in work. On the whole, holidays that involved long journeys or overnight
stays away from home were only available to those that considered themselves at least ‘moderately
better off’. Holidays ranged from the more affordable day trips to theme parks and UK-based holidays
such as a stay in a caravan or at a holiday camp to family holidays abroad (including Disneyland, France
and Jamaica) for the ‘significantly better off’. Regardless of the type of holiday, timescale or
destination, this was often a household’s first family holiday in many years, or ever.

In contrast, those who considered themselves only marginally better off made do with days out
locally, such as to the seaside, or paid for their children to take part in fairly inexpensive activities with
friends, such as going to the cinema, swimming or bowling or simply the bus fare for a trip into the
town centre. Parents reported that even these small activities often made a difference to children
compared to when they were on benefits. There were exceptions where some families were loaned
the use of a caravan by a friend or taken on holiday by relatives, which meant there was little financial
outlay for the household.

Holidays were generally out of the question for ‘worse off’ households, except as a result of family
intervention, as they were seen as too big a luxury. Even basic activities were cut back on as they
usually required some sort of expense. A trip to the local park was often all that was on offer. Children
in particular missed out especially where they were no longer eligible for activities such as swimming
that were once free when their parents were claiming benefits.

‘[We do without] things for the kids to do, summer holidays now my son hasn’t done anything,
you know, he’s had no holiday, he hasn’t had any nice outings, he’s done nothing for the whole
of the summer holidays.’

(Female, 26, couple, 2 children, age of youngest child: 1)

4.2.5 Impacts on other luxuries

Luxuries were important across all households, especially for children, both when on benefits and
when in work. However, the move into work generally created more scope for treats and luxuries,
except among those who felt ‘worse off’, where treats, once affordable on benefits, were foregone
as all income was directed to more important outgoings such as rent and food.

Food, as was discussed above, was an important source of treats for adults and children alike, whether
it be in form of sweets, a more exciting pudding or a takeaway.

Treats for children were a more common occurrence in this sample as adults only really started to treat
themselves once they were satisfied that children’s needs had been fulfilled, a situation restricted to
some ‘significantly better off’ households. Common treats for adults were socialising, lunches out when shopping with friends and clothes shopping. Exceptions to this rule were items like smoking which could be present regardless of financial status.

Other than food, luxuries for children tended to be in the form of toys and games or activities. In ‘significantly better off’ households, Playstations and their games, DVDs and CDs were common treats for children. Among the ‘moderately better off’ households activities such as trips to the cinema, swimming or piano lessons and organised children’s birthday parties were common treats. Pocket money for children also figured at this level.

Children in households with more modest increases in discretionary income were only able to enjoy less costly treats such as sweets or an ice cream in the park, as well as some of the inexpensive activities that were described in the above section on holidays. In contrast, mobile telephones and basic cable or satellite television packages were common, even among the marginally better off. Mobile phones were often more common than fixed line telephones in households, as packages like pay as you go made it easier to restrict call usage and avoid arrears compared to a conventional phone. Having extra channels via cable or satellite was a way of paying for one luxury to suit the whole family, where it would have been more difficult to afford treats tailored to individual children. In some cases, this was the only entertainment families could afford.

Not surprisingly, luxuries were also out of the question for ‘worse off’ households. There was simply no money available for non-essentials. Household budgets were so tight that, in one case, a respondent reported how she had not even been able to afford flowers to put on the grave of her father who had recently died.

4.2.6 Who benefited from impacts on living standards

So far, this chapter has shown how children are prioritised over adults both directly and indirectly through a household’s financial priorities. Then, through looking at the nature of the material impacts of a move into work, it has highlighted how children tended to benefit the most from material gain. Furthermore they were more likely to benefit directly from improvements than their parents: in terms of food, clothing, luxuries and materially. They benefited jointly from holidays and both directly and indirectly from home improvements depending on where they were made.

In contrast, adults only tended to see any direct material benefit at a certain level of financial well-being (‘moderately’ and ‘significantly better off’) and only once their children’s needs had been sufficiently satisfied. At lower levels adults benefited jointly from holidays and home improvements, and any other improvements to basic family items, such as food. As discretionary income increased, more direct benefits were experienced, such as social life and personal appearance (e.g. buying clothes and going to the hairdressers).

However, where there was no material gain but instead material loss as a result of being ‘worse off’ in work, it was often the children who were the most affected. Such discretionary income as there was while the family were on benefits had been directed at children rather than at adults. What was therefore lost when discretionary income was lower through work were treats and benefits for children: there was little or no discretionary spending on parents to pare. Children suffered both from their parents’ inability to spend on them what extra they had afforded before, and from the loss of
entitlement to activities that were free to them as benefit recipients, such as sports or school meals:

‘...[I think it has been the kids that have missed out.] I had it all when I was a kid, I mean my parents were quite well off when I was a kid and I had it all and my kids don’t get anything. Silly things like you take them to [name of town] and I always got them a McDonald’s happy meal, you know, and got the little toy. I can’t do that for mine, you know, they’re lucky if they get a cheese burger flimsily thrown at them, you know, they just can’t have that sort of thing, they have to wait until they have to come home and have proper dinner and silly little treats like that. I couldn’t afford to give my kids a birthday party this year, we took [my son] and one of his friends to the cinema ‘cos it was cheaper, a midday performance and ‘cos it was just so much cheaper, we couldn’t afford to do a party.’

(Female, 26, couple, 2 children, age of youngest child: 1)

4.3 Psychological impacts

4.3.1 The role of psychological impacts

Whilst this research was designed specifically to explore the financial and material impacts of an increase in income following a move into work, this report also describes the key psychological impacts of the move into work, which are important in understanding why some households remain in work despite not experiencing significant financial and material benefits. This section begins by highlighting how the psychological benefits associated with working were particularly important for adults, and then goes on to discuss how parents felt that children too were affected psychologically by the changes in their lives through a parent going into work. There were both positive and negative impacts present, but sometimes the negative could outweigh the positive.

4.3.2 Positive psychological impacts on adults

The previous section described how adults often benefited less, materially and financially, from the move into work, especially in less well off and ‘worse off’ households. So, apart from some indirect gains through material improvements for the family, what was encouraging adults to remain in work? The answer is psychological benefits.

Everyone reported having experienced some positive psychological impacts at least initially. For some this situation remained the case up to the point of interview. However, for those where no financial and material benefits existed (those considered to be only marginally better off and ‘worse off’) the positive psychological impact became eroded over time as the lack of financial gain allowed negative psychological impacts to take over.

Positive psychological impacts for adults were apparent in the following areas, which often matched what had motivated households to move into work in the first place:

- self esteem, self worth and confidence;
- stress;
- relationships;
- seeing children happy.

It should be noted that except for two cases, all the mothers interviewed were working, or had been in work recently. Therefore, not all of the psychological benefits discussed here were relevant to all
respondents. For example, whilst some improvements to self-esteem were only felt by those mothers in work themselves, positive impacts on stress, relationships and the impact of seeing children happy were more relevant throughout the sample.

**Self-esteem, self-worth and confidence**

In addition to basic job satisfaction, having a job and earning a wage were strong boosts to self-esteem, self-worth and confidence. Improvements in self-esteem were present in a number of different ways:

- **Normality and loss of stigma.** Having a job helped adults feel normal, that they were now ‘fitting in’ and no longer being singled out as someone different. No longer being different was particularly related to the loss of the stigma of being on benefits. Shame and embarrassment with regard to claiming benefits was widely felt across the sample, and it was common for respondents to want to distance themselves from those they felt were ‘playing the system’, i.e. making fraudulent claims whilst working. However, they felt that more genuine claimants like themselves were inevitably ‘tarred with the same brush’. The loss of stigma appeared to be more pronounced among lone parents, who faced a double stigma as a lone parent on benefits:

  ‘When you’re single, single parent it’s, you know, most people are, and I think people seem to look down on you a little bit more if they ask what you’re doing and you say, ‘Oh I don’t’.’

  (Female, 22, lone parent, 1 child, age of child: 4)

Normality was also derived from having the spending power and access to financial products that were more typical among working people. The impact of changes in access to such products is discussed in greater detail in Chapter 5.

- **Self reliance.** Having a job was also about being self-reliant. Adults took great pleasure from earning their own money and using this money to support themselves and their children. For some the feeling of being self-reliant was so strong that they felt they would not want to rely on anyone else, particularly the State, ever again:

  ‘It was just like, you know, ‘I haven’t got to rely on anybody else’. Just handing my book back, putting it in the post and handing my order book back to the social was just unreal, it was like, you know ‘get rid of that, get rid of that, I’m not going on that again in my life’.’

  (Female, 33, couple, 1 child, age of child: 15)

- **Social value/contribution.** Self-esteem and self-worth were also derived from being valued as an employee but also from a sense that working was about contributing to society. Respondents felt that in working they were doing something worthwhile:

  ‘I think I’ve been happier since I’ve been working because I feel more of a worthwhile person and I know that’s sort of bad, but I feel happier now that I feel like I’m, you know, like contributing. And you sort of feel worth more than, you know, having to stand there and, and get free money week after week.’

  (Female, 28, lone parent, 2 children, age of youngest child: 6)
Material and psychological impacts of a move into work

- **Life of one’s own.** Having a job also gave parents independence but more importantly a new focus to their lives. This was especially important where children had grown up and become less dependent on them:

  ‘Yes for me in meself, not [better off] money-wise but just for self-esteem and that. I felt a lot better getting up on a morning, going out to work than not doing it you see, so that way.’
  (Female, 39, couple, 2 children, age of youngest child: 13)

  ‘Everything was grey, everything seemed grey before. I’d get up, I’d get the kids to school, I’d go to the shop, I’d come back home, I’d tidy up, I’d make the tea – and that would be my day – and there was nothing, no social time, no free time, no pleasures, nothing and it was horrible.’
  (Female, 36, lone parent, 3 children, age of youngest child: 9)

  Going out to work also gave them the chance to develop a social life, with colleagues at work and the confidence to meet people outside work too.

- **Accomplishment.** There was often a strong sense of accomplishment among adults in that they had been able to get a job. This was about proving not only to others (the rest of society, the State, ex-partners) but also to themselves that they could get the job they wanted and support themselves and their family:

  ‘Yeah, well, I’m pleased. [...] I’m proud of myself going out there and getting a job, where a lot of women ... well, some women wouldn’t, would they? I mean I could have got pregnant and had another baby, and just carried on the way I was, but I didn’t want it, I just had to go out there and prove to myself that I could do it.’
  (Female, 33, couple, 1 child, age of child: 15)

- **Example to children.** Parents also felt that being in work would impact positively on their children. Those who had not wanted their children to rely on benefits in their own lives felt that going out to work themselves was the best example they could set for their children:

  ‘And I hope it sort of puts into their minds, ‘my mum worked for us when we were younger and we should work’. You know, not just sit down and think ‘let everybody else do it all for us’.’
  (Female, 38, couple, 3 children, age of youngest child: 9)

**Stress**

Being in work also impacted positively on household stress. Among those who felt they were financially better off there were fewer money worries in general. Generally, respondents found they did not have to be as careful with their money as before. A common indicator of the reduction in stress was that they found that they were sleeping better, whereas once they would have been kept awake with money worries. Another was not worrying about not having enough money when paying at the supermarket checkout, whereas once they might have had the embarrassment of having to put items back if they did not have enough money to pay with. Having enough money to cover all bills was a relief for those who now found themselves in that position.

Where being in work coincided with re-partnering, respondents also benefited from having a partner to share any financial burden which reduced their individual stress level.
For some, their change in circumstances brought with it relief from specific worries. Some had been living in a precarious situation with regard to their mortgage, where only the interest had been paid by the State. Taking over the mortgage and now being in a position to pay full instalments took a large weight off one respondent’s mind in particular,

‘Because I’d got this house, which my husband had left me with, which had a massive mortgage on it. It was an endowment mortgage, he’d defaulted on the endowment part of it, so it was only the interest going in on it. So there was no insurance on the house, so I was like living on this knife edge for, you know – if anything should happen to me, the children... there’s nothing for them, they could take the house away and that’s it.[... But now] everything’s sorted on that insurance wise and what have you – so it’s the peace of mind – although I’m not a great deal better off – I can sleep at night.’

(Female, 45, lone parent, 2 children, age of youngest child: 12)

Being in paid employment gave some households a greater feeling of financial security compared to being on benefits. Whilst they were aware that a job was not always completely secure, some had felt more worried about the security of their benefit payment:

‘Benefits is something that you’re asking for and, maybe it is me and like this hang-up with debt and money and stuff, but you wouldn’t know that if someone would turn round and say tomorrow, ‘you’re not getting anymore’, there was no security there. Even though, you know, people turn round and say, ‘well, you know, your job might go tomorrow’. For the length of time I’ve been in it and the boost I’ve got from it, I would be confident in walking out and getting another job. So it gives me that confidence that I actually belong, have some sense, some worth.’

(Female, 36, lone parent, 2 children, age of youngest child: 12)

Relationships
Fewer money worries and greater feelings of security tended to have a positive impact on relationships too. Couples found they argued less than before as there was less to worry about. Some also felt that this was due to the fact that they saw less of each other now they were working.

Talking about money had become less of a difficult subject in better-off households. Whereas once parents found it hard to talk to their children about money without becoming defensive and angry, they now felt more confident about telling children what was, and what was not, affordable.

Seeing children are happy
Parents also gained psychological benefits from how children were affected by the move into work and changes in financial well-being. Seeing their children benefit from the material improvements in their lives gave parents pleasure.
4.3.3 Negative psychological impacts on adults

However, there were some negative psychological impacts of the move into work. Again some impacts were only relevant to mothers who were in work. There were three main areas where the move into work had a negative impact on adults:

- **Juggling work and home life.** This was perhaps the largest negative impact for parents and often instrumental in a move back out of work. Managing a home and a job was not without its stresses and strains for parents. The key impact of this was spending less time at home. As well as not having the time to do chores around the house such as cleaning and cooking, parents also spent less time with their children. The latter was commonly a source of much guilt among parents and, as is highlighted in the next section, this was often assuaged through spending more on children and buying them treats. However, this guilt often became stronger and more likely to encourage a move back on to benefits where it was compounded by the reported resentment felt by children at their parents spending more time away from them, and where parents could not afford to treat children in attempt to counteract these feelings. The consequences of this are discussed in the following section on psychological impacts on children.

- **Stress at work.** On the whole, stress at work was not reported, possibly because the impact of any stress was reduced by general job satisfaction or by the pleasure derived from being in work, out of the house, and off benefits. One respondent talked about how some stress was expected in work, and that there was almost some enjoyment to be derived from complaining about work with colleagues,

  ‘Oh, compared to before there’s no stress there at all compared to before, very little. Other things are stressful now and all that, but [...] before it was horrible. Things are different now because you can go out to work and say ‘I’m blooming well fed up with this and I’m sick of that’ ranting and raving. And you’ve got people around to rant and rave to and they’re laughing at you most of time. ‘Ha, ha, listen to you, you’re a nutter’, and then they come back at you with, ‘well, I’m sick of this as well’. And they’re bouncing off you.’

  (Female, 36, lone parent, 3 children, age of youngest child: 9)

There was only one case of a respondent finding her job particularly stressful. In her case, she had found that since becoming full time her job had become too pressured and had caused her depression to return. In fact, three weeks prior to the interview, she had left her work with no job to go to. This was due to the pressure of her job but also a feeling that her depression was stigmatised by her employers,

  ‘That [her depression] was another reason why I left my job because they made it increasingly hard for me. [...] I had to have some time off cos I wasn’t really, wasn’t feeling too great, and [...] I hadn’t had a holiday for about six months from work, and I just sort of crashed and burned, as it were. And the doctor signed me off for like a fortnight. [...] And I went back to work and I’d had my workload trebled, and you know when you almost feel like there’s a vendetta against you, and I kept thinking maybe it’s me, or maybe it’s the depression, and I almost felt like they was pushing me out, like they’d know now and obviously don’t want somebody like me there, I’m obviously a liability, and they did. So [...] that’s what made me determined, right, I’m gonna put some money by these two months, I’ve got savings anyway, and I’m gonna leave.’

  (Female, 28, lone parent, 2 children, age of youngest child: 6)
• **Financial responsibilities.** This impact was relevant to all respondents whether working or not. As was discussed in Chapter 3, some adults experienced stress from having to manage on a diminished income. They found the constant need to juggle spending commitments to make ends meet a source of real stress, and this led some to leave work and return to benefits. Even in less acute cases, parents experienced some pressure from having greater responsibility for the payment of outgoings. For these, the move into work meant the loss of the safety net provided by the State, where key outgoings such as rent and Council Tax had once been out of the hands of the householder. Having to manage these responsibilities themselves could be stressful.

### 4.3.4 Positive psychological impacts on children

There were a number of areas where parents felt their children benefited from the household’s move into work:

• **Pleasure from material gain.** Children were perceived by their parents to benefit in general from material improvements; getting enjoyment from pocket money, more frequent treats, more activities and outings and more material goods such as clothes and toys. In one interview, two children were able to comment on how their lives had improved since their mother had started working:

  *Child one:* ‘We can do more entertaining things.’  *Child two:* ‘[And we are] buying more stuff.’

  (Comments from children. Female, 37, lone parent, 3 children, age of youngest child: 9)

• **Fitting in with peers and losing the stigma attached to claiming benefits.** Some parents, often those who had grown up on benefits themselves, had been particularly concerned with how their children were perceived by their peers. Often parents had made their best effort to prevent any taunting by ensuring that their children did not look poor or out of place with regard to what they wore and the activities they were able to do. In some cases, parents knew that their children had been taunted for not having the latest branded clothing and footwear:

  ‘[The children benefit from a] better class of dress. I can keep up with what [child one] and [child two] have got next door for example, rather than them saying ‘Oh you’ve got a jumper and you’ve got no name on it.’ […] They’re not getting taunted now […] There’s nobody saying well ‘I’ve got a jacket like that how come you’ve no got a name on yours and I’ve got a name on mine’.

  (Female, 34, couple, 6 children, age of youngest child: 10)

In other cases, children had asked their parents not to draw attention to the fact that they were claiming benefits. Examples of this included a daughter asking her mother to pretend that she worked when the daughter brought a boyfriend home for the first time:

  ‘Well [eldest daughter’s] working full-time anyway now but maybe she’s feeling a little bit better saying, ‘oh yeah me mam and dad’s working,’ ‘cos I used to get sometimes feeling a little bit embarrassed to be honest with yer.[…] If [she] used to come and say, ‘Oh such and such mam’s works and such and such dad,’ and we weren’t working.[…] I know I remember once she met a boy and what stuck in my mind, I was a bit devastated to be honest with yer. She met a boy and she went, ‘Oh I’m bringing him over, mam will you pretend you work at such and such a place.’ Cos she felt, must’ve felt embarrassed really. And, and that stuck in my mind an’ all, I thought, eeh, you know, it’s awfu’ isn’t it when your kid hasto do that. And that set the ball rolling as well, you know things like that would.

  (Female, 39, couple, 2 children, age of youngest child: 13)
In another case, one woman’s two sons had declined to go on school trips for fear of their peers seeing their mother having to come into school to show her benefit book to claim the trip as free. Free school meals had often not been taken up for similar reasons:

‘Some of the changes that the boys have experienced are stuff like, you know, they don’t get free school dinners. [Before] they seriously were aware of it. [...] Luckily neither of them came across any sort of taunting or anything. But there were times when they would turn round to me and say, ‘can I have a packed lunch, I don’t want...’ and then we would just have to work it round that they could have a packed lunch, rather than having their school dinner, because they saw it as being given something for nothing. And now they’re quite happy to toddle off with their gran’s money! But I think also there’s things that like with school trips and stuff, where you would have to go into the school and provide your benefit book for them not to have to pay to go on a trip, and they would come home with the forms and it was like, ‘I don’t really want to go’, rather than their parents or me being seen to walk into the school, signing this form, or showing my benefit book. So there were things that they were aware of, that they’re now aware that they’ve got more freedom.’

(Female, 36, lone parent, 2 children, age of youngest child: 12)

Now parents were working, the embarrassment and stigma of having a parent on benefits was gone. Furthermore, parents who felt better off could now better afford the latest fashions for their children, especially if it meant they were no longer bullied at school.

- **Greater independence from parents.** Partly due to the age of the child but also due to material improvements, it was common for parents of teenage children to notice more confidence and greater independence in their children. Children had started to go out more often with friends, as they were now financially able to get involved in peer group activities that required money. Some also had started to choose and pay for their own clothes, toys and activities, thanks to the introduction of pocket money. Children were also more independent generally through looking after themselves and siblings whilst parents were at work.

  ‘I think now, since I went out to work, they’ve had to become more independent and [that] has made them a little bit more streetwise and a little bit more, if you like, fashion victims and what have you. Whereas before they didn’t have that, cos they were a bit cocooned, it was as like we were very close together. Not that I’m saying we’re not close now. We did things together and now they do things. They just seem to have grown up overnight. [...] It’s done them good actually. And they’re more socially outgoing now. [...] When I come home at night, they’re never here, they’re playing out. They’re often playing out, not far away, somewhere with their pals.’

  (Female, 45, lone parent, 2 children, age of youngest child: 12)

- **Understanding the value of money.** ‘Better off’ parents sometimes said they wanted to give the children the best they could, and through buying them more and allowing them to engage in more activities this was achieved. However, they were also concerned not to spoil their children and instead wanted to ensure that their children learnt something about the value of money. A common way of doing this was to make children earn their pocket money in some way, such as by doing basic chores around the house, or babysitting a younger sibling.
• Understanding the importance of earning one’s own income and not relying on the State. It was common for parents to feel not only that the move to work proved to themselves that they could get a job, provide for their family and not rely on the State for their whole life, but also that they were setting the same example to their children. They felt it was important that their children were aware that they should not expect the State to support them and that they should look forward to supporting themselves through work. Parents felt that their own move from benefits and into work, together with the material benefits this brought, reinforced this ideal:

‘There’s been a lot of benefits – for the kids there’s been some benefits from the fact, ‘oh, my mum, she isn’t on the dole, she’s at work’ that’s been nice because [my daughter] has decided she wants to do similar work to what I do. So she’s kind of looked up in a way, which they couldn’t do that before. And [...] so when they discovered ‘oh, mum works, it’s better than sitting on the dole’ [that was] good.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

‘[My eldest son] missed out, [but it has] made him realise that everything’s not just given to you, you can’t just quit school and just think life’s just going on [benefits]. I mean, it’s a bit like [my daughter’s] dad, he’s not working, [my youngest son’s] dad wasn’t working, but I was. But... [I want them to] realise that they can’t just take and be on dole, they’ve got to get a job.’

(Female, 35, lone parent, 3 children, age of youngest child: 4)

• A less stressed home life. As parents tended to feel less stressed, at least financially, their children found their relationship with their parents improve. Parents no longer snapped when the subject of money was mentioned and instead there were mature conversations about spending. All in all, the new atmosphere was felt to have brought families closer together. Where children did comment in interviews, their impressions of the change in their relationships were concise but clear,

‘She’s not snappy now, yeah.’

(Comment from child. Female, 37, lone parent, 3 children, age of youngest child: 9)

• Spending more time together as a family. Although they also felt their new working status helped children become more independent of their parents, there was now more scope for households to do more together, as a family. Being able to afford family holidays was the most common example of this change.

4.3.5 Negative psychological impacts on children

However, there were also some negative impacts:

• Loss of time spent with parents. Although it depended on the hours worked by the parent, it was typical for parents to be out of the home when their children would have normally expected to see them, such as after school. Where this was the case, there were often feelings of guilt from the parent at no longer being there for their child, and there was also felt to be resentment from the child.
Increased responsibility for the child. Given the anticipated high costs of formal childcare and the time spent by the parents outside the home, it was sometimes an older child who was given the responsibility of caring for a younger sibling. This again was often a source of resentment for the child, parents thought:

‘[M]y eldest watches my youngest] when I go to work. I don’t know if he’s old enough or not, to be watching him. I’m not exactly that happy, because at the end of the day I think he’s got his own life to lead, he should be out there doing his own life, but... I think he gets a bit fed up and stuff, but...’

(Female, 35, lone parent, 3 children, age of youngest child: 4)

In ‘better off’ households these negative impacts were often offset by other psychological and material benefits. Parents found themselves explaining to their children the trade-off between the sacrifice of a parent’s attention and the latest trainers or Playstation game. In these circumstances the negative impacts were generally tolerated.

‘M y elder son’s [...] been quite resentful [about not seeing me as much as before... ] because he don’t like going off to the neighbour’s sometimes, and he don’t like having to stay in homework club in school. He’s been resentful in that manner, but you know, if you explain to him ‘well it means that, you know, you can have clothes on your back, and when your shoes break you can have new shoes, and it means, you know. You can watch Simpsons all evening on the telly on your Sky box, and it means that you can have a Playstation and things like that’. Then you know, obviously they’re the sacrifices we all have to make, so I think in that instance he’s had a lot more.’

(Female, 28, lone parent, 2 children, age of youngest child: 6)

However, for the marginally better off and ‘worse off’ households there was often no material gains to produce such a trade-off which took its toll over time on both parents and children as is discussed in the next section.

4.3.6 Implications for ‘worse off’ households

Chapter 3 reported the cases of households who considered themselves to be ‘worse off’ in work, and made the distinction between those who had remained in work and those who had left work and started claiming benefits once more. In looking at the differences it highlighted the impact of financial problems (particularly the build-up of arrears) and the lack of material benefits, but it also discussed the role of psychological impacts in the decision to stay in or move out of work.

We were not able purposively to select households which were ‘worse off’ in work, and since the number in the sample was small, it is not possible to ensure that all possible scenarios were included in the sample. However, within the cases included in this study, it was possible to consider the importance of psychological impacts among ‘worse off’ households.

In the two cases where financially ‘worse off’ families left work and went back on to benefits, the ultimate trigger was financial in nature; in that both households had large rent arrears and were threatened with eviction. The two financially ‘worse off’ households who remained in work, although not in danger of eviction, both had arrears and found it very difficult to make ends meet. In addition, there was one case of a financially better off household leaving work as a result of stress and depression, which highlights the potential importance of psychological impacts.
On the other hand, some families who were not better off in work remained in employment largely because of the psychological benefits they felt work brought. The respondent whose case was highlighted in Case Example 4 in Chapter 3 was more than aware that she was ‘worse off’ financially being in work and that she would have been better off going back on to benefits. She also felt that her children were resentful of her spending time away from them. However, what kept her going was a desire not to ‘give in’ but also a feeling of hope that things would eventually improve. For her, staying in work was about proving not only to herself but also to the fathers of her children and society that she could work and provide for her children:

‘I have many a times thought, shall I pack it in and go back on to Income Support, [but no I’ll keep on] just fighting everybody what keeps trying to penalise me – like their fathers and stuff – and thinking, no, I’m not going to quit cos of them.’

(Female, 35, lone parent, 3 children, age of youngest child: 4)

A couple household who also found themselves to be financially ‘worse off’ also lived in hope that their situation would improve. In particular they hoped that once their WFTC and Housing Benefit claims had been processed they would start to see some improvements. In the meantime, they were prepared to accrue arrears and miss out financially and materially.

There is clearly a danger for families in these circumstances that their feelings of hope are not sustained if financial improvement does not occur, particularly if children are thought to be suffering materially or psychologically.

In the cases of those who did leave their jobs, the parents were adamant that they enjoyed both their jobs and working in general and had no desire to return to Income Support. Ultimately, the threat of eviction was what forced these households out of work and back on to benefit. However, there were also concerns about the psychological impact on children, and the respondent in Case Example 5 was adamant that the upset caused to her daughter of her long working hours was instrumental in her decision to leave.

‘See [my daughter’s] suffered a lot, her emotional feelings with her dad being took to prison and me not being here and that hurt me more than owt, thinking I weren’t paying enough attention. And she must of felt like that to sit and cry. [...] And that were main reason I finished work anyway, [...] it weren’t ‘cos of nowt else, it were because of her which hurt me a lot. [...] There’re things that come from a little girl’s mouth that shouldn’t ever come from a little girl’s mouth as I see it.’

(Female, 24, lone parent, 2 children, age of youngest child: 3)

It would appear from the few cases of financially ‘worse off’ households that if the psychological impact of work on the parent remained positive they would put up with some material hardship to remain in work. This situation only appeared to change when either a serious financial threat (i.e. eviction) was received or when the parents felt there were strongly negative psychological impacts on their children.
5 Impact of work on use of financial services

Attitudes towards money, financial services and debt are covered in Section 3.1.2. This chapter looks at how a move into work impacts on debt, both existing and future debt, and on access to, and use of, financial services.

5.1 Impact on financial services

5.1.1 Pre-work financial services

The use of cash was commonplace across the sample before a move into work. Cash was used for paying for food shopping at the supermarket, for paying bills either at the post office (often with pre-payment cards and stamps) or through key meters in the home for gas and electricity usage. Often cash transactions were all these households had ever known. In such cases, the post office was the focal point for such transactions, as it was also the place where benefit cheques were cashed and paid. For some, typically lone parents, who had never worked and/or never lived with a partner, there was no real alternative as they had no bank accounts or debit cards to use.

Bank accounts held prior to the move into work, however, were not uncommon among those interviewed. In some cases, these were savings accounts that were opened for them as a child. Others had current accounts that had been opened during a period of employment, or among lone parents, accounts were inherited from a former relationship. Current accounts were also common among those who had mortgages.

However, usage of these accounts prior to work varied. For some, the post office was seen as more convenient as most dealings (receipt of benefit and payment of bills) were handled in the one visit. For others, particularly those who had been more recently employed and/or with a mortgage, accounts remained in use. Often the use of an account to store money, pay bills (by cheque and direct debit) and receive benefit payments was merely the continued use of a facility that households were accustomed to. For others, conducting their finances away from the post office was deliberate in order to avoid the
stigma of being on benefits:

‘No [I had my benefits paid] through the bank ‘cause I find it embarrassing going to the post office – don’t like everybody [knowing]. I think that originally came from [a woman we knew] when we were kids who had a scruffy family. She had about seven kids and she had a piece of string around her coat and she used to queue up at the Post Office at 9.00 in the morning, and I think it stems back from there. People thinking… [...] even if I just go to the post office sometimes I think people might think I’m [on benefits]. So I know it’s silly but I just didn’t like going to the post office for it.’

(Female, 37, lone parent, 3 children, age of youngest child: 9)

5.1.2 Impact on access to and use of financial services

Throughout the sample access to financial services had improved following the move into work. Some sort of bank account was now being used in all households in work. However the facilities available, type of account held and usage of the account varied, according to three key factors:

- Whether accounts were held and used prior to the move to work or not.
- Financial well-being and credit ratings.
- Attitudes towards financial services.

New versus existing account holders

Where respondents had had an account for longer, they generally reported having more facilities and using their accounts more following the move into work, especially among better off households. These key changes typically included:

- additional accounts taken on, including bill-paying accounts, savings accounts for adults and sometimes children, and joint accounts;
- basic accounts upgraded to current accounts with direct debit, cheque, debit card and, in some cases, overdraft facilities;
- wages and Child Benefit paid directly into accounts and bills paid out by direct debit.

There were others, however, who preferred to stay with a cash operated account (no debit card or cheque facility) allowing only cash access to their wages. This seemed to reflect their inexperience with financial services, and the desire to avoid running into difficulty.

In contrast, those new to accounts tended to use only more basic facilities, even where others existed. Although some had started to use facilities like direct debits, additional incomes such as Child Benefit and child maintenance were sometimes still received in more traditional ways such as via the post office or cash in hand.

The key reason behind differences in usage was familiarity. Those used to accounts were confident in using new facilities and found them more convenient than more traditional methods like the post office. Newer users were less familiar, and had often only opened accounts because it was required by their employers for the payment of wages.

Financial well-being and credit ratings

The availability of accounts and facilities, and therefore usage, was also dependent on improvements in financial well-being and personal credit histories. Better off households and those with good credit
histories were often given full service current accounts with a Switch or Delta debit card, a chequebook, direct debits, and in some cases overdrafts. Those less well off or with lower credit ratings were often only offered a more restrictive Solo or Electron debit card,\(^1\) and direct debits. In extreme cases, where credit histories were particularly poor (often due to past indiscretions), only savings or cash only accounts (cash card only) were available. For some this was a positive as it meant that they could not overspend, making it easier to stick to budgets.

Key meters for gas and electricity, however, were an anomaly as they were still common in better off and worse off households alike. Where they remained in better off households, this was often due to a combination of inertia and a reluctance to pay the charge that often accompanied the necessary change in meter type.

**Attitudes towards financial services**

Attitudes towards financial services and banks also dictated what accounts and facilities were held and how they were used.

Having a bank account sometimes boosted self-esteem by giving households something they associated with normality:

‘Everybody that’s working, or the majority of people that’s working has money in, paid into their account now. So you don’t feel any less than anybody else. [...] It’s a funny thing to say, but yes – it’s normal now – so it’s quite nice, yeah.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

Having a bank account also removed much of the stigma associated with queuing up in the post office:

‘...You stood with the rest [feeling like] trash, pure trash. Because, you know, you’re queuing up at the post office, handing over your book, it’s degrading in a way. You feel like you’re going to the cattle market, ready for the slaughter. I don’t particularly like going down with me Family Allowance book any more, I don’t know I think me outlook’s changed. It didn’t bother me at one point, everything seems to bother me now. I’m just getting old I think. I don’t know... it’s degrading.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

For others, there was simply a dislike and often mistrust of banks and bank accounts. This was often as a result of either having had problems with banks in the past (generally poor service and mistakes) or some deep-seated aversion to using them, passed from previous generations. In such cases, accounts were used as little as possible and only where it was absolutely necessary, such as for receipt of wages and where payments of certain outgoings by direct debit was required. Here, households operated in cash, withdrawing their wages as soon as they were paid.

**5.1.3 The impact of financial services on money management**

Having access to key financial products had very clear benefits with regard to money management. Accounts in themselves were praised for their convenience, such as greater access to money through the vast network of cash points.

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\(^1\) These are accepted in fewer places and as funds are debited in real time there is no risk of customers going overdrawn without prior permission.
However, it was the facilities like direct debits, and pre-payment meters (electricity and gas) that were particularly praised for helping with budgeting as they took away much of the responsibility and hassle of remembering to pay bills.

‘And [having a key meter for my gas and electricity is] easier, for someone like me who’s not very good with their money. You know who doesn’t manage it too well. [...] If it was [paid by] bills, I expect I would be behind with them to be honest.’

(Female, 25, lone parent, 1 child, age of child: 5)

In the case of direct debits, the act of payment was essentially removed from the householder and as long as there were enough funds in the account from which the debits were drawn, there was little chance of forgetting to pay a bill ever again. Furthermore, once set up, inertia coupled with penalties made it hard for bills not to be paid. The complications of having to change a date or cancel a direct debit was often enough to prevent householders from having recourse to this action. The other means of stopping a payment was to ensure that there were insufficient funds in the account. However, the potential financial penalties (such as charges levied for unauthorised overdrafts as well as any interest incurred) for such actions were an effective barrier. This meant that behaviours like juggling – delaying or skipping payments - were not possible where direct debits were used, which also meant that arrears were not accrued either.

The power of payment tools such as direct debits in promoting effective money management was confirmed by the comments of those who were refused access to such services, who cited this as a reason for their problems in managing their outgoings.

‘I would like, you know, for the bills to come in, you know, instead of them knocking on the door, for it to be paid standing order, or writing a cheque out, and they won’t do that, they won’t let me do that... Bad credit history, so I’m stumped, I’m stumped. I would like a current account but they won’t give me one, so it’s beating me head against a door really, I’m not going to get anywhere with it, no point in trying now... Direct debits would be ideal, you know, pay it out before I even get me hands on it and then they can have it.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)

As the direct debit to a degree removed the responsibility for payment of a particular outgoing, it mirrored the situation of a benefit claimant, where payments were either deducted directly from benefits before they were paid to the claimant (such as Social Fund loan repayments) or were essentially paid by the State (through Housing Benefit and Council Tax Benefit).

5.2 Impact on debt

5.2.1 Pre-work debt

Accrual of some kind of debt during a period claiming benefits was common across the sample, more often in the form of credit-based debt rather than arrears. In fact, arrears were not as common when respondents were on benefit as when they moved into work, as having responsibility for fewer outgoings meant that there was less opportunity to accrue them,

‘Well no I couldn’t really get into any debt [when on benefits], ‘cos I’d got meters for my electric and gas, my water was taken from my book and my rent and council tax was paid anyway, so I couldn’t get into debt. The only debt I had was that Provident [private loan company] lady calling at me.’

(Female, 25, lone parent, 1 child, age of child: 5)
Where arrears existed while people were on benefits, they were more common in utility bills, especially for the telephone, from non-payment of the Television Licence fee, but also from other sources such as legal costs from custody court cases.

Some households strove to avoid using credit and loans if at all possible while on benefits as they knew the dangers of debt, often through personal experience. However, in reality, those who appeared to be debt averse were often using a form of credit or loan that they simply did not perceive as debt. These more acceptable forms of debt included:

- the Social Fund, as it was interest free;
- the use of credit facilities indirectly, such as buying products through a friend’s catalogue;
- borrowing from friends and family.

On the whole, households on benefits found themselves precluded from using most conventional loan providers, such as banks and credit card companies. Instead there were three broad options open to them:

- expensive but readily-available credit and loans;
- help from the State in the form of the Social Fund;
- informal support.

**Expensive but readily-available credit and loans.**

This mostly consisted of private loan companies and mail order catalogues, and, to a much lesser extent, credit cards. Use of private loan companies, like the Provident, was particularly common, as these were often the only source of loans that were available without the need for a credit reference or a specific justification for borrowing. They were also convenient in that a representative would call at the door to collect repayments. Furthermore, as repayments were spread over a longer period they were often only a matter of pounds per week, and these companies were often very flexible with repayments, allowing customers to miss one instalment and pay twice the next time. These advantages often outweighed the fact that the interest was high. Typically private loans were used to help spread the cost of Christmas or any other expensive time of the year, such as when children went back to school needing new uniforms. Users of these loans were often in debt indefinitely as once they paid off one loan, they were usually ready to take out another. Catalogues were another popular form of credit where household credit histories allowed them. They were typically used for buying clothing for children. Repayments were manageable as they were spread over a long period, which once again encouraged perpetual usage and debt.

**Usage and awareness of Social Fund loans**

Some of those interviewed had never heard about the Social Fund and therefore never experienced it. However, among those that had used it or knew about it (more often through word of mouth than an official source) its mention encouraged some very mixed responses. Access to these loans was often critical for those on low incomes, and those who approved of the Social Fund gave a long list of advantages:

- First of all it was **interest free**, which was seen to be a unique advantage. It was hard for respondents to think of any bank or other body offering interest free loans. For some there was almost a feeling that it would have been ‘illogical’ not to take advantage of it:
‘Yeah you could just tick [the box] and it was money in your hand to be honest with you. That’s what it was at end of day. It was like somebody giving you £500 for nothing. That’s what it was like even though you was paying it back you weren’t paying any interest on it, you know. And I think, even if we didn’t need anything we still got it ‘cos it was there to get. [...] Where can you get that elsewhere but Income Support, so everybody I knew, same as me, when they go down just put straight back in for another one. And it just went on like that.’

(Female, 39, couple, 2 children, age of youngest child: 13)

The fact that the loans were interest free made the loans much more acceptable, especially to those who considered themselves to be debt averse.

- It was very useful in an emergency, for replacing key household items such as washing machines, or for fitting out a new home with basic furniture (beds) following a move. Loans appeared to be used for all sorts of reasons. In one case a loan was taken out just prior to a couple going into work in order to allow them to stock up on food whilst they waited for the month’s first pay cheque to arrive.

- Repayments were recalled as minimal in amount and as hassle free, in that they were deducted directly from benefit payments. So not only was the money never really missed, responsibility for the process of making repayments was also removed.

- They were easy to get for those who were prepared to bend the truth a little. Whilst many had taken out loans for legitimate reasons, such as buying much-needed beds or replacing a cooker, there were others who openly admitted that they had lied to get a loan just to have some extra income. Despite the less orthodox methods involved in obtaining the loans, it was often seen as the only means for some households to make ends meet. Some talked about how they used to continue topping up a loan so that they could rely on this much-needed extra income throughout the year. One respondent used her loan as a much-needed deposit for a mortgage in her partner’s name.

- It was also thought to be potentially possible to get away without paying the loan back. Some had heard tales of friends who had gone into work and had stopped making repayments and that in time it appeared that the Social Fund would no longer chase up the debt. However, no one interviewed had had direct experience of this, so how true this was is up for question.

In contrast, some people had strong negative feelings about the Social Fund. The key issue with past users and non-users alike was that it was seen as a form of ‘begging’ to the State. Being in the position of needing to claim benefits in the first place was for some degrading enough, so the thought of asking for more money was repulsive. In fact, reactions against the Social Fund were often general reactions against the stigma of being on benefits, and the way respondents felt about having to visit Benefits Agency offices:

‘This is where my snobby side comes out! I wouldn’t – I would rather have done without, rather than... It maybe does sound very snobby. Rather than go grovelling to the Social. That’s how it would feel. That’s how it felt to me, yeah. I felt I was, it was bad enough that I had to go and get my rent and my money, I didn’t want to go. You have to go down to Social Offices, and I hate those places. [...] I hated, hated, going down to the Social, ‘cos you go in there and you get the druggies sat in one corner, and people swearing in others, and they used to, I don’t know, they used to look down their noses at you, so I wouldn’t do anything.’

(Female, 45, couple, 1 child, age of child: 16)
Some felt that the application process was particularly degrading, and that it was potentially most off-putting to those who were most deserving of the loans:

‘And unfortunately, there are you know, and I’ve worked with people who play that system, and think nothing of going and asking for absolutely everything, where they’re playing another game. But most of the people who I know who actually would have deserved it, or would have been entitled to it, it’s the last thing in the world they would have done.’

(Female, 36, lone parent, 2 children, age of youngest child: 12)

Among some past users, there were complaints that the level of repayments deducted was sometimes too high which made life difficult for those already on low incomes.

Some people had wanted to use the Social Fund but found they were simply not eligible, due either to not having been on benefits for long enough to qualify, or because their reason for wanting the loan did not satisfy the criteria of the Fund, and they were not prepared to lie.

**Informal financial support**

As was reported in Section 2.3, the use of informal financial support was more common before the move into work than afterwards. How this support was used varied from household to household. Families tended to be the more common source for larger loans and friends for smaller more short-term borrowing, such as a loan of £20 for a week. Parents were typically the source for young families in need, whereas older respondents tended to rely on older children who were earning and perhaps had already flown the nest. Siblings were also a key source of informal borrowing.

The form in which money was loaned also varied. In some cases, money was borrowed for a specific purpose and paid back at an agreed time and rate. In other cases, money was borrowed indefinitely which was both planned and unplanned. Another form of financial support was where a family member would purchase or pay for something on the borrower’s behalf. Examples included a grandparent buying clothes and toys for grandchildren, a sibling paying for a holiday for nieces and nephews and an older child paying for his mother’s contents insurance.

Whilst informal borrowing had the key benefits of being interest free, not having the threat of bailiffs or eviction for non-payment and for some not being seen as debt at all, it also had its drawbacks. These included the guilt and embarrassment associated with borrowing from friends and family, and the limited amounts that could be realistically borrowed compared to more conventional forms of credit.

**5.2.2 Impact of work on pre-work debt**

There was an underlying desire across the sample to clear any debts accrued whilst on benefits once households moved into work, and depending on a household’s finances, this was largely achieved. All attempts to clear debt appeared to be entirely voluntary. No one reported any pressure from creditors to pay more now that they were in work. However, there were often strong feelings of stigma associated with debt: using it had been against people’s underlying principles and they were keen to move on if they could:

‘No, the debts that I did have, even on Income Support I sort of budgeted myself out the way, and soon as I sort of got paid within the first few months, anything that I did have I paid off completely, and I cleared. Obviously it made more sense to sort of get everything out the way ‘cos I didn’t want anything sort of hindering and building up. You know, I wanted to sort of... I was in the predicament now to pay everything off. It was stupid not to, so I sort of cleared everything that I possibly could out. [...] I just think [...] they’re just such a bind. [...] There was no obligation to pay because] as far as they [creditors] were aware, I was still, you know, not working. [...] So I just paid it off, and it felt nice, and it’s just made me feel like I don’t wanna get in any more debt.’

(Female, 28, lone parent, 2 children, age of youngest child: 6)
A household’s ability to pay off pre-work debt, however, depended on their financial well-being. Generally, better off households were able to clear most debts soon after the move into work. Among the ‘significantly better off’ higher ‘discretionary income’ levels permitted debts to be paid of within a matter of months. For the ‘moderately better off’ it took longer, but was still a manageable task.

Not all households, however, were in a position to rid themselves of debt. In less well off and ‘worse off’ households debt was often harder to clear, as the additional money needed to make a sufficient impact on debts was not available. Some ‘worse off’ households in particular, had very large debts whose repayments were often ‘crippling’ now they were in work. Whereas before, debts were paid because they were not in direct competition with other outgoings, now households found that much of their income was swallowed up by additional outgoings such as rent, Council Tax and childcare, it was often impossible to ensure all outgoings were met. As debts often imposed the heaviest penalties for non-payment, they were often paid instead of rent and Council Tax. The impact of this behaviour was the accrual of yet more debt in the form of arrears, a situation which people often found extremely demoralising.

5.2.3 Impact on new debt

Taking on new debt following a move into work was a common occurrence among those interviewed, but for varying reasons.

The availability of credit and loan facilities tended to increase as households became better off. More conventional, less expensive types of credit and loans like bank loans, overdrafts, interest free store credit, store cards, credit cards and mortgages were now available to those with acceptable credit histories. At the same time, however, the need for credit and loan facilities among the ‘moderately’ and ‘significantly better off’ tended to decrease. In fact, among the ‘significantly better off’ in particular, it was more likely for purchases to be made using cash or debit cards as households found they had sufficient funds to pay for their purchases, without recourse to credit. In some cases, the use of cash was a reaction to having been tied to more expensive forms of credit in the past.

‘And it’s like now if you can sort of go to John Lewis’s and you see something nice that you want and get it – where before, I wouldn’t have been able to save my money up and buy my nice new cooker out of John Lewis’s, so – you know, and I don’t wanna be back to sort of going to – there’s a place called Crazy George’s and they charge about £800 for a £300 cooker ‘cos you pay it off at like £5 a week, and I don’t wanna be one of those people stuck in the queue again – you know, I’ve done that and I don’t wanna do it any more, so you know, it is nice, it is nice to be able to treat myself and get nice things that I wanted.’

(Female, 28, lone parent, 2 children, age of youngest child: 6)

Although the use of credit was lower among better off households, credit cards and store cards were often in their possession. Often this was because they were easily available. Some households had been offered credit cards by their banks along with new current accounts, or as an alternative where requests for other products such as overdrafts had been declined. Others had applied for cards out of curiosity; to see whether they would be accepted now they were working. Store cards offering a discount on initial purchases were a big lure for some, especially in the first throws of getting used to an improved discretionary income.

How these cards were used varied, and was influenced more by attitudes towards debt than levels of financial well-being. The more debt-averse tended to use their cards for specific and controlled purposes, for example for emergencies only, or for convenience such as making on-line purchases or bookings over the telephone. Some used them in place of a debit card in order to amass loyalty scheme points, whilst ensuring the balance was paid off each month rather than pay interest.
Among those less averse to credit and debt, behaviour was often less controlled, at least initially. Especially among the less well off and ‘moderately better off’ who had acquired credit cards, it was common to find respondents having used their cards to the full in their first few months in work, only to find themselves facing a large debt and mounting interest, which had led some to cut up their cards in favour of saving instead for what they wanted.

Having access to financial products such as credit cards often had positive psychological benefits similar to those described in relation to bank accounts above. Credit cards in particular were seen to be more of a status symbol. Getting one’s first credit card was an enormous ego boost for households who had spent years feeling degraded in the post office queue.

Access to and usage of low cost credit among the less well off, the ‘worse off’ and those households restricted by poor credit histories, was often the direct opposite of the situation described above. Families who remained on a low income following the move into work continued to rely on credit in order to make ends meet. In fact, they often incurred more debt to manage the initial weeks of work (see below). Unlike those who were better off, however, cheaper credit did not become more available to them. The type of credit available was very limited and generally not low cost. Essentially the credit and loan facilities now used were often the same as those used on benefits (private loans and catalogues). In fact, these households had less choice than when they were on benefit, as the interest free loans provided by the Social Fund were no longer available to them. Those ‘worse off’ households, who found the transition into work particularly hard, missed this facility and instead had been forced to take out expensive private loans whilst waiting for the first pay cheque.

As well as taking on new forms of credit and loans, debts in the guise of arrears were also common among these newly-working households. Arrears were particularly common in rent and Council Tax, outgoings which were new to working households, and where arrears would not have been possible when they were on benefit.

The first month in work was often a crucial time for households to adjust to new incomes and new outgoings. In this first month there was often a gap between the last payment of a benefit and the first pay cheque of a new job. New household bills would start to arrive and other new expenses such as work-related costs and childcare were often also present. Pay frequencies often changed as well, for example from weekly or fortnightly to monthly.

This was the point where any accrual of arrears tended to begin. Arrears were commonplace among the less well off and ‘worse off’ and were often their main type of debt once in work. As has been described in previous chapters, arrears were common in both rent and Council Tax, and often led to threats of eviction and bailiffs respectively. Some households who were aware of this gap were better placed to cope without finding themselves in arrears. Saving in advance or obtaining a short-term loan were common coping strategies. Others had to face the gap unprepared and sometimes fell behind with a bill, which led to them being one week/month if not more in arrears until they could catch up. Some families had still not caught up by the time of the interview. Households entitled to financial aid such as benefit run-ons, Back to Work Bonuses, and work clothing grants were not always aware of these until it was too late. Furthermore, as Harries and Woodfield’s (2002) research into the transition to work highlighted, even where financial aid existed this did not always prevent households accruing debt and arrears at this point in their lives. In other cases, the euphoria associated with being in work and the expectations of being better off led some to spend these monies living beyond their means.
rather than bridging the gap between the last benefit payment and the first wage:

‘Oh God, it was very hard, it was terrible at first cos I got excited. When you first get your wage and your Family Tax Credit [sic] on top of that, you tend to think ‘wow! I’ve got all this money’. And you blow it on what you couldn’t blow it on before and stuff the bills and then you’ve got to settle down and do it right. […] That was nice, it was very nice. Some bills just didn’t get paid for a few months.’

(Female, 36, lone parent, 3 children, age of youngest child: 9)
6 Conclusions and implications for policy

In concluding this report we return to the objectives cited in Chapter 1, providing a detailed response to each one in turn.

The first objective sought the answer to how decisions on spending and financial management are made, highlighting spending priorities. This report has highlighted that spending decisions and priorities depended on a number of factors, namely:

- the income to outgoings ratio; was there enough money coming into the household to cover money going back out. Where this was not the case, it had serious implications on how money was prioritised;

- money management. In some cases being able to manage money was key to whether households considered themselves to be better off in work, and whilst this was an enormous task throughout the sample some found the task much harder than others did. Trying to make ends meet was extremely complex, and often required households to stretch limited budgets in order to do so. Juggling was commonly the most logical means for those on low incomes to try and pay something to all outgoings even when this meant accruing arrears;

- the impact of pre-work debt. Large debts accrued prior to the move into work, where present, were often prioritised over other key outgoings such as rent and Council Tax, as penalties for non-payment (interest and charges) were greater and more pressing;

- access to financial products that facilitated payment of key outgoings. Those who had access to product such as direct debits or standing orders often found it easier to ensure their bills were paid.

Whereas financial priorities varied according to the factors described above, human priorities remained consistent, with children the top priority in all households. This was highlighted in the ways in which parents put their children first in all circumstances, even where that meant going without themselves, and by how children benefited from improvements to living standards first, both directly and indirectly. However, given their priority, this did mean that they were also directly impacted by any material deprivation. In ‘worse off’ households any discretionary spending that had once been targeted at children was lost following the move into work. In such cases, parents were unable to protect their children from deprivation, as there were not the resources to do so.
The second objective looked at **whether low-income families are aware of increases in income and whether they feel any better off as a result**. The sample was clearly split between those who experienced an increase in household discretionary income and perceived themselves to be better off as a result, and those who did not. It is also important to recall how those pilot stage households who remained on benefits perceived no increases in income. Among those who moved into work, the key to improvements in financial well-being was not determined by an increase in income as such, but more so by an increase in household discretionary income; money that remains once all outgoings are paid. Whilst an increase in income, from earnings, benefits and any other income, was fundamental to increases in ‘discretionary income’, its impact was affected by the amount of any additional costs associated with a move into work (rent, Council Tax, work-related costs and childcare costs) present, how successfully households struggled to make ends meet and the existence of any pre-work debt. Households tended to find themselves better off where earnings were high, additional costs and debts low and managing money was easier. Households were better off where there had been increases in discretionary income. These increases varied among the better off households, highlighting diversity in improved financial well-being. Better off households ranged from the marginally better off to the ‘significantly better off’. In contrast, low incomes (either as a result of low paid employment or inconsistencies in the payment of income), high additional costs (in particular for childcare), high levels of pre-work debt (especially credit-based debt) and difficulties with regard to money management were all factors that led to a family feeling ‘worse off’ in work, highlighted by a decrease in ‘discretionary income’ rather than an increase.

The third objective was concerned with **how an increase in income impacts on living standards for families and children**. All better off households experienced some improvements in their living standards, in the following key areas: food, housing, clothing, holidays and other material luxuries. The better off a household became the greater the improvements to living standards. However, ‘worse off’ households saw no improvements and often experienced some deterioration in living standards due to decreases in discretionary income, and the loss of entitlements to services free to benefit claimants.

The fourth objective sought to understand **in what circumstances any additional household income is spent on repaying debt**. All households had accrued some form of debt, typically loans and credit rather than arrears, prior to the move to work. Furthermore, there was an underlying desire to voluntarily clear any pre-work debts once in work. However, the ability to do this again depended on financial well-being. Whilst better off households had commonly succeeded in clearing pre-work debt within a relatively short period following the move into work, ‘worse off’ households found they were unable to keep up minimum repayments, let alone clear debts. In fact, the impact of these debts on household incomes was often so strong that arrears in other areas were common in order to make ends meet.

Objective number five was concerned with exploring **in what circumstances the movement into work, and any increase in income, trigger or reduce the likelihood of taking on future debt**. The need for debt tended to decrease as households became better off. For example, whilst ‘significantly better off’ households tended to favour cash and debit cards, as they could afford to make purchases outright, credit was required by the less well off and ‘worse off’ to help make ends meet. The period surrounding the transition into work was financially difficult throughout the sample, but often more for those on low incomes, even where financial aids like benefit run-ons and other benefits were available. Low-income households tended to accrue new debts as a result of this difficult time in the form of arrears (most often in rent and Council tax) as they were unable to afford to pay all their household outgoings.
The sixth objective looked at **how the move into work impacts on access to financial products and services, in particular low cost credit**. Whilst the move into work itself changed household’s requirements with regard to financial services, for example the need for a bank account for payment of wages, it was financial well-being and credit histories that impacted on the availability of such products. In general, assuming that credit histories were favourable, the better off a household became the greater the quantity and quality of financial products available became. In contrast, ‘worse off’ households and those with poor credit histories were more restricted in terms of the financial products available to them. In some cases, these households were denied more basic financial products such as bank accounts and in particular direct debits which were perceived to have a significant influence on money management. Low cost credit was also not available to those ‘worse off’ households who often needed it the most.

The seventh objective sought the answer to **how useful access to Social Fund loans might be to those who have moved into work**. It was evident among the less well off and ‘worse off’ that there was a significant gap where Social Fund loans had once existed. These households often needed loans to provide extra income to make ends meet, not just in the transition period but throughout their working lives. What they lacked most was the access to low cost credit. Whilst the concept of the Social Fund in providing low cost credit was welcomed, the way in which it was associated with the negative stigma of claiming benefits was not.

The final objective was to consider **the implications for policy of families’ experiences of moving into work**. This report has shown that there were a number of factors that determined whether a household became better or worse off financially following a move into work. Given the different experiences of households in this study, it is useful to consider which of these factors can be influenced by policy most effectively, to try and reduce the likelihood of families becoming ‘worse off’ in work:

- **Access to low cost credit**. Given the difficulties experienced by low-income families in the sample to make ends meet once in work, access to some sort of low cost credit facility similar to the Social Fund would be beneficial. However such a facility would need to be one that is specifically targeted to working households rather than as an add-on to a facility already available to those on benefits, as working households are keen to avoid any associations with their time on benefit. Improved access to low cost credit might also help those with large pre-work debts, by allowing them to consolidate their debts into one loan, and reduce the level of repayments, with a view to avoiding the accrual of arrears in other areas.

- **Affordable childcare**. Of all the additional costs associated with the move into work, it was the presence of expensive formal childcare costs that had the greatest impact on household financial well-being. This was confirmed by the fact that these costs were generally only present among those households who considered themselves ‘worse off’. However, despite these costs being particular to a specific section of the sample, their potential impact on other households was great, given the steps taken by other households to avoid them. These experiences highlight the need for more affordable childcare facilities and/or help towards meeting the costs, which is also instrumental to the work of the Government’s National Childcare Strategy.

- **Access to basic financial products to facilitate money management**. Given the impact of tools like direct debits on households’ abilities to pay essential outgoings before non-essentials, it would appear that more low-income families would benefit from improved access to bank accounts and direct debits.
• **General support for families before, during and after the transition into work.** This report has highlighted the complexity concerned with managing household spending in particular during the transition period of the first few months in work, where the level of outgoings often exceeded the money coming in due to increases in the former (due to new bills to pay such as rent and Council Tax) and delays in receipt of the latter (due to wages being paid in arrears and the processing time for WFTC and other in-work benefit applications). Another difficulty for families at this time was having to get used to new ways of budgeting their income as a result of these changes. These experiences would suggest the strong requirement for support for families with regard to preparing for the move into work and coping with changes once in work. This support should not only be financial in nature, for example through greater availability of benefit run-ons and back-to-work supplements during the transition or improved access to financial services and credit once in work, but also advisory, such as in the form of improved access to better-off calculations and help with household budgeting techniques.
Appendix A
Fieldwork documents

- Topic guide for interviews
- Approach letter
- Confirmation of appointment letter
- Thank-you letters for participant
Low income families and household spending

NOTE:

Attached is a topic guide that we will use in the interviews. As the study is exploratory we wish to encourage participants to discuss their views, experiences and practices in an open way without foreclosing issues which may be of importance to the study. Therefore, unlike a survey questionnaire or semi-structured interview, the questioning will be responsive to the respondent's own experiences, attitudes and situation. Consequently, the attached guide does not contain pre-set questions. Rather, it lists the key themes and sub-themes to be explored with each respondent. It does not show any follow-up questions like 'why', 'when', 'how' etc. as it is assumed that respondent 'contributions will be fully explored throughout in order to understand how and why views, behaviours and experiences have arisen. The order in which issues are addressed and the amount of time spent on different themes will vary between interviews.

In order to aid recall in the interviews we have also designed some stimulus material, which will be used alongside the topic guide. (These elements are separate documents).

The first of these is a calendar that will be used in the interviews to log the dates of key changes in income levels, and of key purchases or changes in spending. This will help in exploring any linkages between them. It will also help respondents to think about the timing of events in relation to the seasons, key events such as Christmas or birthdays, and periods of times such as school holidays.

The second set of stimulus material includes a short pro-forma on which researchers can note specific levels of income or expenditure. This is very brief and used in an informal way in the interview so that it does not affect the naturalistic form of the interview. It acts solely as an aide-memoire, both to ensure all types of income and spending are covered fully, and so that researchers can easily recall details they want to explore further.

These two sets of documents will not form part of the body of data that will be analysed. Any information will be captured on tape and subsequently transcribed.

The key objective is to explore how, and under what circumstances, an increase in income leads to:

- improved living standards for low-income families;
- improved living standards for children in particular; and
- improved financial circumstances more generally (including for example the impact on debt, ease of financial management, and access to financial services).

Interviews should focus on change arising from an increase in income.

Section 1 - Introduction

Introduce self, study, National Centre

Explain this is a follow-up to The Families and Children Survey that they have participated in over the last two or four years, that you would like to explore in more detail how families with children make ends meet in order to help the Government improve policies for families with children.

Explain about the confidentiality of the interview. Explain tape recording and length of interview.

1. Background and personal circumstances

Check against the background information from FACS responses and initial telephone recruitment. Highlight any changes.

- Age
- Household details
  - Who living with and ages
  - Make up of household
  - History of relationships
  - Length and changes in marriage/cohabitation
  - New born/step children etc
  - Other relatives/friends joining
- Housing tenure
  - Type of tenure
  - Length of tenure
  - Any moves/changes
- Health
  - Disability or long-standing illness
  - Caring responsibilities
  - Any changes
- Current situation (and partner if relevant) (log working dates on calendar)
  - Working
  - Paid vs unpaid
  - Hours
  - Education
  - Other activities/roles
  - Length of time in current situation
- Brief history of employment
  - Periods in work/not in work
  - Types of job (paid/voluntary, hours etc)
  - Length of each
  - Reasons for leaving
Section 2 – Assessing changes in income and expenditure

2. General money management

Aim: introducing the subject of money (income and expenditure) with more general topic of budgeting, and then looking at changes in income and expenditure in detail.

- Approaches to budgeting generally
  - How they make ends meet
  - How easy this is
  - What areas are easier/more difficult
  - And when (log on calendar)
  - Influences on this
  - Priorities
  - Essentials vs can do without
  - Long term vs day-to-day
  - Those involved
  - Different roles of household members
  - Who ultimately decides
  - Budgeter vs holder of purse strings
  - Any conflict/arguments
  - How their approach has changed over time
    - How and why

3. Income and changes in income circumstances

Aim: to look at current income so that it can be compared to previous income to highlight changes and their impact.

- Gain details of all current sources and levels of income using list below as a guide to aid recall (log on income proforma as aide memoire for interview)
  - Earnings from paid work
  - Benefits
  - Maintenance (ex partner/spouse) and Child Benefit
  - Tax credits
  - Odd jobs
  - Pensions
  - Informal help (loans/gifts from friends/relatives)
  - Selling items (made/bought/possessions)
  - Lump sums (windfalls/redundancies/policies cashed-in)
  - Savings and assets
  - Other sources (e.g. job grants etc)

- Details of receipt of access to current income:
  - How paid/received (postal/direct into account)
  - Regularity of payments
    - Amount
    - Method
    - Frequency
    - Any changes over time (log on calendar)
  - Method of storing income
    - Do they have a bank account
    - How does it work otherwise
    - Any changes over time (log on calendar)
    - Appropriateness of methods
      - Convenience
    - Any changes over time (log on calendar)
    - How long has their income been at its current level
    - When did changes occur (log on calendar)

- Using the calendar highlight specifically changes in date and scale of income as a result of
  - Moving into/out of work (incl. odd jobs etc)
  - Benefit changes
    - Changes in rates
    - Changes in entitlement
    - Maintenance (ex partner/spouse) and Child Benefit
    - Tax credits
  - Which changes had most impact (log key impacts on calendar)

- Overall, did they feel better off at these or other points
  - In what ways

- Check their understanding of the word 'income'
  - What it does/does not include (any fit with check list below)
  - Suggestions for more appropriate terminology
4. Expenditure and changes in expenditure

Aim: to look at current spending so that it can be compared to previous spending to highlight changes and their impact.

- Gain details of current spending patterns using the following list as a guide to aid recall (log on expenditure proforma as aide memoire for interview)
  - Rent/mortgage
  - Insurance
  - Council tax
  - Utility bills (water, gas, electricity)
  - Phone (fixed-line and mobile)
  - TV/VCR etc (licence, set rental/payments, subscriptions)
  - Travel (everyday/holidays)
  - Car costs (tax/petrol/insurance/maintenance etc)
  - Childcare
  - Food
  - Non-food (detergents etc)
  - Clothing (adults vs children)
  - Pets (food/vet bills/health/pet insurance etc)
  - Presents/treats
  - Everyday luxuries (socialising, smoking, sweets etc)
  - Savings (long-term/specific items)
  - Paying off debts/bans (informal/bank/shopping)
  - Pensions
  - Health/life insurance
  - Work related expenditure (existing and moving into work)
  - Travel (daily/season ticket/vehicle purchase/running costs)
  - Clothing (suit/specialist)
  - Childcare
  - Equipment (books/tools etc)
  - Food (funds etc)
  - Socialising with colleagues (social events/birthdays)
  - Work culture luxuries (fitting in e.g. buying a daily paper/coffee etc)

- Highlight priorities
  - Which bills must be paid/items purchased and why
  - What can be put off and why
  - What items are essential
  - What do they have to do without
  - What ends up as debts/arrears
  - How does this vary
  - Who in the household has priority/least priority
  - Spending on children
  - Spending on adults
  - What are the trade-offs
  - Who has to go without
  - And without what

- Again using the calendar highlight changes in their spending patterns
  - How and why has spending changed
  - Spending in new areas or more in existing areas
    - Any major purchases
    - Changes in debt
      - Changes in repayment
      - Additional debts
    - (If relevant) costs associated with moving into work
  - Go back to spending check list to assess changes
  - Have priorities changed
    - How and why
    - Who has experienced most changes
      - Children vs adults
      - Any other influences
  - When did it change (log on calendar)
    - What coincided with this change
    - How were these changes funded
    - Link with changes in income

Appendices – Fieldwork documents
Section 3 - Impact of income and expenditure

Aim: assessing the impact of changes in income and expenditure on people (specifically living standards and children), their budgeting and access to and usage of debt and financial services.

5. Impact on households
- What has been the impact of changes in income and spending on their household
  - Living standards
  - Better or worse than over last couple of years (refer back to calendar)
  - In what ways (may help to think in terms of best vs worst times)
    - Housing
    - Food
    - Clothing
    - Other material possessions
    - Leisure/social/treats
  - Individuals
    - Who has seen most impact (focus on children)
    - Why those in particular
    - Who has missed out and why
      - Has this got better or worse
    - What have been the changes
      - Living conditions
      - Clothing/materially
      - Health
      - Happiness/state of mind
      - Social interaction
      - Learning

- Probe on children if not covered above
  - What changes have had most effect
    - Material changes
      - Housing improvements (moved/repairs/insulation/heating etc)
      - Improved food quality
      - Educational material/books
      - Trips/holidays
      - Clothing
      - Furniture/decorating rooms
      - Appliances (washing machine vs games consoles etc)
      - Loss of “benefits” (e.g. free school meals etc)
  - Psychological impact
    - Parents less/more stressed
    - Impact on child
    - Changes in guilt of not being able to contribute
    - Changes in pressure of having to help out (chores/money)

6. Impact on money management
- Does the budget always work?
  - Circumstances and reasons
    - Times of year (start of school year, new job etc)
    - Set backs/disasters
    - Highlight any key examples from past (log on calendar)
  - Do all abide by it
    - Who does/does not
    - Impact
    - What happens when it does not work
      - Contingency plans
      - Friends and family
      - Loans
      - Winners and losers in the budget (look out for emphasis on children)
    - Who gains most
    - Who gains least

Appendices – Fieldwork documents
7. Impact on loans and debts
   • Gain details of the nature and scale of any debts/loans
     - Formal loans
     - Bank loans
     - Overdraft
     - Credit/store cards
     - Catalogues
     - HP
     - Social fund
     - Credit unions
     - Work advances
     - Student loans
   • Informal loans
     - Private companies/loan sharks/money lenders
       - “Tallyman/’tick’
     - Pawnbrokers
     - Cheque cashing companies
     - Family/friends
     - Rent/mortgage/council tax arrears
     - Utility bills
   • For each
     - When taken out (link with change in income on calendar)
     - Reasons behind
       - Any hierarchy obvious (establish which facilities used first and for what/when)
   • Impact on repayment
     - Priorities
       - Importance of repayment relative to changes in income and spending
     - Any changes
       - Any forced repayment due to increased income
       - Rates/interests

8. Impact on usage of and access to financial services
   • Details of accounts and other services used now
     - Current accounts
     - Savings accounts
     - Formal credit/loans
     - Social fund (see below)
   • How long have they had these (refer to calendar)
     - Link to changes in income
     - Link to moving into work
   • Reasons behind any changes
     - Changes in access/new options
       - Any new debts
       - Any new methods of borrowing
   • Any awareness or use of Social Fund
     - Impact of moving into work
       - On access to Social Fund/other borrowing
       - Changes to entitlement
       - Is SF/other credit still required
       - What replaces this facility
     - And on repayment of Social Fund loans
       - Costs associated with the move
       - Perceptions of importance
       - Any forced repayment
   • Impressions of such services
     - Usage
       - Convenience
       - Ease of use
     - Influences on decision-making
     - Implications and impacts for different people in the household
9. Reflections

Aim: end the interview on a more positive note and to show that we value their participation and opinions.

- Overall feelings about their financial situation
  (Refer back to calendar, proforma and any key issues mentioned throughout the interview and probe where necessary)
  - What changes would they like to see
    - For themselves
    - For others in similar situations
    - How would they use any future increase in income
  - Messages back to DWP about the experiences of families with children
Study of families with children - Follow-up

We interviewed you last year as part of an important ongoing survey about families and bringing up children which we carried out on behalf of the Department for Work and Pensions (DWP). Thank you for taking part, the information you provided has been very helpful and we hope that you will continue to take part in the survey.

I am now writing to tell you about a small follow-up study, which we will be carrying out in your area. This very important study will be looking in detail at how families with children make ends meet and will be used to help the Government improve policies for families with children. It is crucial that we talk to families like you and your views and experiences will be very valuable.

We are inviting a small number of people who are ongoing participants in the Families and Children Study to take part in this follow-up study. Someone from our research team may be in touch with you over the next couple of weeks to tell you more about the study and to see if you would be prepared to take part. We may not be able to include everyone in your area so if we do not contact you, thank you again for your continued help with the Families and Children Study.

The National Centre for Social Research is an independent research institute and, as with the ongoing survey, all information given is treated confidentially. The findings from the study will not identify you or your family. The names of those who take part in the study will not be passed on to anyone outside the National Centre.

If you have any queries about this follow-up study, please call me at the National Centre on XXXX.

With thanks

Yours sincerely

Chris Farrell
Senior Researcher
Study of families with children - Follow-up

Thank you very much for agreeing to take part in our research study, a follow-up of the Families & Children Survey which will be looking in detail at how families spend their money. As discussed over the phone, this will involve talking to you in some depth about your financial circumstances, but to re-iterate, everything you say will be treated as confidential.

The interview will take place on:

date: date and day

time: time

The interview will last about an hour and a half, and will be carried out by me. The National Centre for Social Research is an independent research organisation working on behalf of the Department for Work & Pensions in this case.

If you have any questions or would like to talk about the research at all, please contact me on XXXX at the National Centre.

Yours sincerely

Chris Farrell
Senior Researcher
Study of families with children - Follow-up

Thank you so much for taking the time to talk with me recently. Your help with this study has been invaluable in developing an understanding of how families with children make ends meet.

As we may have told you, you may still be asked to take part in the main Families and Children’s Survey that is due to start soon. We hope you will want to continue helping us with this research and we will be in contact with you in the near future.

Once again, many thanks for your help.

Kind regards

Chris Farrell
Senior Researcher
Appendix B
Explanation of hardship measure used

The hardship measure used in FACS is based on the following nine factors:

- Reports two or more problems with quality of accommodation.
- Lives in overcrowded accommodation.
- Cannot afford to keep home warm.
- Worries about money almost all the time and runs out of money most weeks.
- Has no bank account and has two or more debts.
- Has a relative material deprivation score on food items in the highest 20 per cent.
- Has a relative material deprivation score on clothing items in the highest 20 per cent.
- Has a relative material deprivation score on consumer durables in the highest 20 per cent.
- Has a relative material deprivation score on leisure activities in the highest 20 per cent.

Scores on the nine-point scale are then grouped into the three following categories:

- No hardship: families scoring zero on the nine point scale.
- Moderate hardship: families scoring one to two on the scale.
- Severe hardship: families scoring three or more, up to the maximum of nine.

For a further explanation see Vegeris and McKay (2002).
# Appendix C

## Sample profile

<table>
<thead>
<tr>
<th>Sample criteria</th>
<th>Couple households</th>
<th>Lone parent households</th>
<th>Totals</th>
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</thead>
<tbody>
<tr>
<td>Age of respondent:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>20-29 years:</td>
<td>3</td>
<td>6</td>
<td>9</td>
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<td>50-59 years:</td>
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<tr>
<td>Number of children:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 child:</td>
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Key:
- HA = Housing Association
- LA = Local Authority
References


## Other research reports available

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