

What is an income shock?

Understanding what an income shock is from StepChange Debt Charity



Problem debt can happen to anyone...

- Over the last 25 years we've conducted vast amounts of research into the causes of problem debt
- Our data suggests that **the public still often view debt as a personal failing, rather than a result of difficult circumstances**, or what we call an 'income shock'
- These unexpected circumstances **could happen to any of us**
- Let's explore some of the **common income shocks** that occur



Common income shocks

How would these common life events affect your finances?

Having a baby



Bereavement



Redundancy



Relationship
breakdown or divorce



Unexpected car
repairs



Care expenses



Long term illness

Experiencing an income shock

- People with debt problems tend to seek out debt advice **following an income shock**
- This could include (but isn't limited to) pregnancy, illness, relationship breakdown, a death in the family or redundancy
- **14 million people** in Britain experienced at least one income shock in the last 12 months; **4.5 million people experienced two or more**

Experiencing an income shock

- People who experienced **multiple income shocks in a year** were three times more likely to suffer a severe debt problem than those who experienced a single income shock
- People who suffer a severe debt problem after an income shock are likely to see a long term drop in their income and security, making it harder to pay back their debts

Could this happen to you?



Sally works irregular shifts on a zero hours contract



Her car breaks down but she needs to get it repaired so that she can get to work



She takes out a short term loan, but her work hours are reduced the next month



Sally has to take out further credit to pay for her living essentials, and gets further into debt



She gets ill, and can't work for a few weeks. She finds that she cannot make her payments and she starts to fall into arrears

Why people are vulnerable

Some households are more vulnerable than others and we've identified some key causes driving people to need debt advice:

- **Changes to how we work**

Some income shocks are driven by the flexible labour market. For example, in 2015 14% of jobs were removed from the job market, and 15% were created, meaning millions of people faced transitions between roles

People in insecure work are also twice as likely to experience an income shock. Almost 750,000 people work a zero hour contract as their main job

Why people are vulnerable

- **Mental health problems**

One in four people with a mental health problem are living with debt

- **Lower incomes**

Households with lower incomes and households with children are significantly more likely to experience serious debt problems

- **Stagnating wages**

Years of below inflation wage rises have left people with little spare income to cope with shocks and changes, and to put aside savings for a rainy day

Key facts

- Problem debt **can happen to anyone**. An income shock can suddenly make someone's financial situation unmanageable
- Some groups are **more vulnerable** than others
- Partners who refer customers into StepChange Debt Charity have an opportunity to **reach out to people earlier in the journey to debt advice**
- You can tell the customer about StepChange in person, on webchat, through online content, and by SMS, letters or telephone
- This can help **reduce the harm** that problem debt causes by getting them to engage with debt advice sooner

Find out more

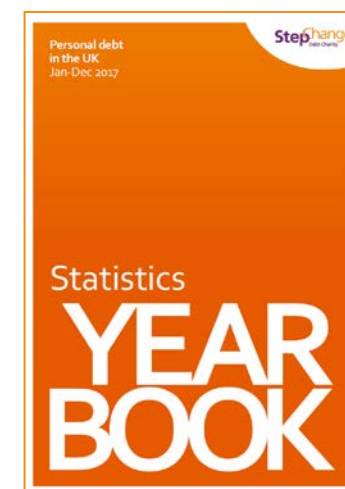
>> Read our Referral Guide

We've put together a guide for your frontline staff to help them learn how to identify a customer who needs debt advice, and refer them to us



>> Read our latest Statistics Yearbook

Our Statistics Yearbook takes an in-depth look at the 620,000 people struggling with problem debt - explore the latest personal and household debt trends





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