Navigating the New Normal

Why working families fall into problem debt and how we need to respond

Executive Summary

Millions of people are still falling into financial difficulty despite a steady economic recovery

The number of people in severe problem debt stands at 2.6 million in 2015, with 8.8 million in moderate financial difficulty.

Almost 750,000 families with children are in severe problem debt, equivalent to almost 1 in 10 families with children - a 16% increase since 2013. Low and middle income families in work are disproportionately likely to be in severe problem debt.

Problem debt is holding back families' lives and acting as a barrier to the UK government's efforts to reduce the deficit and improve life chances

The stress and anxiety of problem debt makes people less productive at work, hinders their ability to get a new or better paid job, and can tear families apart. The prospect of heavy debt repayments acts as an additional barrier to work for people who have fallen into debt after an income shock.

The total cost of problem debt is £8.3 billion, through the additional strain on health services, lost productivity, lost jobs and longer term reliance on welfare and support services.

A strategy to boost prosperity based chiefly on reducing unemployment is not sufficient to keep working families out of problem debt

Despite low headline unemployment figures, for millions income shocks remain a fact of life for many, and the primary driver for problem debt - 73% of people in problem debt experienced an income shock in the last year.

Income shocks are driven by aspects of our flexible labour market. In the last year 14% of jobs were deleted and 15% created, meaning millions of people faced transitions between jobs.

People in insecure work were twice as likely to experience an income shock. Almost 750,000 people work a zero hour contract as their main job, and there are 1.26 million people in part time jobs and 565,000 people in temporary jobs who would have preferred a full time or permanent job. These numbers are not significantly down on their mid-recession levels.

Meanwhile, 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.

There is a 'new normal' of frequent income shocks and changes that many people struggle to adjust to

14 million people in Britain experienced at least one income shock in the last 12 months, including 4.5 million people who experienced two or more.

People who experienced multiple income shocks in a year were three times more likely to fall into severe problem debt than those who experienced a single income shock.

People who fall into severe problem debt 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, and leaving them at greater risk of further shocks to their income.

Many people find that their safety nets are not adequate to deal with income shocks – and so they rely on credit to keep up

There is a range of safety nets to help people deal with income shocks - including personal safety nets of savings and spare income, and the welfare safety net.

Many of our clients relied on savings and welfare alongside credit to keep up with their essential costs, but many found - particularly those who only claimed out of work benefits - that welfare wasn't sufficient to meet their costs after a large drop in their income.

In total, 6.5 million people used credit to cope after an income shock in the last year, and they were twenty times more likely to fall into severe problem debt than those who were able to adjust to their finances without credit. A third (34%) of people who used credit to keep up after an income shock could not last a week on their savings if their income dropped by a quarter.

People were more likely to rely on credit as part of their coping strategy after experiencing multiple or sustained shocks to their income, as well as reductions or variances in their income.

Using credit as a 'safety net' is a risky strategy that tips most people into financial difficulty, making it harder to bounce back

More than two thirds (68%) of people who use credit to cope after an income shock fall into financial difficulty.

Low and middle income families and people who face outright drops in their income and multiple income shocks are the most likely to fall into severe problem debt after relying on credit to keep up. People are more likely to fall into moderate financial difficulty after using credit to keep up with reductions or variations in their income, but this increases their vulnerability to problem debt after another income shock.

Using high cost credit (payday loans, guarantor loans, pawn shops and home-collected credit) as part of a coping strategy tips the greatest proportion of people into financial difficulty, but a high proportion of all those who relied on overdrafts and credit cards as part of their coping strategy also fell into financial difficulty.

Britain needs a long term strategy to help people deal with the shocks they face without falling into severe problem debt

The policy debate on safety nets has been focused on encouraging people who are unemployed back into the labour market. Policy has not yet responded to prevent longer term difficulties arising from the new normal of income shocks that many face.

Our research has shown that there are significant gaps in people's safety nets that leave them reliant on credit to keep up with their costs while they make efforts to stabilise their finances. 1.7 million people fell into severe problem debt after using credit to keep up after an income shock.

To cut the £8.3 billion cost of problem debt, the Government should develop a plan to boost families' financial resilience, focused on creating the responsive safety nets people need. This is not just about welfare. Welfare is vital, but it will never be enough to help everyone weather shocks and changes to their income.

Action is needed to boost people's personal safety nets, which could include StepChange Debt Charity's proposals of better targeted help for low and middle income families to build up savings reserves, and introduce a Breathing Space protection to stop people's credit commitments from spiralling out of control.

Key to boosting families' financial resilience is plugging the gap between people's reduced income and their essential costs after they've faced an income shock. People need support at the point of a drop in income to help meet their essential costs while they seek to stabilise their finances, and to avoid them being driven to make drastic, life changing decisions which could delay their aspirations by years. There are a number of options, such as a greater contributory element to welfare payments, a bolstered system of income protection insurance, and an enhanced provision for low cost loans that are available to a wider demographic of households.

Contents

Methodology

To understand the scale of problem debt and factors that contribute to people being in problem debt, we conducted a number of research projects.

National polling

We conducted a large national poll with YouGov PLC to understand the scale of financial difficulty across the population of Great Britain and the key factors driving them. The poll had responses from 4,771 GB adults. The fieldwork was undertaken 10th-12th August 2015. The figures have been weighted and are representative of all GB adults (aged 18+).

We conducted extensive analysis on the poll's results to examine how different segments of the population coped with income shocks and changes in their circumstances, and what the outcomes of their actions were.

Where we extrapolate national figures from this data, these are calculated by StepChange Debt Charity using 2013 population estimates from the Office of National Statistics which indicate that there are 49,478,070 adults in Great Britain

The poll repeats a set of questions from a large YouGov PLC opinion poll first carried out in December 2013. One repeated question asks the public if they have carried out any of six objective signs of financial difficulty: making minimum repayments on credit commitments for three months or more, falling behind on essential bills, using credit to pay essential bills, using credit to keep up with credit commitments, using credit to make it through to payday, and getting hit with overdraft or late payment charges on a regular basis. We consider people showing 3 or more signs of financial difficulty to be in 'severe problem debt', and people showing 1 or 2 signs to be in 'moderate financial difficulty.

A client survey

We conducted a poll of StepChange Debt Charity clients to find out about their work history, their experiences of changes to their family finances and how they adjusted to them, and how being in debt affected their outlook.

The sample was 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. The fieldwork was conducted 15th July – 11th August 2015. We consider our clients broadly representative of all British adults in severe problem debt.

With our clients' consent, we were able to link responses to the survey to other data we already held about respondents. This enabled us to analyse demographic and financial characteristics of clients who reported different experiences of financial difficulty.

Introduction

Problem debt continues to hold back millions of families across Britain. Despite three years of steady economic growth and record low unemployment rates, 2.6 million people in Britain are in problem debt and 8.8 million people are in moderate financial difficulty.[1]

Problem debt is primarily driven by income shocks, as people struggle to adjust to changes in their family circumstances. 14 million people had an income shock in the last year, and people who had income shocks account for almost three quarters of people in severe problem debt.[2]

Income shocks remain a fact of life for many because there has been a steady churn in the jobs market. Many face gaps between jobs even while unemployment remains low. Meanwhile, the rise in people in insecure work – in temporary or part-time jobs through a lack of choice, working zero hour contracts - means more people are likely to experience income shocks more regularly. Almost 1 in 10 Britons experienced at least two income shocks in the last year.[3]

Not only are shocks a fact of life for many, but people's vulnerability is compounded by weak financial resilience. Years of below inflation wage rises have left many with scant headroom in their finances to adjust to changes in their income, and scant savings to help them smooth over gaps or drops in their income. This is compounded by a lack of coverage of the welfare safety net for many households. As a result, many are left with no choice but to rely on credit as part of their coping strategy for dealing with income shocks – and for too many this leads to them falling into problem debt.

People need a comprehensive system of safety nets to help them adjust to life's ups and downs sustainably. In recent years, the debate around safety nets has tended to focus on welfare's role in maintaining living standards and encouraging long term unemployed people back into work.

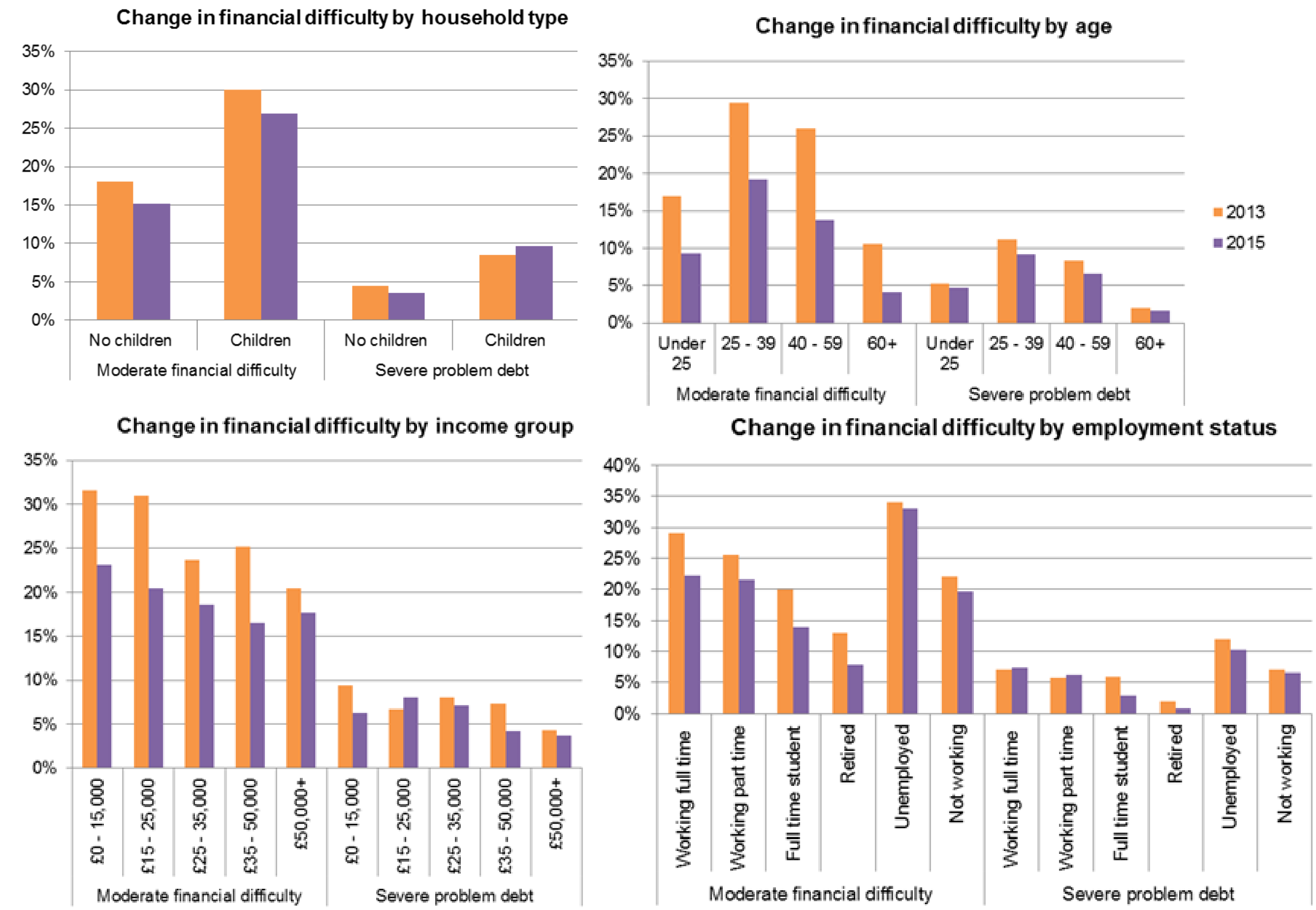
The role of preventative role of safety nets has been overlooked, particularly in light of the income shocks that millions of working people face every year. The welcome decision not to cut tax credits will ensure some people have a more complete safety net for now, but many will continue to face significant shortfalls that leave people resorting to credit to keep up after an income shock.

Helping people avoid severe problem debt in the next phase of economic recovery means ensuring that there is a system of safety nets that boost Britain's financial resilience and better help people manage changes in income.

Who is in problem debt in 2015?

There has been a 10% reduction in people in severe problem debt since 2013. This is welcome, but there is a significant way to go to help families avoid the long term consequences of problem debt. Some groups are disproportionately likely to be in problem debt and to have seen little or no improvement in their circumstances in the last two years.

Problem debt in 2015: who's in debt now and how has it changed since 2013?



Sources: YouGov PLC online survey (1). Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015. YouGov PLC online survey (2). Sample: 4,442GB adults, fieldwork: 17th - 20 December 2013.

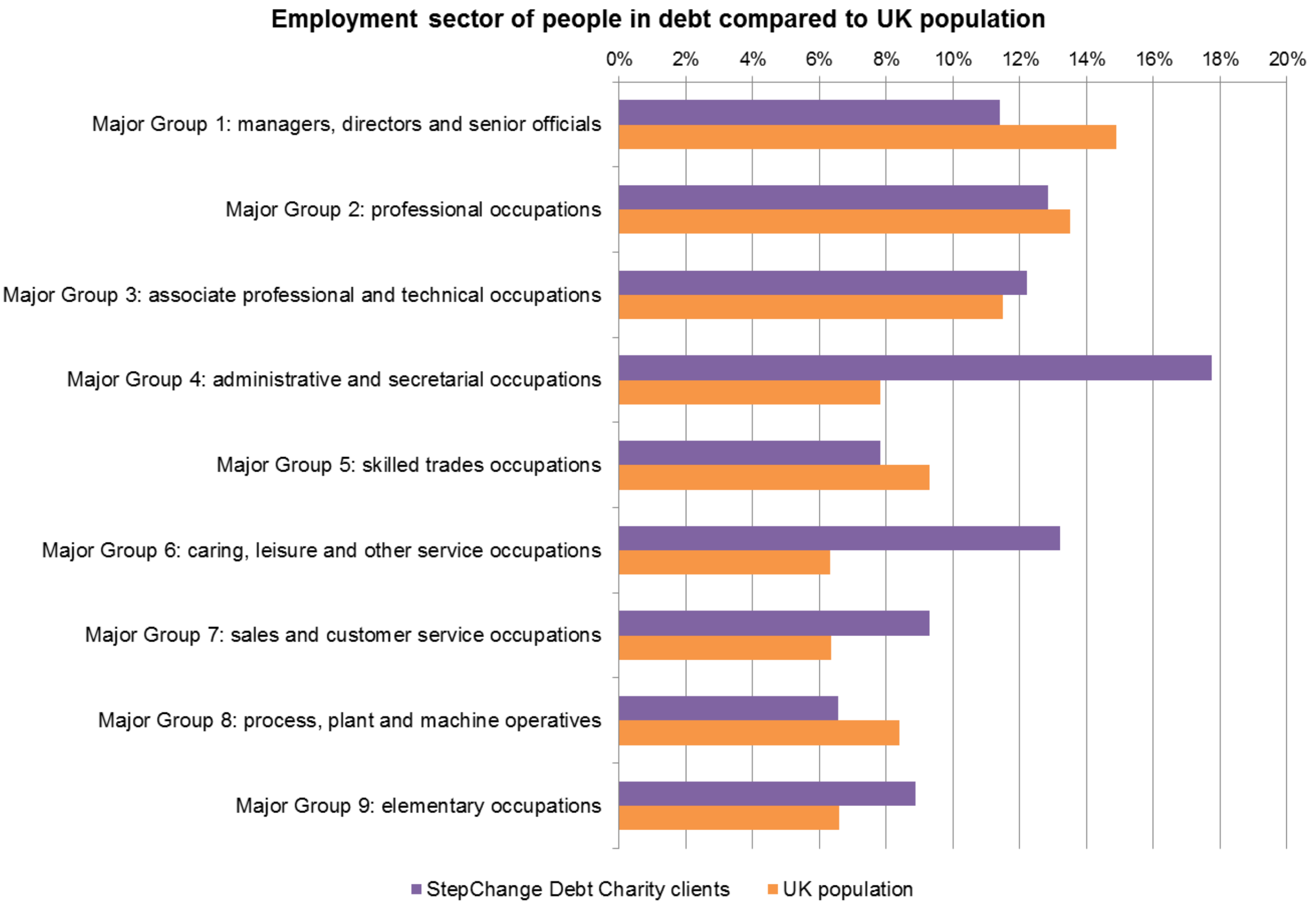
Families with children are significantly more likely to be in moderate financial difficulty or severe problem debt than those without. Almost 1 in 10 families with children are now in severe problem debt – more than twice the proportion of those without children. There has been a worrying 16% increase in the number of families with children in severe problem debt since 2013.

People in their late 20s and 30s are almost twice as likely to be in severe problem debt as under 25s. Nevertheless, under 25s have seen the least improvement in their circumstances. 40 – 59 year olds are the second most likely group to be in severe problem debt. Problem debt is a working age issue.

Low and middle income families are most likely to be financial difficulty. Those on low-middle incomes (£15,000 - £25,000) are now most likely to be severe problem debt, and the proportion in severe problem debt has increased since 2013. People on middle incomes (£25,000 - £35,000) are now second most likely to be in severe problem debt, followed by those on the lowest incomes (under £15,000). So problem debt is a low and middle income issue.

Work status. People who are unemployed are most likely to be in severe problem debt. But there have been increases in the proportion of people in full and part time work who are in severe problem debt. 1.7 million people in full or part time work are now in severe problem debt. Problem debt is an in-work issue as well as an out of work issue.

People in problem debt are a picture of the working low and middle income family. Analysis of StepChange Debt Charity clients' jobs suggests they are also more likely to work in sectors noted for persistently low pay, poor pay progression, and a higher proportion of workers in insecure roles.



Source: StepChange Debt Charity analysis of client survey. StepChange Debt Charity client survey. Sample: 1,300 StepChange Debt Charity clients who sought advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015 Office for National Statistics ASHE 2014

These multiple factors make people more likely to be in or at risk of falling into severe problem debt. Uneven earnings are more likely to be a feature of their lives, and persistently low pay weakens their financial resilience and makes it harder for them to work their way out of problem debt once they have fallen into it.

Additionally, the outlook for people working in these sectors is concerning, as the risk of debt is unlikely to go away. While some will experience an uplift in pay from the introduction of the National Living Wage, the same people will also likely see cuts to the real terms value of in-work benefits and tax credits. It may therefore be harder for these households to build up their resilience to future income shocks.

What's driving problem debt in 2015?

Problem debt is primarily driven by income shocks and a lack of the financial resilience that would enable people to adjust to those changes. Almost three quarters (73%) of people in severe problem debt faced an income shock in the last 12 months.[4]

Income shocks have persisted as a feature of the post-recession labour market despite low headline unemployment rates:

- The Bank of England note that a significant number of people face periods between jobs – as around 14% of jobs were deleted and created in the last year. [5] Many people will be out of work for a period, rather than moving directly from one job to another.
- Under-employment – people working fewer hours or with less security than they would like – remains a key concern. There are 1.26 million people in part time jobs and 565,000 people in temporary jobs who would have preferred a full time or permanent job. These numbers are not significantly down on their recession levels.[6] Almost 750,000 people work a zero hour contract as their main job.[7]
- Real terms wage growth has only recently started to catch up with years of below inflation rises, but remains well below pre-crisis levels.[8]

This labour market context exacerbates the risk of people falling into problem debt:

- Persistent levels of job creations and deletions means a significant proportion of the workforce face transitions and gaps in employment they need to adjust to.
- Sluggish wage growth and under-employment means people have less money to save up as an 'iron reserve' for a rainy day.
- A lack of savings means that many people can't afford to adjust to transitions and gaps in employment or drops in their income without turning to credit.
- Meanwhile, rapidly growing consumer credit lending means people are building up bigger credit commitments, including to make ends meet, and which in turn leave them more exposed to ups and downs in their income.[9]

These features of the labour market and the economy are persistent: they amount to a new normal for many working households, who face more ups and downs over their working life.

Managing finances sustainably in these conditions isn't easy. Of the 14 million people who experienced a shock or a change in the last year, 6.5 million people used credit as part of their coping strategy; 1.7 million of whom fell into severe problem debt and 2.7 million fell into moderate financial difficulty as a result.

Why should problem debt matter to Government?

Problem debt sets back the Government's efforts to boost productivity, to improve work incentives, and to support families to achieve their aspirations.

Problem debt is conservatively estimated to have social and economic costs of £8.3 billion due to the effect it has on people's mental health, their productivity, their ability to hold down a job and find a new job, the risk of losing their home, pressures on relationships, holding back children's education, and increasing the risk of children being taken into care.[10]

Considering these costs and consequences, a key objective of policy over the rest of this Parliament should be to build stable, resilient household finances that reduce the risk of people falling into longer term financial difficulty when they try to adjust to life's inevitable ups and downs.

That little progress has been made in the last two years, while employment has risen to record levels, suggests that work on its own hasn't been sufficient to protect many families from longer term financial difficulty. Life is riskier for many - partially, at least, due to the steps that Government and employers are taking to manage their own risks as part of the first economic cycle since the recession, for example by offering less secure jobs or seeking to reduce spending on welfare.

Creating a society free from problem debt, where families are able to weather life's ups and downs without falling into longer term difficulty, requires a strategy to help families to sustainably manage the risks they face.

The key questions

This report looks at how to break the link between income shocks and problem debt, by exploring:

- The 'new normal' of income shocks and changes in circumstance that people face – and how these lead to people falling into difficulty.
- How people adjust to shocks, and what leads to people using credit.
- the factors that lead to people falling into difficulty when they tried to cope by using credit.

The report goes on to look at the implications of the 'new normal' for the safety nets people need when they face income shocks and changes to their circumstances, and sets directions of travel for how any gaps in the existing range of personal, welfare and other safety nets can be addressed.

The New Normal of income shocks

Income shocks are the primary driver of problem debt. More than 7 in 10 people in problem debt experienced an income shock in the last year. Where people use credit to keep up after an income shock, they are 20 times more likely to end up in severe problem debt than those who don't use credit.

This is particularly concerning, when income shocks are a persistent feature of the labour market. Indeed, some people are facing more regular shocks and changes in their income, and are also less able to adapt to the changes.

14 million people experienced an income shock or a change in their circumstances in the last year – equivalent to 28% of the population. Of that 14 million, 4.5 million people – 9% of the population – faced two or more income shocks in the last year.

The number of shocks people experience is a key determinant of whether they fall moderate or even severe financial difficulty:

- More than 600,000 people (7%) who experienced one shock in the last 12 months ended up in severe problem debt and 2.8 million people (31%) ended up in moderate financial difficulty.
- Just under 1 million people (22%) who experienced two or more income shocks in the last 12 months ended up in severe problem debt and 1.2 million people (28%) ended up in moderate financial difficulty.

The correlation between income shocks and problem debt is clear. This chapter examines what factors about the 'new normal' of regular income shocks drives people into difficulty, by looking at:

- The income shocks people experience and who experiences them.
- How people's income and security changes as a result of an income shock.
- The implications of income shocks for people's ability to keep up with their costs.

The experience of income shocks

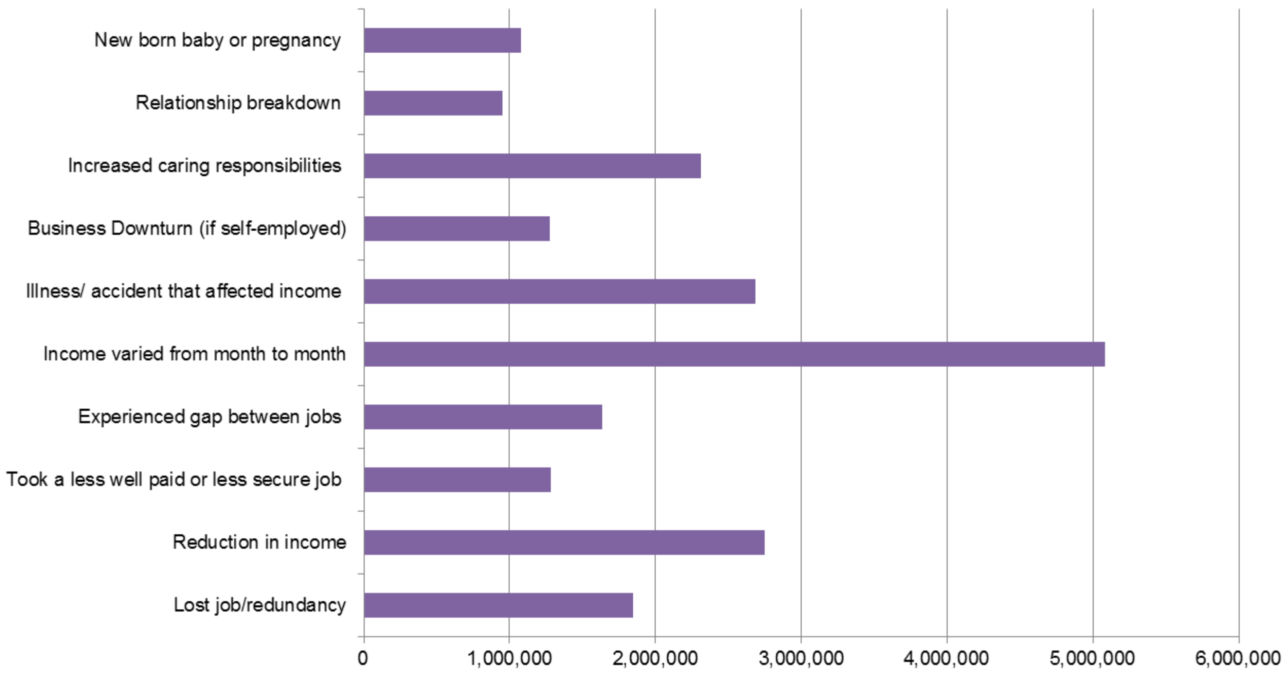
Overall, 28% of the British population faced an income shock or change of circumstances in the last 12 months. Within that, though, some groups are more likely to experience income shocks than others:

- ***People on low and middle incomes are more likely to experience shocks:*** 32% of the lowest earning households (£0 - £15k) and 28% of those on low-middle incomes (£15 - £25,000) experienced an income shocks - those on higher incomes were significantly less likely to experience an income shock.

- ***People with less secure jobs are more likely to experience shocks:*** 59% of those working a fixed term contract job, 67% of those working a zero hours contract, 53% of those who are self-employed.
- ***Families with children are more likely to experience income shocks:*** 37% of those with dependent children at home experience an income shock or change of circumstance in the last year, compared to 25% of those without children.
- ***Working age adults are more likely to experience income shocks:*** People aged 25 - 39 were most likely to experience a shock or a change (37%) and 40 - 59 year olds were also disproportionately likely to (33%).

People face a range of changes to their circumstances. Some involve significant drops in their income, such as the sustained loss of a job or taking a new job at lower pay, some are more about variations in income, and others are about temporary gaps in income. Others, such as relationship breakdown, can mean significantly altered finances, where one income covers the essential costs previously covered by two incomes.

How many people in Britain experienced income shocks and changes in the last 12 months?

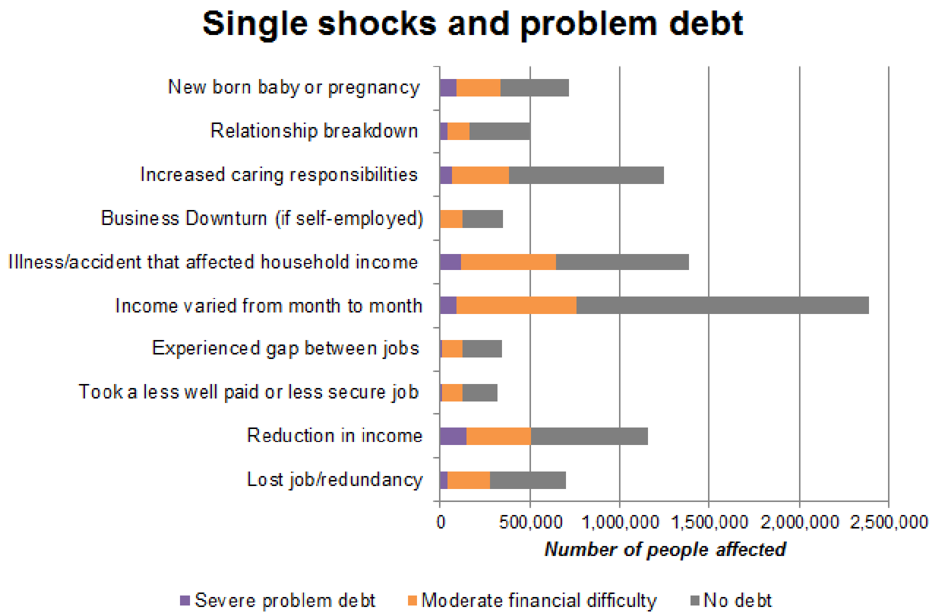


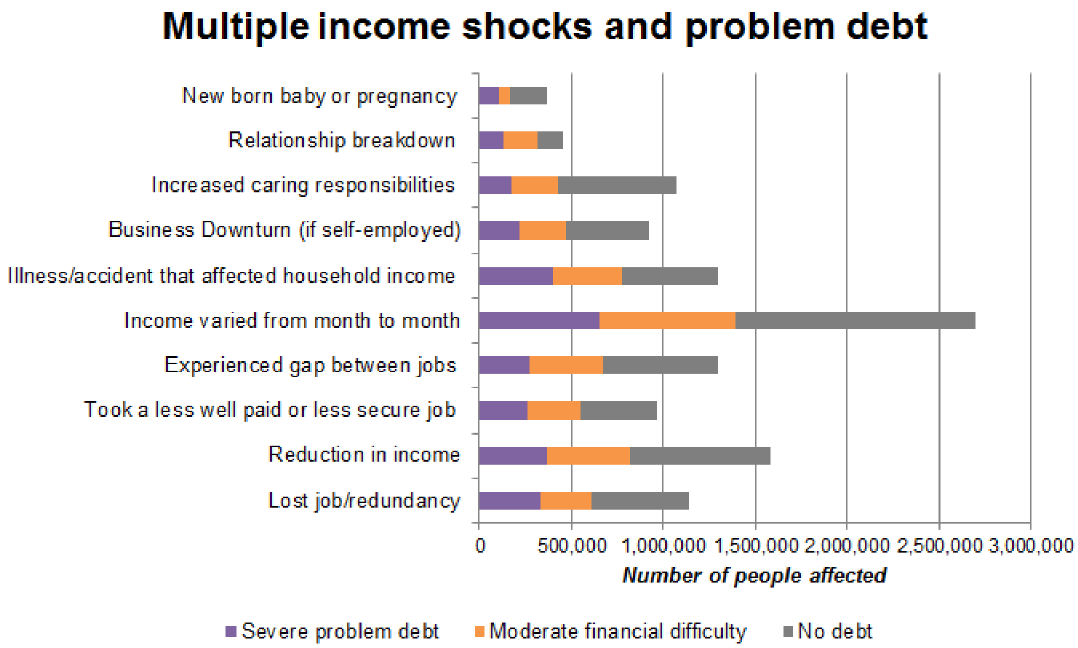
Source: YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015. Population figures calculated by StepChange Debt Charity based on estimated based

Income shocks lead people into financial difficulty

How people were able to cope with those shocks and changes varied by how many shocks they experienced.

Some people who experience a single income shock in a year fall into moderate financial difficulty, but many people are able to weather individual shocks and changes within a 12 month period. Varying incomes tips the most people into financial difficulty, but a reduction in income is the single shock most likely to push people into severe problem debt.





Source: YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015. Population figures calculated by StepChange Debt Charity based on estimated based on ONS mid-year estimates 2013.

Multiple income shocks are significantly more likely to tip people into severe problem debt. Around a third of people who lost their job or experienced an illness/injury that affected their income fell into severe problem debt. In absolute numbers, an income that varies from month to month is the income shock that tips the most people into problem debt.

Overall, it seems that more significant and sustained drops in income are more likely to mean people are unable to cope without falling into financial difficulty. Nevertheless, the widespread experience of varying incomes causes the greatest number of people to fall into financial difficulty.

Drops in security

Looking at the three years before people fell into financial difficulty, the vast majority of StepChange Debt Charity clients in severe problem debt had been in work: Just 5% of our clients were without work for more than a year in the three years before they fell into financial difficulty.[11]

Many of those who were working had a secure job, but people with insecure jobs were over-represented compared to the general population:

- 59% of full time and 48% of part time workers had a permanent job
- 15% of full and part time workers had a fixed term contract job
- 6% of full time and 11% of part time workers had a zero hours contract
- 6% of full and part time workers had a temporary job
- 12% of full time and 15% part time workers were self-employed

Now in problem debt, many of those in all types of work have seen a drop in the security of their work.

Change in employment status from three years before falling into difficulty

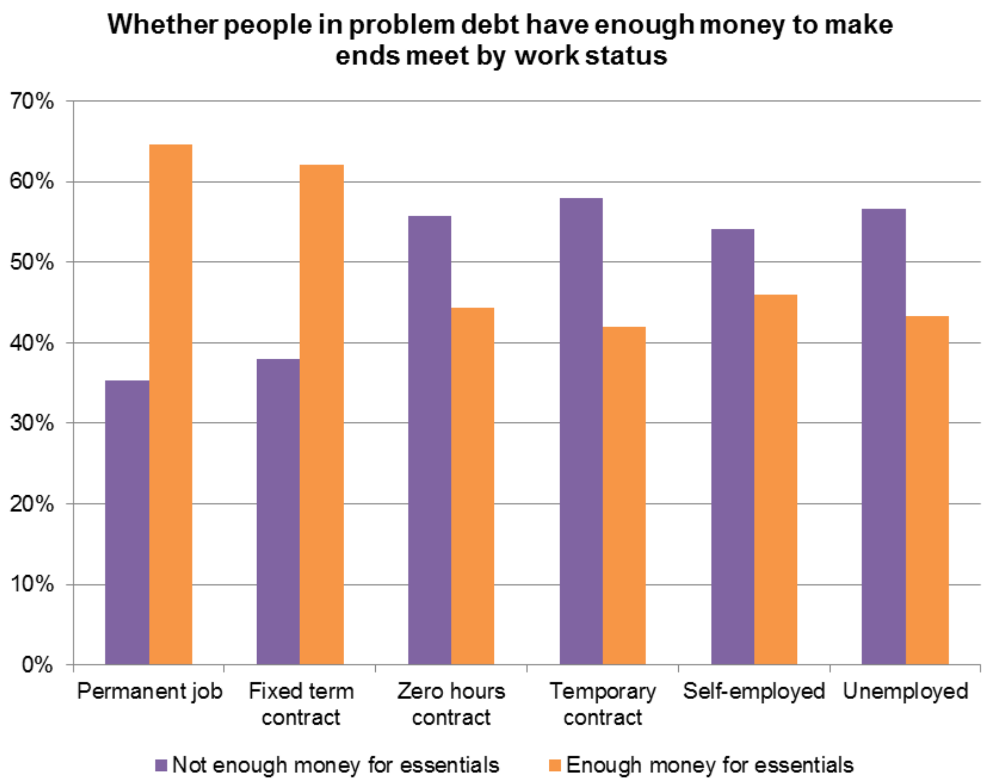
In the three years before falling into difficulty	**Now**					
	Permanent contract	**Fixed term contract**	**Temporary contract**	**Zero hour contract**	**Self employed**	**Unemployed**
Permanent contact	37%	20%	5%	4%	7%	26%
Fixed term contract	29%	32%	4%	5%	5%	27%
Temporary contract	9%	10%	31%	13%	12%	25%
Zero hours contract	14%	12%	7%	33%	10%	24%
Self employed	10%	8%	7%	4%	49%	22%

Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

Just over a third of those who had a permanent job are still in permanent work – a quarter are now unemployed, and a further 37% are now in a form of work that is less secure.

A similar pattern is seen among people who were in less secure work before falling into difficulty. Few of those who were previously working zero hour or temporary contracts have transitioned to more secure work – most are in the same or a different form of insecure work. Around a quarter of our clients who were previously employed in the three years before falling into financial difficulty are now unemployed.

The security of people's jobs after falling into difficulty has a more significant impact on whether they are then able to afford their essential costs - those who are out of work and those in insecure work in terms of whether they are almost as likely to struggle to afford their essential costs.

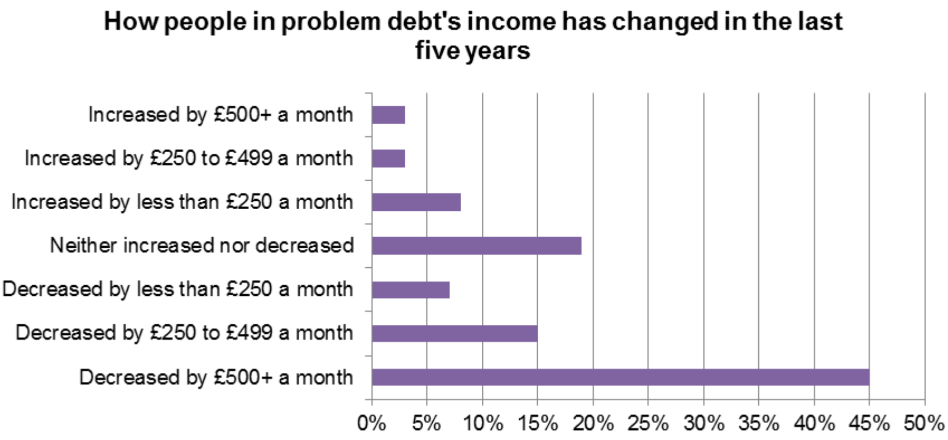


Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

People with permanent or fixed term jobs are more likely to be able to afford their essential costs once they are in problem debt. A majority of our clients working zero hour contracts, temporary contracts and self-employed do not have enough money to make ends meet. Worryingly, there is little difference between people who are unemployed and in insecure work in whether they are able to afford their essential costs.

Drops in income

Many people who fall into severe problem debt have seen significant drops in their income over the last five years, during which time people have fallen into financial difficulty



Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

4 in 10 said their income had dropped by more than £500 a month in the last five years. Around 2 in 10 saw their income drop by less than £500, some saw their income remain stable, and just 15% have seen their income increase at all in that time.

The scale of drop that people had to their income, and the reduction in job security also have an impact on people's ability to meet their essential costs: 54% of our clients who faced a £500+ drop in earnings no longer have enough money to make ends meet, 45% of clients who faced a drop in earnings of less than £500 a month did not have enough money to meet their essential costs.

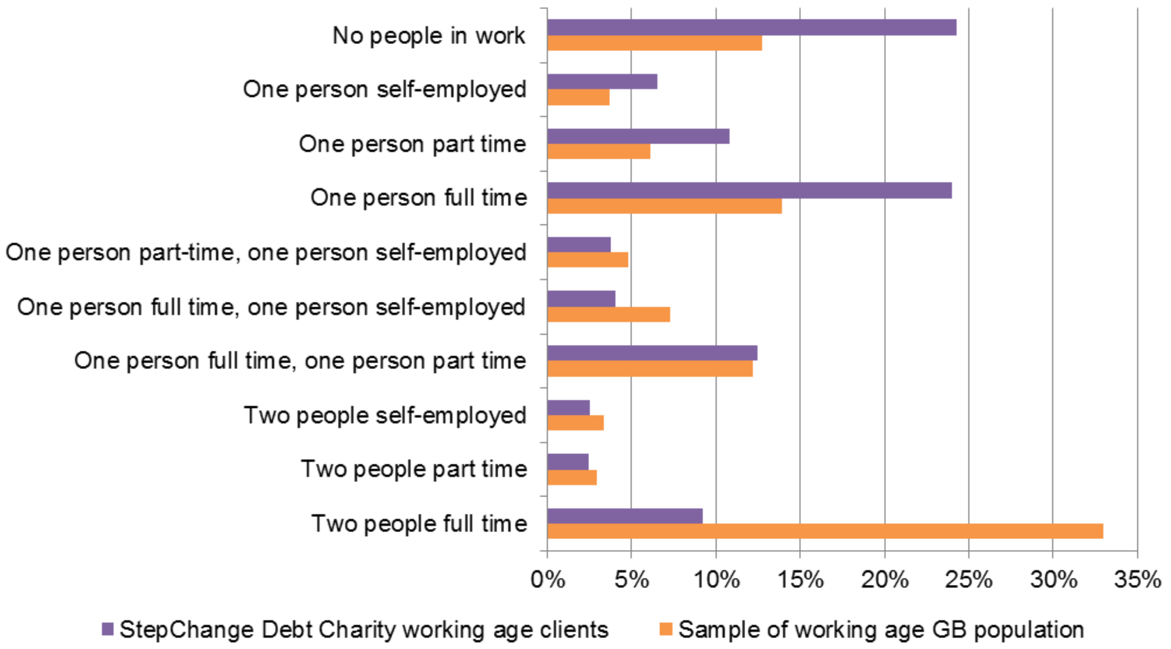
The income position of those who don't have enough money to meet their essential costs is £460 less than those who can afford their essentials, but their fixed outgoings are only £27 less after budgeting advice. This suggests that there is only so far that it is realistically possible for people to reduce their expenditure after an income shock.

Faced with such significant shortfalls, it is understandable that people turn to credit to pay bills and keep up with their mortgage or rent.

Number of incomes

Working age (under 65) households in problem debt are less likely to have two adults in full time work. Couple households in problem debt are a third as likely to have two adults in full time work as similar households who aren't in debt. They are significantly more likely to have a single adult in work at the time they come to us for advice.

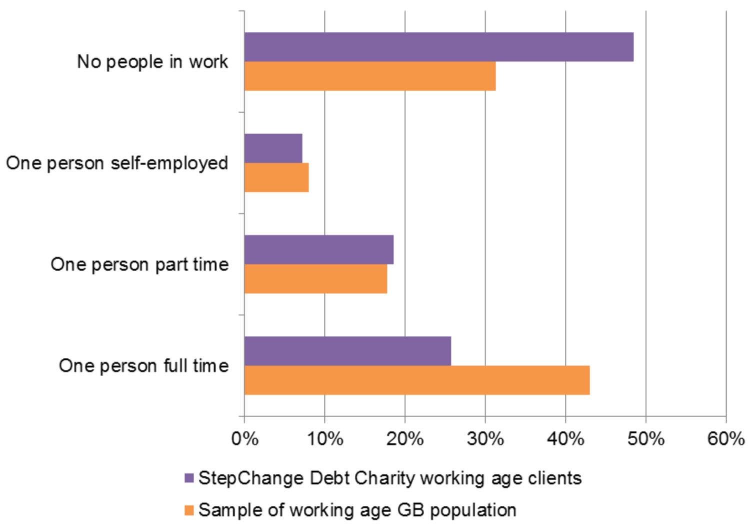
Work pattern of couples in problem debt



Sources: StepChange Debt Charity 2015 Q1/2 telephone client statistics. Total sample 87,000 people with problem debt. StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

Of those in single adult households, people in problem debt are less likely to be in full time work and more likely not to be in work than those who aren't in problem debt. But those in debt are more likely than not to be in some form of work.

Work pattern of single people in problem debt



Sources: StepChange Debt Charity 2015 Q1/2 telephone client statistics. Total sample 87,000 people with problem debt. StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

Single adult households are significantly overrepresented in our client base. Additionally, our clients in single adult households are less likely to be in full time work, slightly more likely to be in part time work, and significantly more likely not to be in work when they come to us for help with their debt.

For people who are already close to the edge of their finances, the loss of any significant part of their income can make their essential costs unaffordable. Where families rely on a single income, they may be more vulnerable to income shocks because their risk is consolidated on that one income. But even for a family which has two incomes, the loss of part or all of one income can leave people unable to afford their essential costs.

Most people in problem debt are a picture of the striving, working family. Most have been consistently in work in the years before they fell into financial difficulty.

But many are drawn into difficulty by significant drops in their income and changes in their work status. The journey typically involves those who end up in insecure work or facing larger shocks unable to pay their essential costs.

It's not just about our clients. 14 million Britons faced income shocks or changes to their circumstances in the last 12 months, including 4.5 million who faced at least two shocks in that time. Significant numbers of them fell into financial difficulty.

Shocks can and do happen to anyone, but the people most likely to see their circumstances change are families with children and people in more insecure forms of work.

Income shocks come in many forms – they can be short or long term, involve an outright drop or ongoing fluctuation in earnings – or both. There are a range of circumstances for people to adjust to, and it may not always be clear to people at the point of facing a change what their odds of returning to previous levels of income and security are.

All types of income shock increase people's likelihood of falling into financial difficulty. But the outright loss of a job or a permanent reduction in hours at work significantly increases the likelihood of people falling into severe problem debt.

The loss of one income can make it hard for families to cope. Single people – dependent on a single income - are significantly more likely to end up in problem debt, but where couples fall into problem debt, the income shock is likely to see them end up with a single earner, making it harder to make ends meet.

How safety nets help people adjust to income shocks

People have a range of strategies for adjusting to income shocks or changes to their circumstances. The two main safety nets that most people expect to rely on are:

1. A range of personal safety nets – savings, spare income, insurance. They may also be able to ask for loans or support from family or friends.
2. The welfare safety net – the system of welfare benefits and tax credits that respond to changes in people's income to help them meet their basic needs.

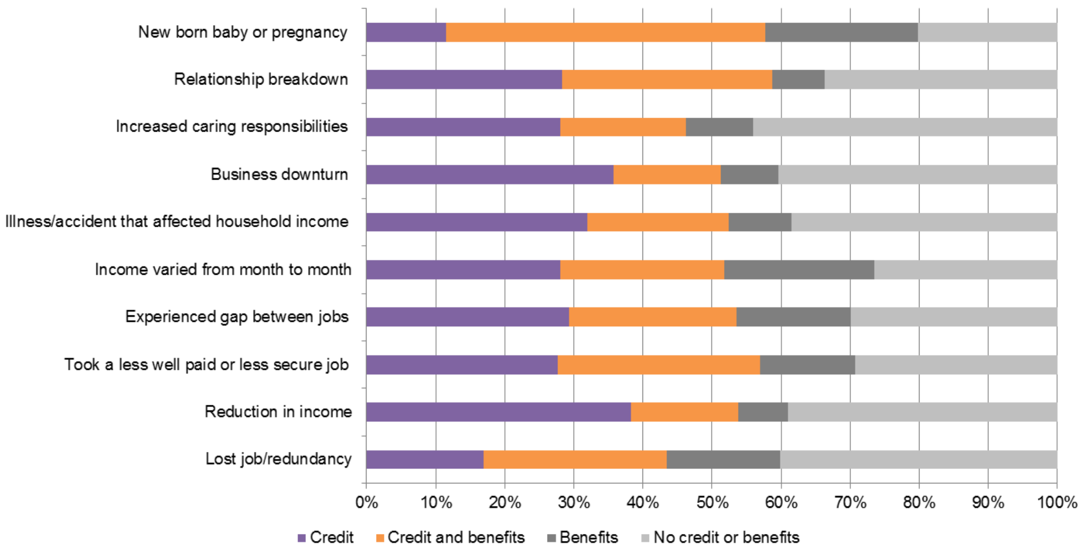
Our research has shown that where these safety nets fail to deliver people turn to a third, riskier option: credit. Of the 14 million people who faced a shock or a change in their circumstance in the last 12 months:

- 5.5 million coped without using credit or benefits
- 2.5 million used benefits
- 4 million used credit
- 2 million relied on a combination of benefits and credit.[12]

We are concerned about people's reliance on credit to cope with income shocks and changes, because the 6.5 million people who did so in the last year were twenty times more likely to fall into severe problem than those who were able to cope with an income shock without relying on credit.

The income shocks that people experience have an impact on whether people subsequently rely on credit as part of their coping strategy.

Coping strategy by income shocks

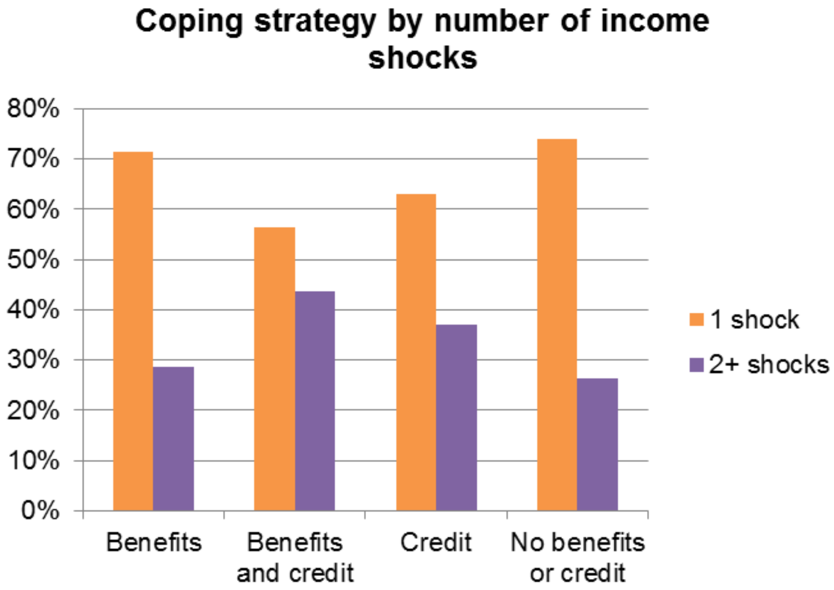


Source : StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

People are more likely to rely on credit to keep up with their costs when there is a sustained drop in their income. This may be driven by people not anticipating that their time out of work would be as long as it actually ends up being. It may instead have been driven by ineligibility or the inadequacy of welfare support. Variations or reductions in income can also see many people relying on credit as part of their coping strategy.

People are more likely to rely on benefits alongside credit as part of their coping strategy where they might anticipate that the change in their circumstances is more prolonged or permanent where they were made redundant, but also where they faced life events that may have made them newly eligible for welfare support – e.g. pregnancy and the breakdown of relationships changing their income position.

People who experience multiple income shocks are also significantly more likely to rely on credit as part of their coping strategy.



Source: YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

Both the extent and the number of shocks that people experience have an impact on whether people use credit to cope. This suggests there are limits to the extent that people's personal safety nets and the welfare safety net, even in combination, help people keep up with their essential costs.

To understand these limits in people's safety nets, we examine:

1. How people rely on different coping strategies before using credit as a safety net?
2. Why do personal and welfare safety nets fail to prevent some people from relying on credit to keep up with their costs?

How people rely on safety nets to adjust to income shocks and changes

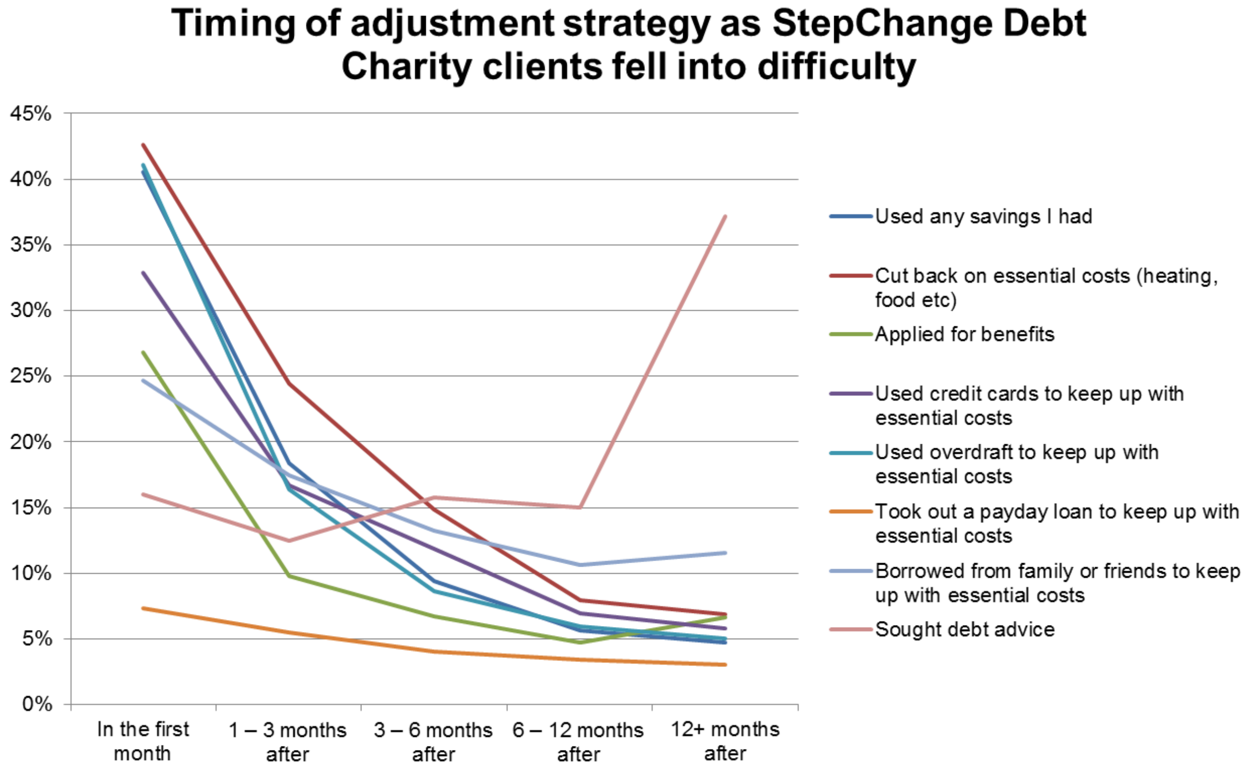
StepChange Debt Charity clients in severe problem debt used a variety of strategies alongside credit to adjust to changes in their finances.

The vast majority of people cut back on essential costs and used their savings after realising they were in difficulty.

Almost three quarters also got loans from their family and friends to keep up with essential costs. A similarly high proportion used credit cards and overdrafts to keep up with essential costs, while a much lower proportion – around 1 in 5 – used high cost forms of credit such as payday loans, pawnbrokers and home credit providers.

Just over half applied for benefits after realising they were in difficulty, and a lower proportion turned to not for profit providers such as credit unions, local authorities, food banks and charities for grants, loans and support.

People relied on different safety nets at different times. The following chart looks at the order in which people first used different tools as they fell into financial difficulty.



Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

People tended to find that their personal safety nets and welfare safety nets needed topping up quickly. Around three quarters of people who cut back on their essential costs and used their savings did so within the first three months of realising they were in financial difficulty. Although a significantly smaller number applied for benefits after realising they were in difficulty, some 7 in 10 of them applied for benefits within the first three months of falling into difficulty.

Most people turned to mainstream consumer credit like credit cards and overdrafts immediately after realising they were in financial difficulty, whereas people typically took longer to turn to high cost credit.

Some people turned to debt advice in the early months after falling into difficulty, but the majority held off doing so for a year or more. This is a persistent pattern among people in problem debt, suggesting that many do not yet consider debt advice as an early recourse, instead waiting until their debts have become completely unmanageable.

How effective are the personal and welfare safety nets?

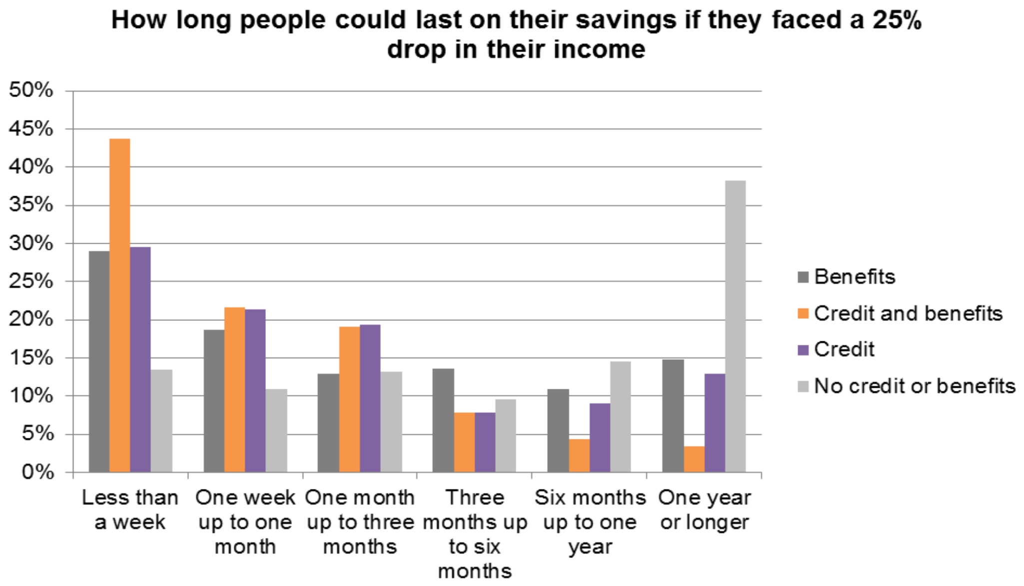
Our clients' experience suggests that people who rely on credit as part of their strategy for adjusting to an income shock are likely to have found that cutting back, using their savings and applying for benefits were not enough to meet their costs for long.

People relying on credit lacked adequate personal safety nets

People who rely on credit as part of their coping strategy are more likely to be on lower and middle incomes, who may find that they have less spare income to put aside for a rainy day, or less scope to cut back when they face shocks to their income.

The lowest income families (under £15,000) are the group most likely to rely on benefits as their coping strategy, while families on low-middle incomes (£15,000 - £25,000) are disproportionately likely to use a combination of credit and benefits. Middle income families earning £25,000 - £35,000 stand out as the most likely to rely on credit on its own – unable to cope on their own resources, and being less likely to apply for benefits.

People who relied on credit and/or benefits to adjust to a change in their circumstances were more than twice as likely to not be able to last on their savings.



Source: YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

72% of people who used credit to adjust to a change in their circumstances do not have the savings to sustain a quarter drop in their income for a period of three months. This rises to 80% of people who relied solely on benefits to cope with a drop in their income.

Worryingly, 34% of those who used credit to cope couldn't last a week on their savings if their income dropped by a quarter.

These figures reflect people's finances after an income shock, so it may be that they now lack savings after having expended them trying to keep up before turning to other strategies to keep up.

Nevertheless, it shows how a single income shock can leave people's personal safety net depleted, making them more vulnerable to future shocks to their income. Indeed, 48% of people who faced two or more income shocks couldn't last a month on their savings if they faced a 25% drop in their income, compared to 36% of those who had faced one shock and 19% of those who hadn't experienced a shock in the last 12 months.

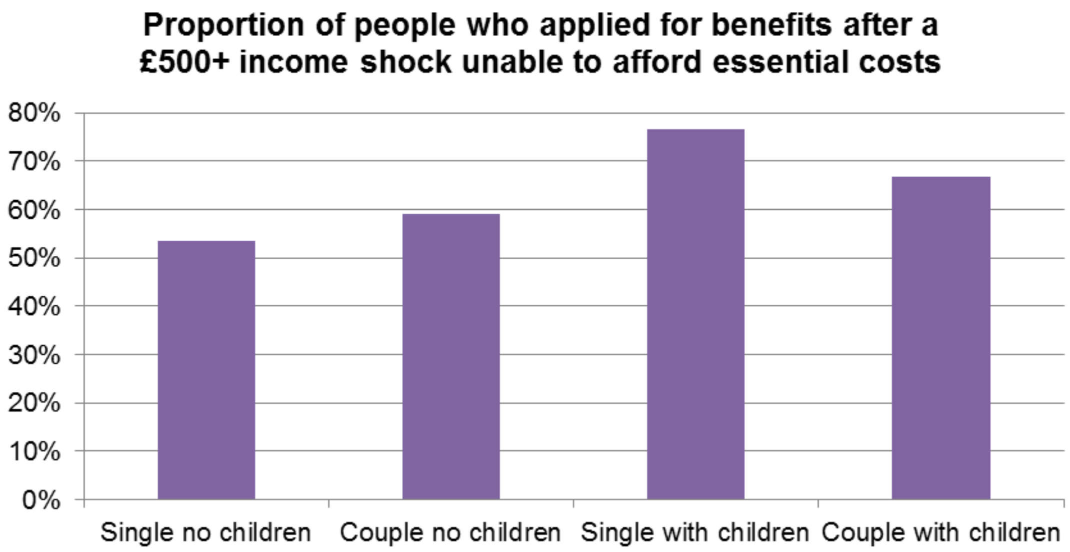
Overall, it is clear that low savings reserves correlate with people being much more likely to need to rely on credit to keep up with their costs, and that there is a link between the number of shocks that people experience in a 12 month period and their financial resilience to deal with further shocks.

How shortfalls in the welfare safety net affect how people cope

Welfare has an important role in helping maintain acceptable standards of living for many people on low incomes. It also has a role in helping people cope with shocks and changes to their income.

Looking at all of our clients who receive welfare benefits, it's clear that these benefits play a relatively effective role in helping many people make ends meet. More than three quarters (76%) of clients who receive child tax credits are able to meet their essential costs, but this drops significantly when looking at out of work benefits. Just 68% of our clients receiving Employment and Support Allowance (ESA) and 52% of those who receive Jobseeker's Allowance (JSA) are able to meet their essential costs.[13]

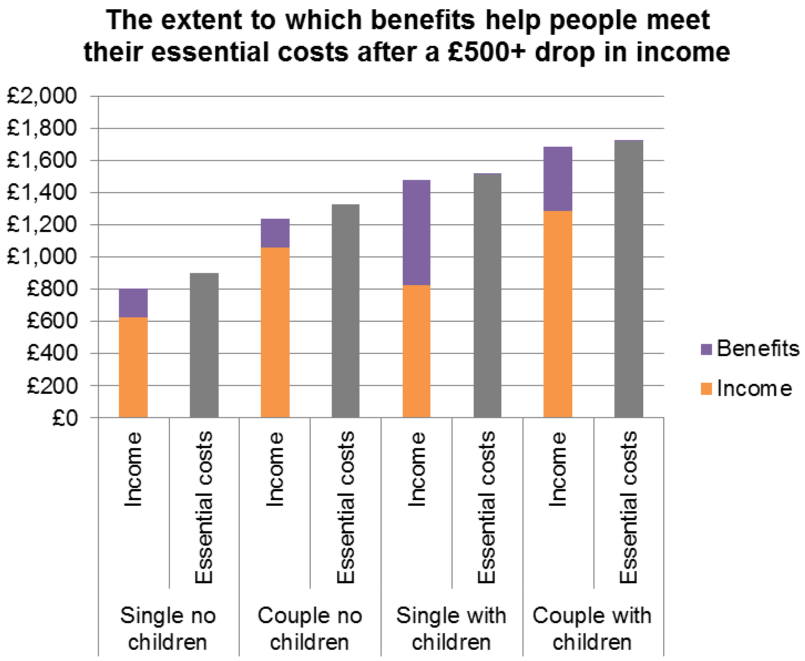
But when people face a larger drop in their income of £500 or more and subsequently apply for benefits as part of their coping strategy, a lower proportion of people are able to meet their essential costs – a reflection of how the welfare system responds to larger drops in income, and how it's difficult for people who start with higher essential costs to adjust to their costs when they rely on welfare.



Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

Single parents were the most likely to find that their costs were not met by benefits after falling into difficulty, but a majority of all household types who faced a £500+ drop in their income found that they didn't have enough money to meet their basic costs – even after budgeting advice from StepChange Debt Charity, which identifies ways to reduce spending according to strict, widely accepted budget guidelines.

Looking at the average benefits and other income people received after facing a larger income shock, it is clear that - regardless of the allowances made for different types of households - it is on average not sufficient to plug the gap between people's income and essential costs once they have faced an income shock.

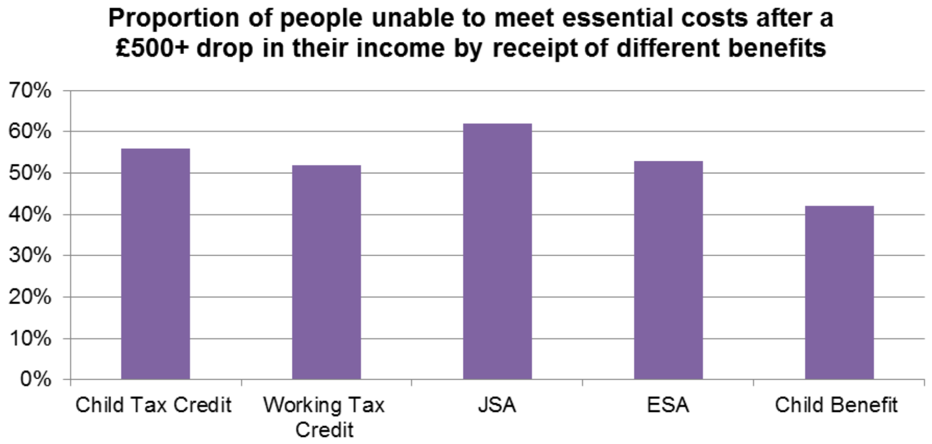


Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

Across every type of household, the average essential costs of households receiving benefits were higher than their income from work and welfare support. But the gap is widest for households without children – after applying for benefits, single people were an average of £94 short of meeting essential costs, and couples were £92 short.

Families with children were closer to being able to meet their essential costs – single parents were on average £30 short each month, and two parent families were £34 short.

Some benefits do a better job of helping meet their essentials than others:



Source: Analysis of StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.

These figures show the proportion of our clients who faced a £500+ drop in their incomes and cited an income shock as the main reason for their problem debt who are able to meet their essential costs after receiving each of these benefits.

After facing an income shock, tax credits, child benefit and ESA tend to go further in helping people meet their essential costs than JSA.

Analysis of people receiving multiple benefits after an income shock shows that tax credits in the mix of support tends to help more people adjust to their essential costs. Where people receive tax credits alongside JSA, 60% have enough money to meet their essential costs (compared to 46% for all people relying on JSA).

The administration and the perceived speed and effectiveness of the welfare system has an impact on people who may need to rely on it when they face a shock to their income.11% of people who applied for benefits said the waiting time for benefits to be paid was one of three key factors that meant they didn't have enough money to make ends meet.[14]

Both the replacement rate and the administration of welfare feed into a wider perception that welfare is not adequate or dependable as a safety net.

- Just 17% of people say that they would find the benefits and tax credits system easy to understand and quick to use.
- Just 13% of people are confident that they would get enough benefits and tax credits to cover their basic costs if they lost their job.[15]

People who relied on credit as part of their coping strategy were less likely to have confidence in the benefits system, suggesting that perceptions correlate with relying on credit to keep up after a shock to their income.

Of the 14 million people who faced an income shock or a change to their circumstance in the last year, 6.5 million people used credit to keep up with their costs.

People use credit as part of their coping strategy to keep up when their personal and welfare safety nets fail to help people adjust to the income shocks and changes in circumstances they face.

Those whose safety nets fail them tend to be on lower and middle incomes and tend to have faced more significant and sustained drops in their income, and/or multiple income shocks in the last year.

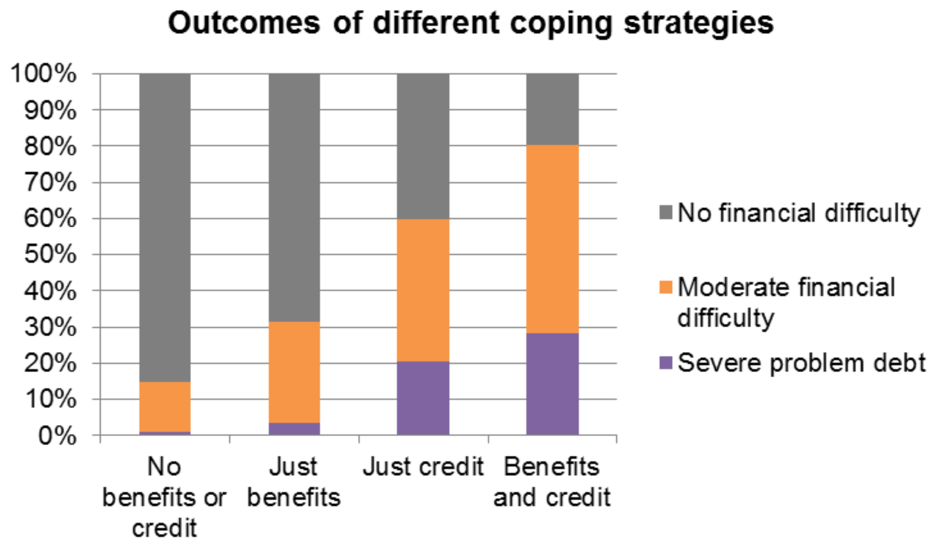
Our analysis leads to some important conclusions about the adequacy of the safety nets people have:

- Savings and spare income can help many people deal with a single income shock, but the significantly lower savings position of the 1 in 10 people who've faced multiple shocks in a year suggest savings are not an adequate, realistic strategy for people who face multiple shocks.
- Welfare support is an essential safety net, but it is not enough to cover most people's essential costs when they have faced a larger or more sustained shock to their income, especially when people have to rely solely on out of work benefits like Jobseekers' Allowance. On average, people's essential costs are higher than the income they get from a combination of benefits and earnings, which leaves credit to fill the gap.

There are gaps in the safety nets people have, and this limits how safety nets help people respond to the uncertain nature of modern working life, and the likelihood of people taking less well paid or less secure jobs after a gap in employment. The evolution of the welfare system in particular over the last four years has strengthened the incentive on people to take such work.

When coping with credit leads to problem debt

People relying on credit to keep up after an income shock or a change of circumstances are significantly more likely to end up in severe problem debt than people who are able to keep up by relying solely on benefits or on their own personal safety net of savings and spare income.



Source : StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

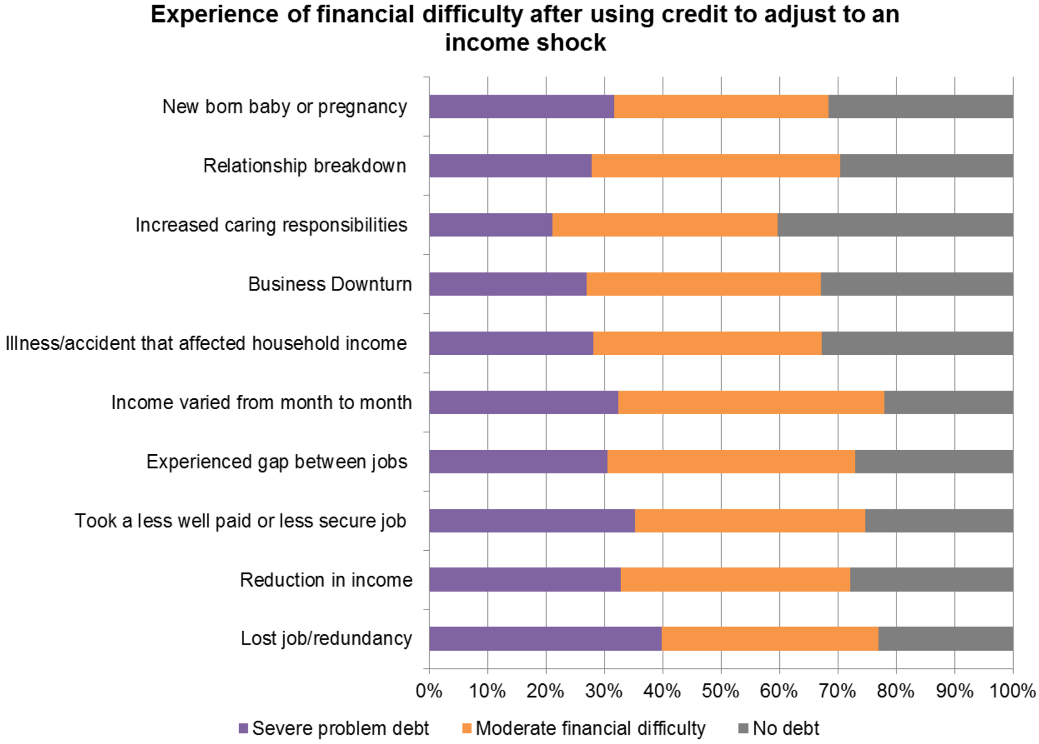
1.7 million of the 6.5 million people who used credit to keep up fell into severe problem debt, and a further 2.7 million ended up in moderate financial difficulty. People who rely on credit to keep up with their essential costs after an income shock are twenty times more likely to end up in problem debt than people who are able to rely solely on benefits or their own resources.

It is important to remember that people who used benefits (exclusively or alongside credit) as part of their coping strategy were more likely to have experienced an outright drop in their income, and that people who relied on credit (including alongside benefits) were more likely to have experienced sustained, multiple shocks to their income.

Not everybody who relied on credit fell into severe problem debt or moderate financial difficulty, but when so many do, it is vital to understand the circumstances and for which groups using credit as a coping strategy poses the most risk to their recovery.

How different experiences of shocks tip people using credit into financial difficulty

Different kinds of income shocks are more likely to see people fall into severe problem debt as a result of using credit to cope. This graph looks at the outcomes people experience after using credit to keep up with their costs after different income shocks.



Source : StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

People relying on credit were most likely to fall into severe problem debt after facing an outright drop in income - the loss of job or redundancy. The next most likely precursor for credit use and problem debt was a sustained gap or reduction in their income after taking a less well paid or less secure job.

Regular variations in income are more likely to tip people into moderate financial difficulty, but leave people highly vulnerable to future shocks in their income.

The number of shocks people experience has an impact on the likelihood of them falling into further difficulty when they use credit to keep up:

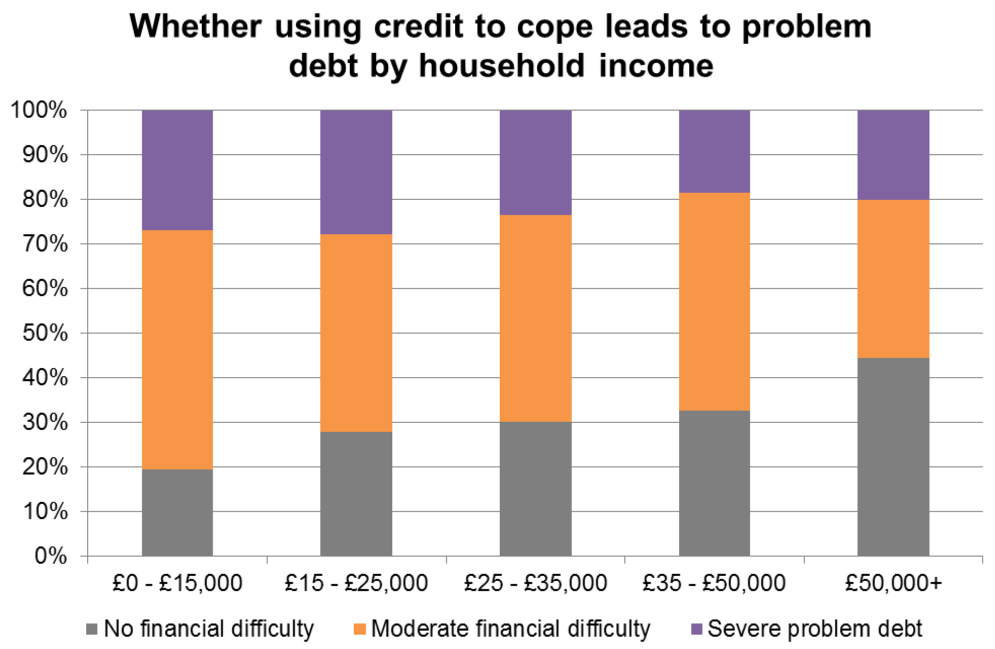
- 7% of people who use credit after a single shock fall into severe problem debt, and 31% fall into moderate financial difficulty.
- 22% of people who use credit after multiple shocks fall into severe problem debt, and 28% fall into moderate financial difficulty.

People who use credit to adjust to multiple shocks are more than three times more likely to fall into severe problem debt than people who use credit to cope after a single shock.

This supports the hypothesis that using credit to keep up after facing one shock tends to land people in moderate financial difficulty, but where the situation persists, where people end up taking a less well paid or less secure job, or face a change in their family circumstances, the more prolonged use of credit means they find it harder to get back on top of their finances and are more likely to fall into severe problem debt.

How incomes affect whether people end up in difficulty

People on all incomes are highly likely to fall into financial difficulty if they use credit to keep up with their costs after an income shock.



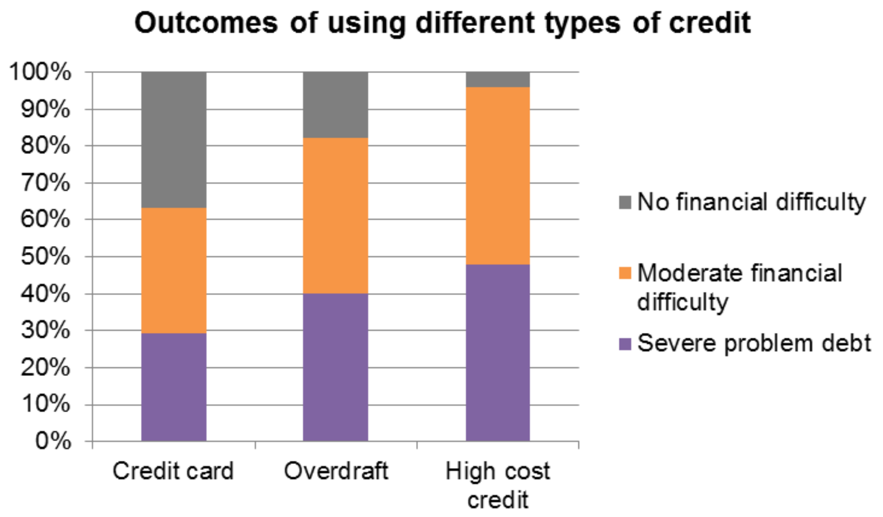
StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

There is a clear relationship between people's incomes and their likelihood of falling into difficulty after relying on credit as part of their coping strategy, with higher income households more likely to avoid problem debt. This may be because they experienced shorter or less substantial drop to their income, and where higher income households fell into problem debt, they may have found that welfare was less effective at helping them meet their essential costs.

But 1 in 5 higher income households who used credit after facing an income shock fall into severe problem debt, suggesting that credit is a high risk coping strategy for all households.

The type of credit people used

The type of credit people used had an impact on whether they fell into moderate financial difficulty or severe problem debt.



Source : StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.

The majority of people who relied on credit as part of their coping strategy after an income shock experienced financial difficulty, but those who relied on high cost credit (includes: payday loans, guarantor loans, home collected credit and pawnshops) were the most likely to end up in severe problem debt.

While lower than for high cost credit, a high proportion of people who relied on overdrafts as part of their coping strategy fell into severe problem debt or moderate financial difficulty. This is concerning considering 82% of people who rely on overdrafts as part of their coping strategy, and may be driven by the high charges associated with unarranged overdrafts.

The majority of people who use credit to keep up when other safety nets fail fall into financial difficulty.

Whether people subsequently fall into severe problem debt as a result of using credit to keep up with essentials is driven by a number of factors:

- People who face multiple income shocks in a year are significantly more likely to subsequently end up in severe problem debt.
- People who've faced a bigger and more sustained drop in their income and used credit to fill the gap are more likely to fall into severe problem debt.
- All major types of consumer credit see the majority of people using them to pay their essential costs after an income shock falling into financial difficulty.

Some people can use credit to cope with an income shock without falling into difficulty, but they are the minority. Even for people who experience one income shock, if they then fall into moderate financial difficulty they are at high risk of falling into severe problem debt if they face another shock or change to their circumstances.

Credit has an important role to play in people's lives, in helping people spread the cost of larger purchases over periods and at a rate that they can afford.

But credit is rarely sustainable for people who use it in emergencies to cover their essential costs. People may not anticipate the length of the gap between jobs, the length of time that variations or reduction in their income last for, or that they may not rebuild their income to its previous level or have as secure a job as before. They may not anticipate that a further shock or change may happen and make it even harder for them to keep up with the essential costs they already struggled with and their new, higher credit commitments.

People need support that:

- Helps them keep up with their costs while they face gaps and drops in their income; and
- Doesn't expose them to further risk if they face a gap in their income, take a less well paid or secure job or if they face a further shock.

Conclusions: Plugging the gaps in people's safety nets

The risk of problem debt has not gone away despite a steady economic recovery, because the fundamental drivers of problem debt – income shocks and changes in circumstances – remain a key part of many people's experience of the labour market. Not enough attention has been focused on ensuring people have effective personal and welfare safety nets that respond to the income shocks they experience.

People always have and always will face income shocks. But for growing sections of the modern labour market – particularly those in insecure work – this is the 'new normal': variable incomes, gaps between contracts, and taking less well paid jobs when that's all that's available.

Faced with greater risks, people need to build greater resilience against setbacks.

Just as people will always face income shocks, people will always need safety nets that help them adjust to changes, so that they can manage their finances and bounce back without falling into longer term difficulty.

The 'new normal' poses challenges for the safety nets we expect people to rely on to manage changes. The more shocks people experience, the more depleted their personal safety nets will be. A third (34%) of people who used credit to keep up after an income shock could not last a week on their savings if their income dropped by a quarter.

Welfare has a key role in helping many families meet their essential costs, but when people face large shocks to their income, a majority find that the welfare benefits they receive do not provide enough to cover their essential costs – even after budgeting advice.

Gaps in people's personal safety nets and in the design of welfare safety nets leave people to turn to credit to keep up with their essential costs. While using credit to keep up with bills may temporarily help people keep up with their bills for a short period of time, unless people see their income recover quickly and to a high enough level that they can get back on top of their commitments, emergency credit can quickly become problem debt.

Where safety nets should boost families' financial resilience and help them keep their finances afloat while they recover from a shock, falling into problem debt does the opposite – they are held back for longer as their productivity suffers and they find it harder to get a better paid job.

To avoid the £8.3 billion costs and consequences of severe problem debt, the Government must ensure that every family has a responsive, reliable system of safety nets that reflect the realities of modern working and family life.

The Government's plan to build prosperity through growth and employment will not work on its own as long as people lack the financial resilience to deal with the inevitable income shocks and changes they face on the path to economic recovery – particularly where that path entails insecure work. The government must accompany these efforts with a specific, purposeful plan to boost families' financial resilience.

Understanding the gaps in people's safety nets

The policy and political debate about safety nets too often overlooks their role as responsive systems to help people bounce back from temporary difficulty.

The policy debate on safety nets should focus on preventing longer term difficulties, by making sure that that the 14 million people in Britain who had income shocks in the last year do not fall through gaps in the safety nets that can see them rely on credit to keep up and be much more likely to end up in longer term financial difficulty. Our research and analysis has shown the extent of gaps in the safety nets:

- Millions of people – particularly those on low and middle incomes – do not have the savings to help them adjust to transitions in their income without resorting to credit to plug the gap.
- Millions of people – particularly those on low and middle incomes – do not have sufficient capacity or means to cut back on their household finances to meet their commitments when they have a drop or gap in their income.
- People are less likely to apply for welfare for less dramatic drops in their income or changes in their circumstances.
- Replacement rates for out of work benefits are often not sufficient for people to meet their costs after a drop in their income, particularly where these are the only benefits that people receive.
- The slow administration of benefits can leave people who apply for them short of money to meet their essential costs, leaving them to turn to credit.

Plugging the gaps in the system of safety nets means challenging prevailing orthodoxies about safety nets:

- Safety nets are more than just welfare benefits. Welfare benefits are vital, but are currently not sufficient for everyone to rely on to adjust to income shocks and changes in their circumstances. People need a robust set of personal safety nets too – including savings, spare income and insurance.
- Low levels of welfare can have unintended consequences. Many believe that low levels of welfare act as incentives for people to take up new jobs if they are out of work. But if people turn to credit and subsequently fall into problem debt, they may face many additional barriers to work if debt worries affect their confidence in their abilities at work, and debt repayments may soak up any additional income they earn from a new or better paid job.

- When people fall into difficulty, they need support while they seek to stabilise their finances to avoid them being forced to make drastic, life changing decisions. It would not be rational for people to make such alterations to their life if they have been working for years and reasonably expect to find work soon. Stability was a key driver for our clients at the time they fell into difficulty: 70% ranked ensuring they could stay in the family home as a top priority, as did 68% providing food for their family.

While the debate on safety nets needs to be examined afresh from a preventative, responsive perspective, it must also be couched in realistic terms:

- Shifting welfare priorities and spending is complex and contentious, but it is important to consider how levels of welfare payments can be designed to better prevent people from initially falling into longer term financial difficulty. This is particularly important considering the £8.3 billion cost of problem debt.
- Many people who would benefit from action to fill gaps their safety nets do not have significant amounts of spare income either to pay for additional income safety nets or to put aside as rainy day savings. They can only make modest contributions and will need strong, relevant incentives and 'nudging' to take action.

Towards a plan to plug the gaps in people's safety nets

The key criteria for a comprehensive set of responsive, preventative safety nets are:

- Help should be responsive to the shocks and changes people experience, including more moderate drops or reductions in a household's income.
- People should be able to keep up with their essential costs for a reasonable amount of time to focus on rebuilding their income before being expected to make more drastic cut backs.
- People need help to boost their personal safety nets where they are not eligible for enough or any welfare to cover their essential costs.
- Help cannot be prohibitively expensive for individuals and must be focused on strongly incentivising people to take sustainable actions. It should be based on shared responsibility and costs between individuals, the state, employers and the organisations to whom people pay their bills and commitments, who all benefit from a population that is less vulnerable to problem debt.

StepChange Debt Charity has already proposed some credible, low-cost measures to boost people's personal safety nets:

- Helping low and middle income families build up a £1,000 "iron reserve" of rainy day savings through pensions auto enrolment and by better incentivising savings in the welfare system. This would help people to keep up with their costs during a temporary drop in their income, while they find a new job or wait for welfare payments. However, even £1,000 savings would only be enough to smooth a transition – few could rely on their savings for longer or repeated drops in their income.

- Introducing a Breathing Space scheme, giving people a right to protection from interest, charges, enforcement and unaffordable collections activity on their debts and arrears when they seek debt advice. This would create a clear payoff for seeking help, and enable people to control their debts and stop them spiralling while they focus on rebuilding their income and keeping up with their essential bills on a reduced income.

Additionally, the introduction of Universal Credit's real-time reporting of incomes could be an opportunity to help some people adapt to changes and drops in their income straightforwardly, but the government must ensure that it does not exacerbate peaks and troughs in regularly changing income, which could exacerbate people's reliance on credit.

But these changes, if implemented, would still leave gaps in the system of safety nets for people who:

- Experience a larger or sustained income shock and find that the welfare they are eligible is not sufficient to help meet their essential costs.
- Experience ups and downs in their income but aren't eligible for Universal Credit, or benefit components that respond so fluidly with their income.

Further policy development is needed to fill these particular gaps, which are principally about medium term strategies to help people maintain stability and keep up with their essential costs while they focus on finding a new or better paid job, and give them a reasonable period of time before they should make more significant changes to their circumstances to adjust.

We believe the aim of such a policy should be for people who lose their job or see a reduction in their hours to see a minimum loss of income. There are a number of options for meeting this aim that are worth further exploration, such as a greater contributory element to out of work welfare payments, bolstering a system of income protection insurance, and an enhanced provision for low cost loans that are available to a wider demographic of households.

Plugging these gaps will be an essential component of a plan to boost prosperity through stronger financial resilience. Anything less will continue to see millions of people falling into severe problem debt when they continue to face income shocks and changes that they can't afford to adjust to. The £8.3 billion costs of problem debt will remain a drag on the government's efforts.

Over the coming year, StepChange Debt Charity will examine how policy can better plug the gaps in the safety nets and make recommendations to policymakers.

References

[1] StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015. Estimates of the number of adults affected have been calculated by StepChange Debt Charity. These estimates are based on 2013 population estimates from the Office of National Statistics which indicate that there are 49,478,070 adults in Great Britain.
[2] Ibid.
[3] Ibid.
[4] YouGov PLC, 2015. Total sample: 4,771. Fieldwork:10th-12th August 2015. The figures have been weighted and are representative of all GB adults (aged 18+).
[5] Bank of England, 2015. 'Compositional shifts in the labour market'. Speech given by Ben Broadbent, Deputy Governor for Monetary Policy, Bank of England At 'Understanding the Great Recession: from micro to macro' Conference, Bank of England. 23 September 2015.
[6] Office for National Statistics, 2015. Labour Force Survey, November 2015. Table EMP01: Full-time, part-time and temporary workers: People by Full-time, part-time and temporary workers (seasonally adjusted).
[7] Office for National Statistics, 2015. Zero-hours contract in main job now reported by 744,000 people.
[8] Resolution Foundation, 2015. Low Pay Britain 2015.
[9] Bank of England, 2015. September 2015 Monthly changes of total (excluding the Student Loans Company) sterling gross other consumer credit lending to individuals (in sterling millions) seasonally adjusted.
[10] StepChange Debt Charity, 2014. Cutting the cost of problem debt.
[11] StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015.
[12] StepChange Debt Charity analysis of YouGov PLC online survey. Sample: 4,771 GB adults, fieldwork: 10 – 12 August 2015.
[13] Analysis of StepChange Debt Charity clients Q1/Q2 2015. Sample: 163,608 people in severe problem debt.
[14] StepChange Debt Charity client survey. Sample: 1,311 StepChange Debt Charity clients who came to the charity for advice in Q1/2 2015. Fieldwork conducted 15th July – 11th August 2015
[15] YouGov PLC, 2015. Total sample: 4,771. Fieldwork:10th-12th August 2015. The figures have been weighted and are representative of all GB adults (aged 18+).

Report written by Robbie de Santos, Senior Public Policy Advocate

StepChange Debt Charity London Office
6th floor, Lynton House

7- 12 Tavistock Square
London WC1H 9LT
Email: policy@stepchange.org
Web: www.stepchange.org
Twitter: @stepchange

For help and advice with problem debts call
0800 138 1111 Monday to Friday 8am to 8pm
and Saturday 8am to 4pm
Or for online debt advice visit www.stepchange.org