In work.
But still in debt.

Client insights report

April 2024

StepChange Debt Charity

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Introduction

In work. But still in debt. is the latest edition in our client insights report series, delving into the changing demographic landscape of clients, with a focus on the rise in clients in full-time employment seeking debt advice.

Many people across the UK in full-time employment (FTE) still face problem debt and their employment, and the income that this provides, hasn't been able to shield them from this. The report highlights the potential inadequacy of existing safety nets, the prevalence of in-work debt problems, and gender-specific experiences.

Our monthly client data reports[1] have revealed a notable uptick over time in the proportion of StepChange clients seeking debt advice who are in full-time employment. StepChange data from 2021 showed that 38% of those seeking debt advice were full-time employed (FTE), however, recent data (December) for 2023 reveals a six percentage points increase to 44%[2].

This rising trend suggests a noteworthy shift in the demographic profile of those seeking debt advice, although we still continue to see similar client groups to previous years, such as women. Compared to 2021, in 2023 we saw slightly more full-time employed clients who are women, aged 35-49, with children, and homeowners seeking debt advice.

In our client data, we have also seen the proportion of clients in part-time employment seeking debt advice increase. However, the rise we have seen in clients in employment seeking debt advice has largely been driven by clients in full-time employment. Therefore, in this report we will primarily focus on clients in full-time employment who are of working age (18-64).

YouGov polling from January 2024 shows that 35% of full-time employed UK adults are showing at least one sign of financial difficulty[3], which is around 10.8 million people, and around 9% are in problem debt, which is around 2.8 million people.

YouGov polling reveals that in the UK, among those that are experiencing problem debt, around 52% are in full-time employment. A large number of people in full-time employment are experiencing in-work indebtedness and this needs to be addressed.

In-work indebtedness risk factors

Previous research conducted by StepChange and the Personal Finance Research Centre[4] over a decade ago found that working households tend to have higher levels of credit usage and existing credit borrowing, which exacerbates financial difficulties.

This highlighted how having a low income, employment uncertainties, and rises in living costs were risk factors for falling into problem debt. These risk factors still hold true today. From our analysis there are a few key risk factors contributing to in-work indebtedness and these include:

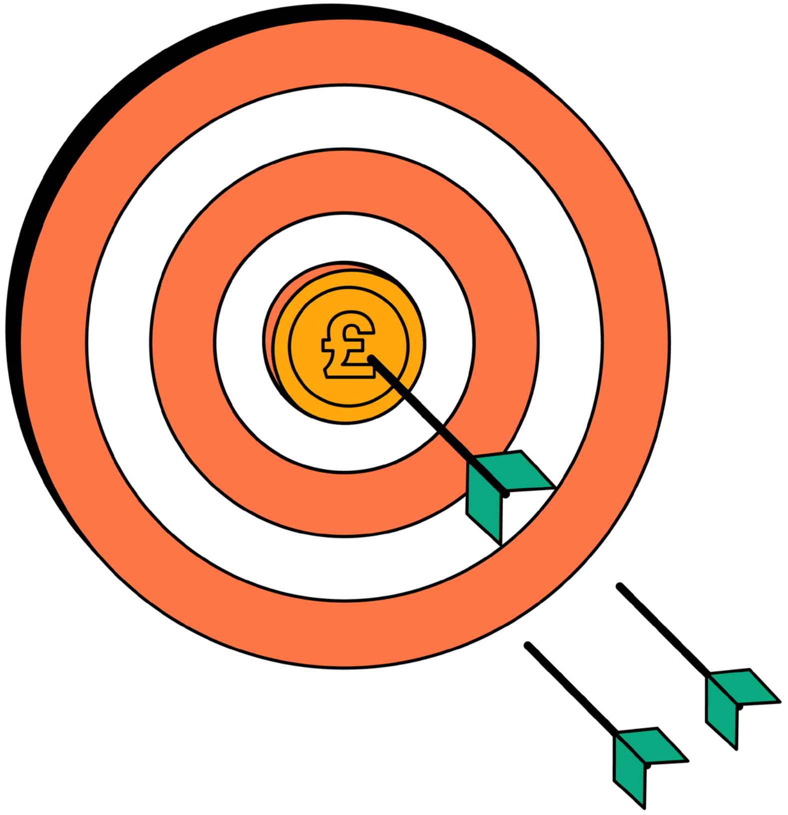
- **Insufficient income**: Despite being employed full-time, many struggle with low incomes that fail to cover essential expenses, leading to negative budgets[5] and credit use to get by, which can exacerbate financial difficulties
- **Unstable employment**: YouGov polling showed that irrespective of being in full-time work, many face unstable forms of employment, such as fluctuating incomes and hours, adding another layer of uncertainty
- **Cost of living increases**: Rising costs, particularly housing and utilities, pose significant challenges for those in full-time employment, as their income does not stretch as far as it used to and there's a need to bridge this financial gap
- **Age-related challenges**: Younger clients face unique challenges such as irregular income sources and reduced benefits. As age increases, so does the chances of holding certain types of debt, such as credit card debts. This highlights the importance of building financial resilience early
- **Gender disparities**: Women, in particular, face greater financial precarity, with lower average monthly incomes and higher reliance on Universal Credit. As well as the gender pay gap, caregiving responsibilities exacerbate this disparity further

Research questions

For this report, we seek to build on this existing research conducted by StepChange and the Personal Finance Research Centre and explore what is driving the increase in full-time employed clients seeking debt advice, specifically working age clients[6] more recently.

To do this we explore the following research questions:

1. Which demographic attributes characterise full-time employed clients seeking debt advice from StepChange?
2. What are the main reasons for debt among full-time employed clients seeking debt advice from StepChange?
3. How does the budget position of full-time employed clients seeking debt advice from StepChange contribute to in-work indebtedness?



Methodology

This report utilises data gathered between 1 January to 31 December 2023, among clients who contacted StepChange for their first debt advice session, either through an online or telephony session.

The statistics in this report are based on 172,460 clients who are aged between 18–64, of which 74,428 are in full-time employment. This report also includes data from YouGov polling[7] which was commissioned by StepChange Debt Charity in January 2024.

In this report, any references to “working age”, unless otherwise stated, refers to StepChange clients and / or UK adults who are aged between 18–64 years old. We have opted for the age range of 18–64, as the minimum allowable age for StepChange clients is 18 years old, and the upper age limit of 64 is in line with government guidelines on labour market statistics[8].

In this report, any reference to the “average” refers to the mean average only, unless otherwise stated. We appreciate that there are other measures of central tendency, however, for the purpose of this report we have opted for using the mean and have removed extreme outliers when calculating this.

In graphs and tables in this report, “working age” will be abbreviated as “WA” for all working age clients in 2023, and “full-time employed” will be abbreviated as “FTE” for all full-time employed clients in 2023.

Note that figures are presented as rounded whole numbers throughout this report. As a result of rounding, some figures may not correspond with the sum of their individual figures or add up to 100%.

Summary of key findings

Clients in full-time employment are often from younger age groups, equally likely to be men and women, and more likely to be renting privately, or have a mortgage

- **Younger adults overrepresented**: The data highlights a disproportionate representation of younger adults, particularly those aged 18-24. This demographic group faces challenges such as unstable employment and a reduced income, contributing to their financial vulnerability
- **Gender disparities**: While the overall debt advice client base is predominantly women (63%), the distribution among full-time employed clients is more equal (51% women, 49% men), with distinct challenges faced by each. Women in full-time employment are more likely to have children and a lower income when compared to men in full-time employment

Clients in full-time employment have been affected by cost of living increases and more likely to have credit debts

- **Cost of living increases**: A 'cost of living increase' (26%) emerges as the primary reason for debt among clients in full-time employment. One in ten (10%) full-time employed clients also mention the need to cover living costs as their main reason for debt
- **Higher credit usage**: Among debt types, full-time employed clients have higher average debt amounts, particularly for credit card and personal loan debts, which may reflect a higher income level giving greater access to credit. There's a positive relationship between income levels and average unsecured debt amounts
- **Housing challenges**: Clients in full-time employment are more likely to be renting privately or have a mortgage, and when it came to household bills, they held a higher arrears amount for rent and council tax. They had elevated expenditure levels for these housing related costs, as well as mortgages

Compared to the UK average, clients in full-time employment receive lower levels of income

- **Relatively low income levels**: Many clients in full-time employment had relatively low incomes when compared to UK adults. Their incomes failed to cover their essential expenses, with over one in five (21%) full-time employed clients in a negative budget. Also, one in ten (9%) full-time employed clients received Universal Credit payments, but still many struggled to make ends meet

1. Which demographic attributes characterise full-time employed clients seeking debt advice from StepChange?

Disproportionately aged under 40

This section explores the demographic characteristics of clients in full-time employment seeking debt advice. We explore clients' age, gender, housing situation, family composition, ethnicity, and vulnerabilities. These characteristics help provide insight into some of the contextual factors influencing the finances of clients in full-time employment.

StepChange client data for 2023 reveals that among those in full-time employment, clients are disproportionately more likely to be aged under 40 compared to the wider UK population. Two in five (38%) StepChange clients aged between 18-24 were in full-time employment, which is almost double the proportion seen in the wider UK population, which is one in five (20%)[9].

YouGov polling revealed that in the UK population, those aged between 25-34 were most likely to be working full-time (51%) above all other types of employment, and when compared to the other age groups. However, 25-34 year olds were also the most likely to have indicators of more unstable forms of employment. This includes being on a fixed term contract, fluctuating incomes and variable working hours from month to month, when compared to the other age groups[10].

Clients and UK adults in full-time employment split by age bands

	18-24	25-34	35-49	50-64
StepChange clients	38%	47%	47%	33%
UK average from YouGov polling	20%	51%	44%	31%

Increasing pessimism

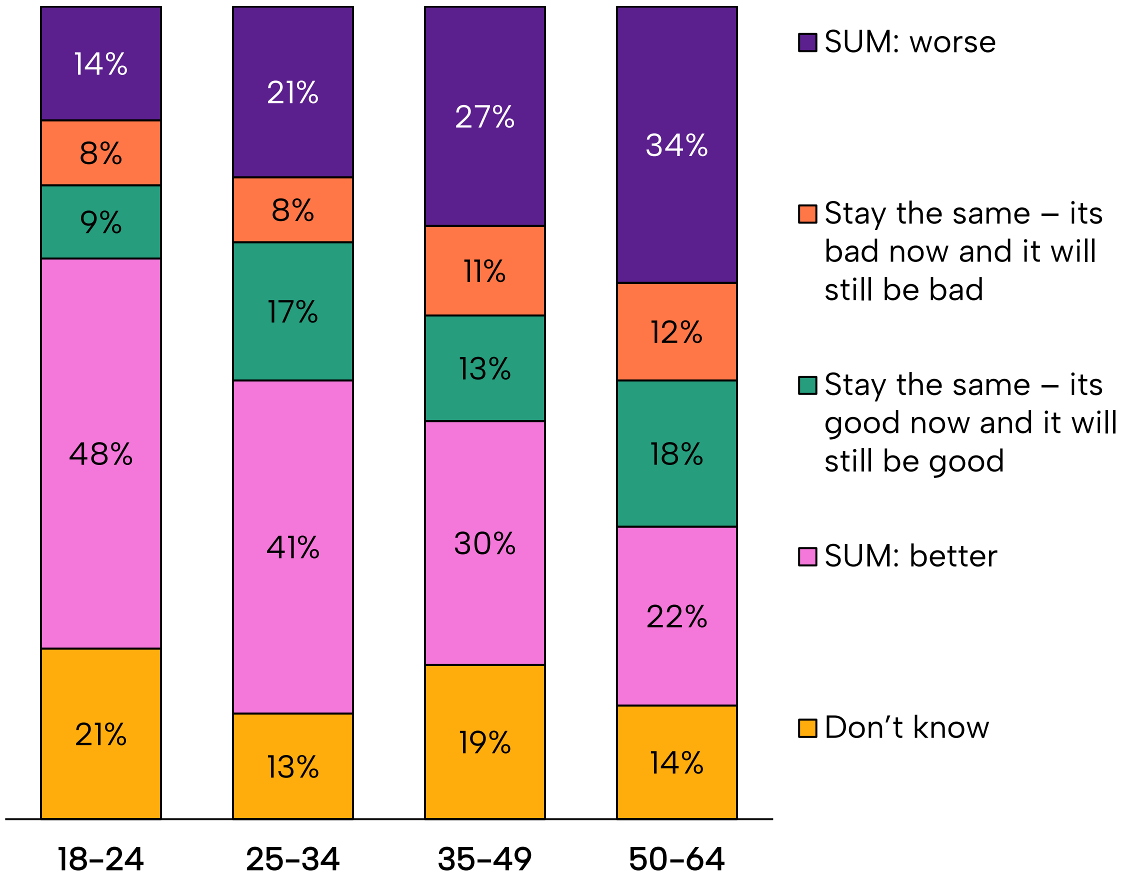
Despite StepChange advising slightly more 50–64 year olds in full-time employment than the UK average, research suggests that older age groups often have a higher level of financial resilience and savings[11], and therefore may be better able to weather any financial shocks, which will likely mitigate the need for debt advice.

Furthermore, YouGov polling found that UK adults aged 50–64 (56%) were most likely to say that they found it easy to keep up with household bills and credit commitments in the last few months. Comparatively, just 35% of 18–24 year olds said the same.

However, there is still cause for concern among 50–64 year olds. Clients in this age group in the general UK population were the most pessimistic about their personal financial situation getting worse over the next
five years.

One in three (34%) UK adults aged 50–64 year old thought their personal financial situation would be worse in the next five years compared to one in seven (14%) 18–24 year olds.

Thinking over the next five years, do you think your personal financial situation will get worse or better, or will it stay much the same?
by age bands

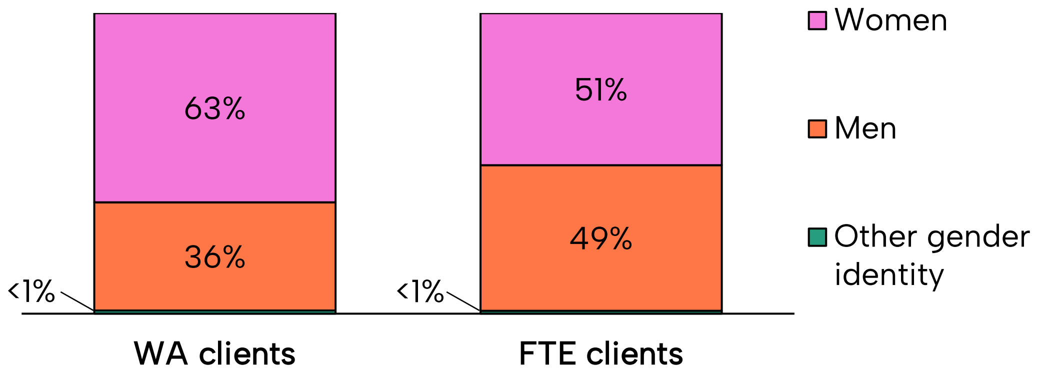


Shifting gender balance

The gender composition of all working age StepChange clients is heavily skewed towards women (63%), however, when looking at clients in full-time employment specifically, the distribution between men and women is more equal.

A higher proportion of men in full-time employment (49%) receive debt advice compared to working age clients overall. The variation in gender composition between all working age clients and those in full-time employment may be indicative of the distinct financial challenges faced by different genders.

Gender composition



The higher proportion of women among all working age clients, compared to the lower proportion of women who are in full-time employment, suggests that women may be disproportionately affected by financial difficulties that extend beyond employment-related issues.

For example, our report Bearing the burden[12] found that women were more likely be single parents, spend more on childcare and food bills monthly, when compared to men in similar family situations. Research by YouGov[13] from 2020 found that around two in five (38%) mothers reported that having children harmed their careers, compared to one in seven fathers (14%).

The higher proportion of men seeking debt advice among full-time employed clients potentially highlights debt problems related to work factors. For example, YouGov polling reveals that among those in full-time work, men are slightly more likely than women to cite a reduced income or benefits as a main reason for debt.

Men in full-time employment are marginally more likely than women to be on a temporary contract or run a small business. It's therefore unsurprising that men are also more likely to report fluctuations in their monthly income and hours worked. Although many women in full-time work are also affected by similar issues.

Housing related challenges

The housing situations of full-time employed clients who sought debt advice from StepChange are quite distinct compared to other clients' situations. While it's expected that those in full-time employment might opt for or may only have access to more costly housing, such as mortgages and renting privately, it's apparent that full-time employment alone doesn't serve as a safeguard against problem debt associated with housing (and in general).

StepChange client data for 2023 shows that those in full-time employment are more likely to be mortgage holders (21%) compared to all working age clients (14%). Furthermore, around two in five (39%) full-time employed clients are renting their home in the private sector, which is five percentage points higher than working age clients overall (34%).

Our data highlights that clients spend a large proportion of their monthly income on their housing. For example, clients in full-time employment with a mortgage spent around 29% of their income towards mortgage payments in 2023. Also, on average, full-time employed clients had more expensive monthly rent payments (by six percentage points), compared to all working age clients, which is likely being driven by a greater proportion privately renting their home. For example, clients in full-time employment, who are renting, spent around 31% of their income towards rent payments, whereas this proportion is even higher at 33% among clients in full-time employment who are renting privately.

The English Housing Survey 2021-22[14] found that the proportion of household income spent on a mortgage increased from 18% in 2011-12 to 22% in 2021-22. This increase suggests that housing affordability is becoming increasingly difficult as now an even larger share of income is being allocated to meet essential housing expenses than before.

Additionally, the link between employment and private sector housing among StepChange clients isn't perhaps surprising. The English Housing Survey 2021-2022[15] found that private renters were more likely to have higher levels of savings, when compared to social renters. However, previous research by StepChange[16] found that private renters can find themselves in financially precarious situations.

For example, private renters are twice as likely to be in problem debt when compared to the general UK population and around two in three struggle to afford their rent[17].

Housing tenure

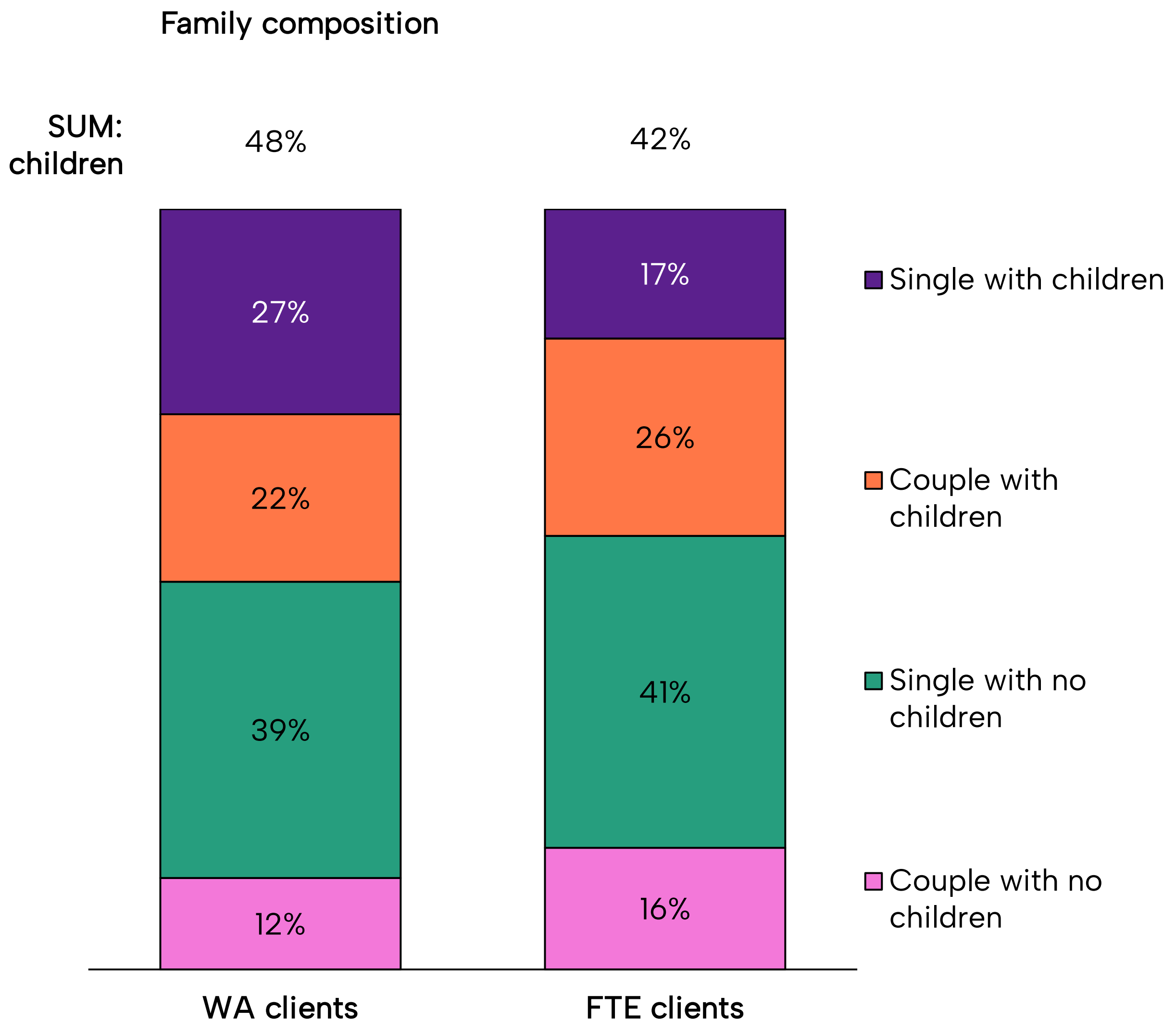
	WA clients	FTE clients
Board payment (not with family)	2%	2%
Living with family	13%	16%
Mortgaged	14%	21%
Other	3%	3%
Owns property outright	2%	1%
Renting – council or housing association	30%	16%
Renting – private landlord	34%	39%
Shared ownership (mortgage and rent)	2%	3%

2 in 5 FTE clients have children

StepChange client data for 2023 shows that clients in full-time employment, when compared to all working age clients, respectively, are:

- Slightly less likely to have children (42% vs. 48%) – although over two in five full-time employed clients have children
- More likely to be in a couple with children (26% vs. 22%)
- Less likely to be single parents (17% vs. 27%), which may allude to the challenges of balancing single parenthood with full-time work

Our previous report Bearing the burden[18] indicated that women are more likely to be single parents, and this gender discrepancy remains even when looking at those in full-time employment. One in four (24%) women in full-time employment were single parents, compared to one in ten (10%) men in similar situations.



Mental health vulnerabilities

A notable finding emerges when we explore vulnerabilities among full-time employed clients. Two in five (41%) full-time employed clients report at least one vulnerability compared to 54% of all working age adults.

A vulnerability includes experiencing physical and mental health conditions, terminal illnesses, learning disabilities, sight or hearing difficulties, communication difficulties, addiction and other situations which can make dealing with problem debt harder. Clients can have multiple vulnerabilities and some vulnerabilities can be temporary.

Mental health vulnerabilities are most common among both working age clients and clients in full-time employment. Four in ten (40%) working age clients have at least one mental health vulnerability[19], whereas among full-time employed clients this proportion is three in ten (29%).

Vulnerability

	WA clients	FTE clients
Any vulnerability	54%	41%
Any mental health vulnerability	40%	29%

Although, the most prevalent types of mental health conditions affecting working age and full-time employed clients varies slightly. The main reported mental health vulnerability affecting clients in full-time employment is suicidal tendencies, whereas for all working age clients it's stress or anxiety.

Mental health vulnerabilities

	WA clients	FTE clients
Suicidal tendencies	7%	5%
Stress or anxiety	8%	4%
Depression	7%	3%
Bipolar	1%	<1%
Schizophrenia	<1%	<1%
Other mental health condition	33%	26%

Ethnicity

In work indebtedness is experienced across different ethnic backgrounds. Working age (85%) and full-time employed (88%), clients that identify as "White" are slightly overrepresented, when compared to the England and Wales average, as are clients from "Mixed or Multiple ethnic groups".

High level ethnicity[20]

	England and Wales		England and Wales average[21]
	WA clients	FTE clients	
White	85%	88%	84%
Mixed or Multiple ethnic groups	4%	3%	2%
Black, African, Caribbean or Black British*	5%	4%	4%
Asian or Asian British**	4%	4%	9%
Other ethnic groups	1%	1%	2%

* England and Wales Average includes "Black Welsh"
** England and Wales Average includes "Asian Welsh"

The analysis of StepChange client data for 2023 reveals that several key demographic attributes characterise full-time employed clients seeking debt advice. The data and YouGov polling reveals:

- Full-time employed clients seeking debt advice are overrepresented, particularly those aged under 40, especially 18-24 year olds
- A more equal distribution of men and women among full-time employed clients, with each facing distinct challenges
- YouGov polling indicates that 25-34 year olds were most likely to have indicators of more unstable forms of employment
- UK adults aged 50-64 generally show higher financial resilience, but were more concerned about their financial situation worsening in the future
- Housing factors, including private renting and mortgages, contribute towards full-time employed clients' financial challenges
- Around four in ten (41%) full-time employed clients have a vulnerability and around three in ten (29%) have a mental health condition
- Compared to the England and Wales average, clients in full-time employment that identify as "White" and from "Mixed or Multiple ethnic groups" are slightly overrepresented

2. What are the main reasons for debt among full-time employed clients seeking debt advice from StepChange?

Cost of living increases...

This section of the report explores the main reasons for debt among working age clients in full-time employment. In 2023, the main reason for debt cited among clients was a 'cost of living increase', which was cited by around one in four clients, both among all working age clients (25%) and full-time employed clients (26%).

YouGov polling commissioned by StepChange among the UK population more widely revealed a similar finding. Among working age adults in full-time employment, who found it difficult to keep up with household bills and credit commitments, around four in five (82%) cited a 'cost of living increase' as one of their main reasons for experiencing financial difficulty[22].

Main reasons for debt

	WA clients	FTE clients
Cost of living increase	25%	26%
Lack of control over finances	16%	25%
Unemployment or redundancy	13%	4%
Reduced income or benefits	9%	6%
Injury or health issue	9%	5%
Need credit to cover living costs	7%	10%
Separation or divorce	6%	7%
Unexpected one-off expense	3%	3%
Irregular Income	3%	3%
Coronavirus (COVID-19)	1%	2%

...are causing financial difficulty

Among UK adults, YouGov polling commissioned by StepChange asked for further details, in the participant's own words, on how a cost of living increase had impacted their financial situation. The most prominent themes mentioned were:

- rising prices of essentials (i.e. food, energy, and water)
- housing costs
- stagnant incomes
- concerns around (lack of) government interventions

There were also mentions of having to:

- dip into savings
- the strain on mental and physical health
- the impact on lifestyle choices (i.e. going out, holidays, and leisure activities)

"Prices have gone up. More than half my wage goes on rent and utility bills. This month I've paid £1,000 for gas and electric. The choice is eat or heat. The government have done nothing meaningful to help."
(Man, aged 35-49, in full-time employment)

"Due to the increase in mortgage rates we are now £350 worse off which has impacted us immensely. This would otherwise be our emergency fund which we don't have the option anymore to save for."
(Woman, aged 25-34, in full-time employment)

"Increased mortgage payments since late 2022, massively increased car maintenance and insurance costs, increased utility bills and general cost of living increases with only minimal increase in income have meant we can't afford eating out and going to bars"
(Man, aged 50-64, in full-time employment)

1 in 4 FTE clients mention a 'lack of control over finances'

Among full-time employed clients, a ‘lack of control over finances’ closely followed behind as the main reason for debt in our client data, which was also cited by around one in four clients. YouGov polling from January 2024 found that a much smaller proportion, only around 8% of working age adults in full-time employment, cited a ‘lack of control over finances’ as one of their main reasons for debt.

A whole host of reasons were mentioned in relation to a ‘lack of control over finances’. The main issues raised were budgeting challenges, existing debts, low and unpredictable incomes, health related issues, family relations, and wider governmental and economic factors.

Another notable main reason for debt is needing credit to cover living costs, which was mentioned by one in ten (10%) clients in full-time employment, compared to 7% of working age clients. A similar trend can also be observed among UK adults, YouGov polling revealed that 15% of UK adults in full-time employment mentioned this reason for debt, compared to 11% of working age UK adults. This maybe a potential indicator of greater accessibility of credit playing a significant role in driving debt problems for those in full-time employment, as credit is being used to bridge the gap between their income and essential living costs.

Previous research by StepChange[23] found that among those using credit to make ends meet, 72% had used at least one negative coping action, such as going without a healthy diet and appropriate clothing for the weather. The research also found that around two in three (64%) had experienced negative impacts on their mental or physical health.

“I sometimes lose hours as I am just an agency worker. If there is not enough work we get sent home without pay. This makes it hard to keep accurate track of how much I should expect each week.”
(Man, aged 25-34, in full-time employment)

“Debt taken on due to IVF treatments which were not funded.”
(Woman, aged 35-49, in full-time employment)

“Because of the interest and minimum payment on the two credit cards I'm trying to pay off plus overdraft interest I was also trying to pay off. The overdraft is paid now but still have the two credit cards. My minimum payment is now £183.”
(Woman, aged 25-34, in full-time employment)

Unsecured debts higher among FTE clients

StepChange 2023 data shows that clients in full-time employment (£16,114) have higher average unsecured debt amounts than all working age clients (£11,808) by 36%. Clients in full-time employment were also more likely than working age clients to have the most common types of unsecured debt, such as credit cards, personal loans, and overdrafts.

Average unsecured debt amount

	WA clients	FTE clients
Average (mean) unsecured debt amount	£11,808	£16,114

Clients in full-time employment also held a higher average debt amount across all debt types, most notably credit card and personal loan debts, which are both 20% higher, when compared to all working age clients. This may be related to higher income levels among full-time employed clients.

Debt types

	% with given debt type		Average debt amount	
	WA clients	FTE clients	WA clients	FTE clients
Credit card debt	66%	81%	£6,774	£8,150
Personal loan debt	46%	61%	£8,832	£10,599
Catalogue debt	32%	31%	£1,788	£1,840
Overdraft debt	33%	40%	£1,469	£1,621
Store card debt	13%	14%	£1,099	£1,180
Payday/ Short term high cost loan debt	9%	12%	£1,390	£1,467

Among clients in full-time employment, men held a higher average credit card debt amount (£9,025) when compared to women (£7,560).

Also, when comparing the average credit card debt amounts of clients in full-time employment, there appears to be a correlation with age, with clients aged 18-24 owing the smallest amount of debt, and those aged 50-64 owing the largest amount.

Average credit card debt amount by age bands

	FTE clients
18-24	£2,968
25-34	£6,085
35-49	£10,009
50-64	£11,488

Also, recent YouGov polling found that one in six (16%) working age full-time employed UK adults in debt, said that they believe their debt has negatively impacted their performance at work. And over two in five (44%), who have an outstanding credit balance and/or are in arrears, mentioned that it has negatively impacted their ability to think about their future.

In arrears with housing related costs

This section delves into the trends of overdue household payments among full-time employed clients and the associated challenges that these may present. When compared to all working-age clients, a lower proportion of clients in full-time employment were in arrears across the various household bills. Also, those in full-time employment had lower average arrears amounts, and lower average payment amounts across the various household bills, bar council tax and rent (and water) bills, when compared to working age clients.

Notably, full-time employed clients faced higher average arrears amounts on council tax, when compared to working age clients. They were also more likely to be behind on rent, by £171, and had higher payment amounts, by £33, when compared to working age clients. Client in full-time employment also had slightly higher mortgage payment amounts.

These higher average costs may reflect that clients in full-time employment are living in relatively more expensive properties or may not be getting adequate support for these costs. Also, clients in full-time employment have higher incomes and are less likely to be in receipt of benefits, like Universal Credit, which means they are less likely to be eligible for support such as council tax discounts. This reflects some of the difficulties that clients in full-time employment experience due to housing related factors.

In conclusion, the data highlights some of the complex reasons behind seeking debt advice among clients in full-time employment. While a 'cost of living increase' remains a prevalent factor, a notable proportion cite a 'lack of control over finances'. The higher prevalence and amounts of credit card and personal loan debts among full-time employed clients highlights the link between income levels and unsecured debt, with debt accumulation increasing further with age. Patterns in arrears held by full-time employed clients highlight the distinct housing related challenges they face and illuminates how stable employment does not act as an impervious shield against financial difficulties.

Arrears types and average amounts, and average payments towards bills

	% with given arrears type		Average arrears amount		Average monthly bill amount	
	WA clients	FTE clients	WA clients	FTE clients	WA clients	FTE clients
Dual fuel	52%	33%	£1,768	£1,723	£181	£176
Electricity	26%	16%	£1,503	£1,489	£116	£109
Council tax	34%	23%	£1,744	£1,831	£114	£135
Gas	24%	13%	£1,112	£1,093	£100	£93
Rent	20%	12%	£1,827	£1,999	£567	£599
TV licence	3%	2%	£107	£103	£16	£15
Water	23%	13%	£1,131	£1,145	£41	£42
Mortgage	16%	12%	£5,646	£4,830	£660	£676

StepChange Debt Charity

3. How does the budget position of full-time employed clients seeking debt advice from StepChange contribute to in-work indebtedness?

Income of FTE clients relatively lower than UK adults

In this section of the report, we explore the average income, expenditure and surplus of full-time employed clients. Despite being in full-time employment, our research highlights that many are still experiencing financial difficulty.

Clients in full-time employment have a higher average income than all working age clients by 24%, which equates to an additional £408 per month. Although their expenditure levels are also higher, this is to a lesser extent, by 15% (£252), comparatively.

Average monthly income, expenditure, surplus

	WA clients	FTE clients
Average net monthly income	£1,686	£2,094
Average expenditure	£1,668	£1,920
Average surplus/deficit	£11	£173

Full-time employed clients therefore have a higher average monthly surplus of £173, whereas working age clients have a much lower monthly surplus of £11. This indicates that clients in full-time employment are in a relatively better financial position in terms of their regular income and outgoings (although in a worse financial position when it comes to unsecured debt amounts).

However, clients in full-time employment have incomes that are relatively low when compared to UK adults. YouGov polling shows that around a third (33%) of UK adults in full-time employment have a monthly income that is £2,500 or more, whereas this proportion is ten percentage points lower, at 23%, among StepChange clients in full-time employment.

When looking at the average monthly income among full-time employed clients, gender disparities emerge; women's average monthly income amount is £133 lower than men. Women having a lower average monthly income amount compared to men is in line with findings in our Bearing the burden[24] report, and this analysis along with the analysis in the report shows that this trend persists even for women in full-time employment.

Income bands among those aged 18-64 and in full-time employment

	YouGov	StepChange
Under £500	<1%	<1%
£500 to £749	<1%	1%
£750 to £999	1%	1%
£1,000 to £1,499	15%	14%
£1,500 to £1,999	24%	38%
£2,000 to £2,499	26%	23%
SUM: £2,500 and over	33%	23%
£2,500 to £2,999	11%	12%
£3,000 to £3,499	10%	6%
£3,500 to £3,999	3%	3%
£4,000 to £4,499	2%	1%
£4,500 to £4,999	1%	1%
£5,000 and over	6%	1%

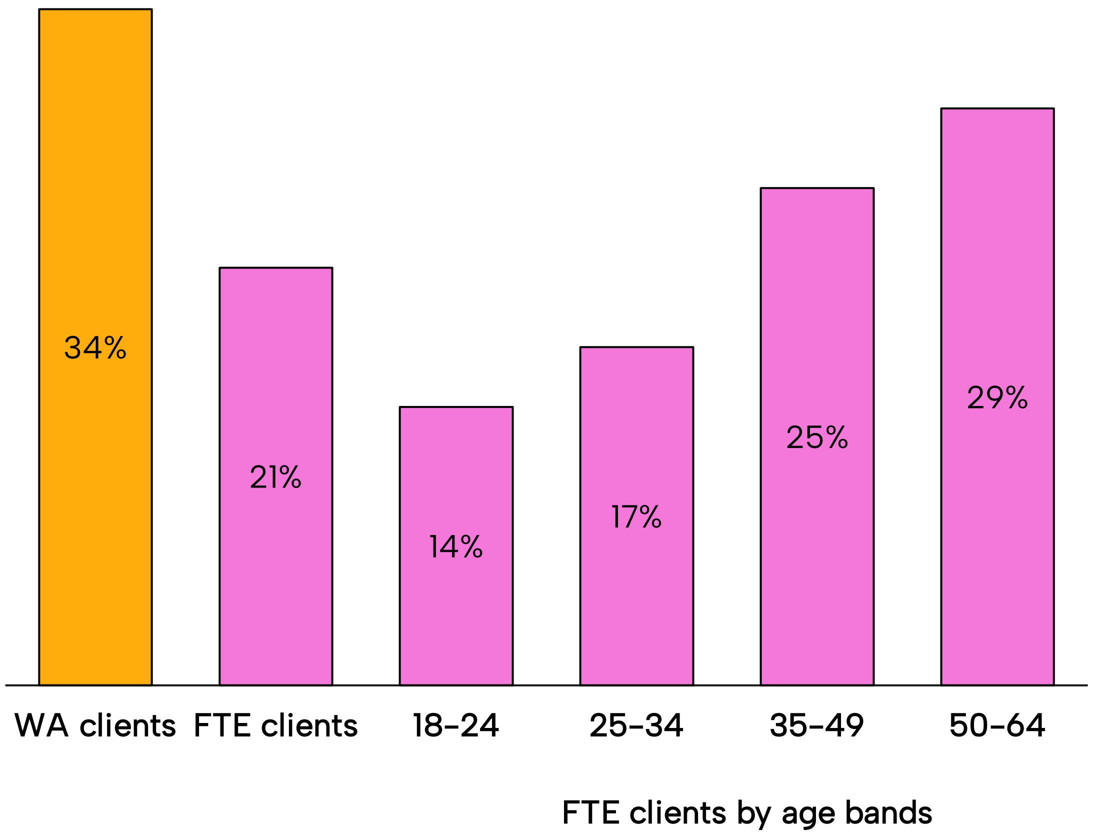
Negative budgets

In 2023, around one in five (21%) full-time employed clients had a negative budget[25], compared to one in three (34%) working age clients.

Whilst the proportion of clients with a negative budget is slightly lower among those in full-time employment, they are still facing financial difficulties, suggesting that full-time employment is not enough for some to make ends meet.

Our previous report Bearing the burden[26] found that women are more likely than men to have a negative budget. This gender discrepancy persists even when looking at full-time employed clients, with women (23%) slightly more likely than men (20%) to be facing a shortfall each month.

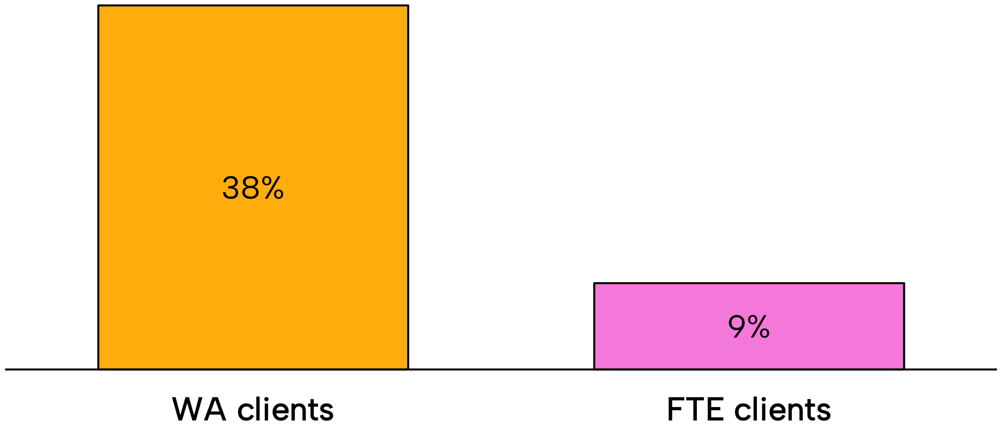
Proportion of clients with a negative budget



Universal Credit not enough to bridge the gap

Around one in ten (9%) clients in full-time employment had their incomes supplemented with Universal Credit payments, which is higher at 14% among women (vs. 5% men). This is unsurprising considering that women are more likely to be single parents, hold a higher proportion of arrears, and have a lower average monthly income, than men. Despite being employed full-time, some clients, especially women, are in receipt of Universal Credit, and they still remain financially vulnerable, highlighting potential gaps in existing safety nets.

Proportion of clients in receipt of Universal Credit



Polling conducted by YouGov showed that for many working age adults in full-time employment, a relatively higher income level did bring some security, although there were also various financial challenges:

- Over one in seven (15%) mentioned taking on additional hours at work beyond their normal working hours in the last 12 months
- Around one in ten (12%) picked up alternative sources of income
- One in 12 (8%) were in insecure work such as being on a contract, having monthly variations in their income and hours worked

In conclusion, despite full-time employed clients having a higher average income than their working age counterparts, full-time employed clients face elevated expenditure levels. Notably, women in full-time employment had an average monthly income that was £133 lower than men. Women were also more likely to be in receipt of Universal Credit, with this gendered aspect also extending to negative budgets, with slightly more women in a deficit, compared to men.

Conclusion

Traditionally, work has long been associated with financial stability. However, this report shows a growing number of people in full-time employment seeking debt advice.

The latest data highlights that working full-time doesn't seem to be enough to safeguard people from falling into problem debt, given the ever-increasing challenges to make ends meet. Many are facing a shortfall and can no longer cover the cost of essentials.

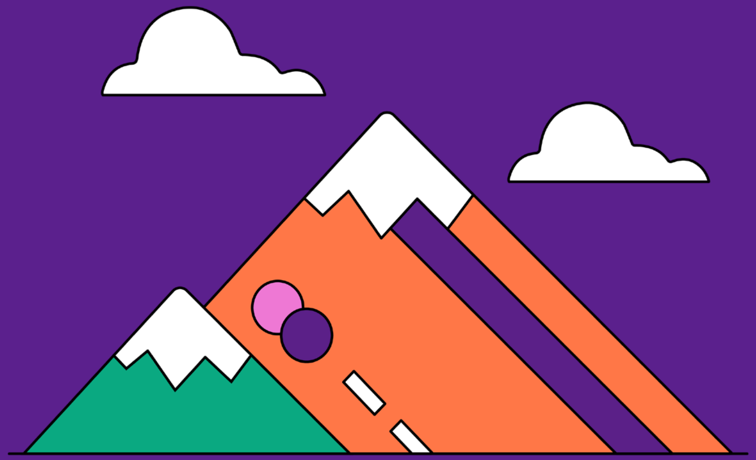
Clients in full-time employment had an average surplus of £173, despite this, one in ten (9%) were in receipt of Universal Credit, and still around one in five (21%) faced a shortfall each month. Full-time employment, extended working hours, and existing safety nets were not enough to mitigate the impact of problem debt for many.

Full-time employed clients were still finding themselves struggling with credit card debts, rent, and council tax bills, highlighting a 'cost of living increase' as their main driver for being in debt.

Also, those in full-time employment were more likely to mention the need for using credit to cover their living costs as main reason for being in debt. It's therefore unsurprising that clients in full-time employment had an average (mean) unsecured debt amount which was 36% higher than working age clients.

Demographic analysis revealed a more balanced gender distribution among full-time employed clients seeking debt advice, in contrast to StepChange's overall client base.

Despite a more balanced gender distribution, women are often, but not exclusively, more likely to be juggling childcare responsibilities, whilst men are more likely to be facing irregular income sources. Women are nonetheless often in a more precarious financial situation than men, with smaller budgets to get by each month.



Questions raised for discussion

The challenges caused by cost of living pressures, which have been coupled with relatively easier access to credit, have likely amplified debt problems among those in full-time employment. Although clients in full-time employment are less likely to have household bill arrears, they are more likely to have unsecured debts.

While debt problems among those in full-time employment are not new, our analysis indicates an increasing risk of problem debt among this group.

This should prompt policy makers and others, like employers, to consider how well those in full-time employment are being supported to meet living costs and build financial resilience.

Questions raised for discussion:

1. What measures should be prioritised to ensure essentials like housing and utility costs are affordable for all groups, including those in full-time employment?
2. How can employers effectively support staff in building financial resilience and assist those facing financial difficulties?
3. Are consumer credit affordability rules set by the FCA and the practices of lenders working well enough for those in full-time employment but struggling with living costs?
4. How can consumer credit standards and product design be improved to support good outcomes?

Notes

[1] https://www.stepchange.org/policy-and-research/debt-research.aspx

[2] YouGov polling commissioned by StepChange in January 2024 found that a smaller proportion, 38%, of UK adults aged 18-64 were in full-time employment

[3] Signs of financial difficulty include making just the minimum repayments on debts; using overdraft in each of the last three months, using credit, loans or an overdraft to make it through to payday; falling behind on essential household bills (e.g. rent, mortgage, energy bills, council tax etc.); using credit to keep up with existing credit commitments; getting hit by late payment or default charges; missing a regular monthly payment on at least one debt; and using credit to pay essential household bills (e.g. rent, mortgage, energy bills, council tax etc). 'Problem debt' means selecting three or more of these options

[4] https://www.stepchange.org/Portals/0/Documents/media/reports/Bristol_Report.pdf

[5] A negative budget describes a situation where a client's monthly expenditure exceeds their monthly income after proceeding through StepChange's advice and budgeting process

[6] See methodology note on page 7 for more details

[7] The poll surveyed a sample of 2,096 UK adults between 13-15 January 2024. The survey was carried out online and the figures have been weighted to be representative of the profile of all UK adults. This report primarily draws upon a subset of 18-64 year olds which comprises 1,518 respondents, of which 574 are in full-time employment

[8] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#economic-inactivity

[9] See methodology note on page 7 for more details on YouGov polling

[10] Other age groups include those aged between 18-24, 35-49, and 50-64 [11] https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2022-key-findings.pdf

[12] https://www.stepchange.org/policy-and-research/women-and-debt.aspx

[13] https://yougov.co.uk/economy/articles/28314-two-five-mothers-say-having-kids-was-bad-their-car

[14] https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report

[15] https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report

Notes continued...

[16] https://www.stepchange.org/policy-and-research/trapped-in-rent.aspx

[17] https://www.stepchange.org/policy-and-research/trapped-in-rent.aspx

[18] https://www.stepchange.org/policy-and-research/women-and-debt.aspx

[19] Any mental health vulnerabilities include: stress or anxiety, depression, suicidal tendencies, bipolar, schizophrenia, and any other mental health condition

[20] See data sheet for more detailed Ethnicity categories

[21] ONS Census 2021 dataset on ethnic group by age and sex in England and Wales, filtered on those aged 18 and over

[22] See note 3 for more details on signs of financial difficulty

[23] https://www.stepchange.org/Portals/0/assets/credit-safety-nets/Falling-behind-to-keep-up-the-credit-safety-net-and-problem-debt-StepChange.pdf

[24] https://www.stepchange.org/policy-and-research/women-and-debt.aspx

[25] A negative budget describes a situation where a client's monthly expenditure exceeds their monthly income after proceeding through StepChange's advice and budgeting process

[26] https://www.stepchange.org/policy-and-research/women-and-debt.aspx

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For more information, visit the [StepChange Debt Charity website]

For help and advice with problem debts call (Freephone) 0800 138 1111 Monday to Friday 8am to 8pm and Saturday 8am to 2pm, or use our online debt advice tool

www.stepchange.org

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