Incomes & Earnings
Housing Evidence Base Briefing Note 17:

National Context

The Minimum Income Standards project aims to define an 'adequate' income. It is based on what members of the public think is enough money to live on, to maintain a socially acceptable quality of life before housing costs and childcare. In April 2013 for example and illustrated in the figure below:

- Single people need to earn at least £16,850 a year before tax in 2013 for a minimum acceptable living standard;
- Couples with two children need to earn at least £19,400 each.

Minimum Income by Family Type

![Minimum Income by Family Type](image)

2013 figures show a continuing squeeze on incomes relative to rising costs, only partly alleviated by increased tax allowances.

- The cost of the 'minimum' household budget of goods and services required for a decent standard of living is rising faster than the official rate of inflation.
- Over the past five years, working-age benefits have deteriorated substantially relative to the minimum income standard (MIS). Out-of-work benefits remain well below MIS, but pensioners claiming Pension Credit receive incomes close to minimum requirements.
- The jump in the personal tax allowance in April 2013 has slightly eased cost-of-living squeeze for those earning enough to claim it. But the benefits have been outweighed by cuts to tax credits and the rising cost of essentials.
- Families with children are particularly feeling the squeeze. Earnings needed to make ends meet have risen by over 5 per cent, at a time when average earnings have been flat.

A Report in 2010 looked at minimum income standards for households in rural areas, and the key points raised were:

- People in rural areas typically need to spend 10–20 per cent more on everyday requirements than those in urban areas. The more remote the area, the greater these additional costs.
- The biggest difference is the greater access to public transport in urban areas, whereas rural households depend more on cars. Domestic fuel costs are also higher in some rural areas, because of older, less fuel-efficient housing and lack of mains gas.
- Single, working-age adults need to earn at least £15,600 a year in rural towns, £17,900 in villages and £18,600 in hamlets or remote countryside to reach a minimum living standard, compared with £14,400 in urban areas.
- For couples with two children, the annual earnings requirement is much higher, about £33,000 to £42,000, depending on whether one or both partners work and the remoteness of the community.
• Among those on basic out-of-work benefits in rural areas, single people get only about a third of the required minimum, families with children about a half, and pensioners are typically 20 per cent short of the minimum.
• Therefore, people in rural areas generally need to work and earn well above the minimum wage to make ends meet. But since many rural jobs are poorly paid, many people have substantially less than they need, even if they work.

Local Context
The Cornwall & Isles of Scilly Local Enterprise Partnership (LEP) in their 'Economic Growth Strategy' have produced the following targets:
• By 2020, Cornwall and the Isles of Scilly’s GDP per head will be above the 75% average for the European Union.
• By 2020 we will have exceeded the expected growth, in terms of GVA of the overall Cornwall and Isles of Scilly economy by an additional £338 million; per person employed this will be an additional £1,450 per annum.

Earnings in Cornwall have remained below the regional and national averages despite the area receiving Objective One funding and the ‘boom’ time of the early 2000’s.

Definitions
Income is the money received, especially on a regular basis, for work or through investments.

Gross annual income is the annual income of the household reference person and (any) partner. This includes income from private sources (regular employment, self-employment, government schemes, occupational pensions, private pensions and other private income), state benefits/allowances and tax credits, as collected on the English Housing Survey (this includes housing benefit/Local Housing Allowance but excludes council tax benefit and Support for Mortgage Interest) and interest from savings. It is a gross measure i.e. income before Income Tax or National Insurance deductions.

Earnings are the money obtained in return for work.

Work has been undertaken to define a ‘living wage’:
• An hourly rate set independently and updated annually;
• The Living Wage is calculated according to the basic cost of living in the UK;
• Outside London the ‘living wage’ is calculated as £7.45 per hour;
• In London it is £8.55 per hour;
• Compared to the national minimum wage of £6.19 per hour.

Income Deprivation represents the proportion of people in an area that are living in low income households that are claiming certain out-of-work means-tested social security benefits.

Overview
Gross annual earnings in Cornwall have consistently been below the average across the South West and England. It is estimated that 20% of the working age population in Cornwall earns less than the ‘living wage’ of £7.45 per hour. 15% of the working age population of Cornwall is claiming ‘out of work’ benefits.

Past Earnings
Gross annual earnings in Cornwall have consistently been below the average across the South West and England as demonstrated in the graphs below:
Current Incomes & Earnings

A ‘Cost of Living’ paper for Cornwall highlights some indicators of the cost of living in 2012. Costs are compared to regional or national levels and although some costs are lower than average, for example council tax and rent, other items are more expensive when compared to the UK including water, sewerage, energy and transport. It is estimated that 20% of the working age population in Cornwall earns less than the ‘living wage’ of £7.45 per hour.
In June 2012 Experian published work in the Guardian newspaper which identified households that were in employment, but finding it challenging based on their current income (it did not include households who are already considered to be in poverty). Analysis of this work undertaken locally resulted in the publication of a report ‘Edge of Poverty?’ which identified that 26% of households in Cornwall were ‘at risk of poverty’, ranking the area 21st of 424 local authorities (where 1 is the worst) and placed Cornwall in the worst 5% areas in the UK. The map and table or [http://www.cornwall.gov.uk/default.aspx?page=22134](http://www.cornwall.gov.uk/default.aspx?page=22134) below indicate the areas where household are most at risk in Cornwall:

The income profile for Cornwall used for the Strategic Housing Market Needs Analysis shows a high proportion of households with lower incomes, and this income profile shows that 35% of households have a gross annual income of less than £15,000.

The latest English Indices of Deprivation produced in 2010 identify the most deprived areas across the country. They combine a number of indicators, chosen to cover a range of economic, social and housing issues, into a deprivation score for each small area in England of which there are over 32,400.

- Analysis within the income deprivation domain has identified a number of areas in Cornwall that are ‘income deprived’. The most deprived area is in Camborne (national rank 336), followed by an area in Penzance (national rank 785) and Redruth (national rank 806).
- In terms of income deprivation affecting older people - the most deprived area is in Redruth (national rank 584), followed by an area in Penryn (national rank 1,113) and then an area in Camborne and Falmouth (national rank 1,270 and 1,275).
In terms of income deprivation affecting children - the most deprived area is in Camborne (national rank 572), followed by an area in Redruth (national rank 1,523) and then an area in Newlyn and Falmouth (national rank 2,332 and 2,389).

14.9% of the working age population in Cornwall receive DWP administered benefits. This includes groups such as jobseekers, incapacity benefit claimants, disabled groups and carers. The map below indicates where there are high number of people claiming out of work benefits and as expected these are in the main centres of population in Cornwall. 26.1% of households in Cornwall claim council tax or housing benefits, or both. These benefits are paid to low income households to help with rent and council tax.

**Claimants by geography**

![Map showing claimants by geography](image)

**Future Incomes & Earnings**

It is very difficult to predict how incomes and earnings in Cornwall may change over the future. The Cornwall & Isles of Scilly Local Enterprise Partnership has ambitions to improve local GVA and if this is achieved this will have a positive impact on local wages. There have also been changes made to the employment profiles of Cornwall through Objective One, Convergence and the emerging European Programme that will benefit employees in Cornwall in the long term. Seasonality can be an issue in some local industries and if continued improvements can be made in extending the tourist season this will also have a positive impact on the earning potential of workers in these industries.
It is estimated\textsuperscript{xiv} that a significant number of people will be impacted by welfare\textsuperscript{BN22} changes and it is estimated that at least 50,000 people in Cornwall will be affected by the changes to welfare at various times over the next five years. The proportion of people who claim benefits locally is similar to the national picture, however, specific areas have very high levels of benefit dependency (over a third of working age adults claim benefits in seven of Cornwall’s neighbourhoods).

**Risk Assessment**

Welfare reform\textsuperscript{BN22} is likely to impact on some vulnerable households in Cornwall and it is also likely that some households who were managing will now start to need support. The opportunities created by welfare reform include reducing the cost of welfare paid and increased employment rate (positive for the economy and individuals). However, the risks are that people come under intense financial pressures, drawing upon additional public and third sector resources and services.

**Examination Findings**

This topic has not been identified as a specific concern but is closely related to ‘objectively assessed needs’ for housing that people can afford and as such is covered in Briefing Note 1 – Objectively Assessed Need\textsuperscript{BN1}.

**Use in Cornwall Local Plan**

Incomes and earning levels are central to determining the ability of people to be able to access their own housing, and this topic is a factor in the consideration of Objectively Assessed Need for housing, and affordable housing in particular.

A number of studies have been used as the evidence base to support the development of affordable housing policies in the Local Plan and these specifically use affordability analysis including:


Incomes and affordability are part of the context for housing and as such are included in general housing papers including:


**Accompanying Briefing Notes**

BN1 – Objectively Assessed Need
BN2 – Housing Market & the Strategic Housing Market Needs Assessment
BN5 – Jobs, Housing & Economic Growth Projections
BN14 – House Prices & Affordability
BN22 – Welfare Reform & its Impacts on Housing
Further Information:


2. Annual Survey of Hours & Earnings provides information about the levels, distribution and make-up of earnings and hours worked for employees in all industries and occupations. The tables contain UK data on earnings for employees by sex and full-time/part-time workers [http://www.nomisweb.co.uk/](http://www.nomisweb.co.uk/)

3. The English Indices of Deprivation identify the most deprived areas across the country. They combine a number of indicators, chosen to cover a range of economic, social and housing issues, into a single deprivation score for each small area in England. [https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/english-indices-of-deprivation](https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/english-indices-of-deprivation)

4. Gross Disposable Household Income is what is available for a household to spend or save once taxes, social contributions, pension contributions and property ownership have been taken into account. [http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-250794](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-250794)

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ii These amounts are after income tax, and do not include housing or childcare costs. Most people relying on basic out-of-work benefits do not reach this standard.


vii NOMIS (2013) Annual Survey of Hours & Earnings - [http://www.nomisweb.co.uk/](http://www.nomisweb.co.uk/)


x GVA/Edge Analytics (2013) Strategic Housing Market Needs Assessment Main Report: Plymouth City Council, South Hams District Council, West Devon Borough Council, Cornwall Council and Dartmoor National Park

