

A snapshot of poverty in Winter 2020

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FOUNDATION

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About the Bevan Foundation

The Bevan Foundation is Wales' most innovative and influential think tank. We develop lasting solutions to Wales' most challenging problems.

Our vision is for Wales to be a nation where everyone has a decent standard of living, a healthy and fulfilled life, and a voice in the decisions that affect them.

As an independent, registered charity, the Bevan Foundation relies on the generosity of individuals and organisations for its work.

Acknowledgements

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How you can help

Hundreds of people and organisations across Wales enable the Bevan Foundation to speak out against poverty, inequality and injustice. We would not exist without their support.

To make Wales a nation of prosperity for all, where everyone can fulfil their potential no matter who they are or where they live, please join our community of supporters.

Your support and that of others makes a difference to us and a difference to Wales.

Find out more at <https://www.bevanfoundation.org/support-us/individuals/> or email info@bevanfoundation.org to find out what you can do

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A snapshot of poverty in winter 2020

2020 has been a difficult year for everyone. New data gathered by YouGov through a national online survey in early December, demonstrates clearly how the economic impact of the pandemic has affected people across Welsh society.

Nearly a quarter of Welsh households, 328,000 households,¹ have seen their incomes fall since the start of the pandemic. At the same time households have seen a number of key living costs increase including 41% seeing an increase in the cost of heating, electric and/or water and 38% seeing an increase in the cost of food.

Whilst the economic impact of the pandemic has hit people across Welsh society, it is the poorest households who have been most greatly impacted, with many forced to cut back on essentials or forced to borrow money. Many are fearful that they will have to continue to do so over the next three months.

All figures, quoted in this briefing, unless otherwise stated, are from YouGov Plc. Total sample size was 1,031 adults. Fieldwork was undertaken between 7th and 11th December 2020. The survey was carried out online. The figures have been weighted (unless specified otherwise) and are representative of all Welsh adults (aged 18+).

The pandemic and incomes

The pandemic has had a devastating impact on household incomes. 24% of Welsh households have seen their incomes decrease since March 2020. 13% of households have seen their incomes fall by "a little", with 11% seeing their incomes fall by "a lot". By contrast, only 12% of Welsh households have seen any increase in their income with only 1% reporting that their incomes increased by "a lot".

The pandemic has had an impact on household incomes across the board with there being three primary reasons for falling incomes. 21% of households who have seen their incomes fall have either seen their own or their partner's working hours and/or pay reduce. 19% of those who have seen a reduction in household income have either themselves been placed on furlough or their partner has been, whilst 13% live in households where either they or their partner have lost their job.

The pandemic and living costs

Many households seen their costs increase

At the same time that a quarter of households have seen their incomes decrease many have seen their living costs increase.

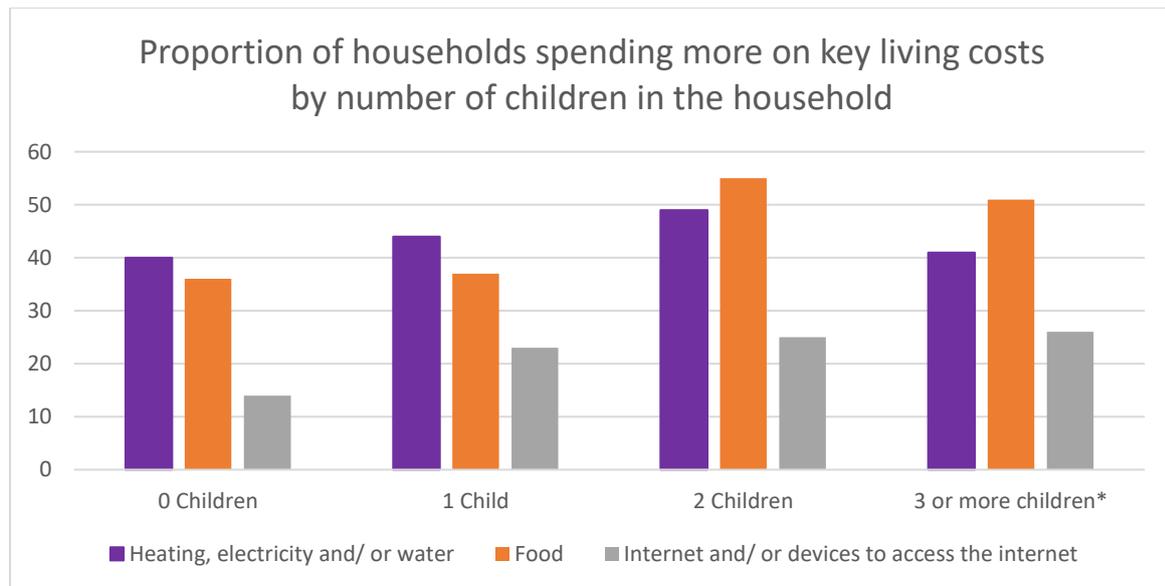
The cost increase that has affected the largest number of households is "heating, electricity and/or water". 41% of Welsh households have seen their energy bills increase, compared with just 1% of households that have reported a reduction.

¹ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

Another living cost that a large number of households have seen increase is the cost of food. 38% of Welsh households have seen their food costs increase since March, compared with 10% who have seen the cost of food reduce.

Many households are also spending more on gaining access to the internet and on digital devices. 16% of household have seen the cost of remaining connected digitally increase, compared with 6% of households that have seen such costs reduce.

Whilst increasing costs has affected households across the board, households with children appear to have been worst affected.



* Based on a small sample size

Some living costs have reduced

Not all living costs have increased, however. 44% of households are spending less on travel costs than in March with only 7% spending more. 30% of households are also spending less on clothing for adults with 7% spending more.

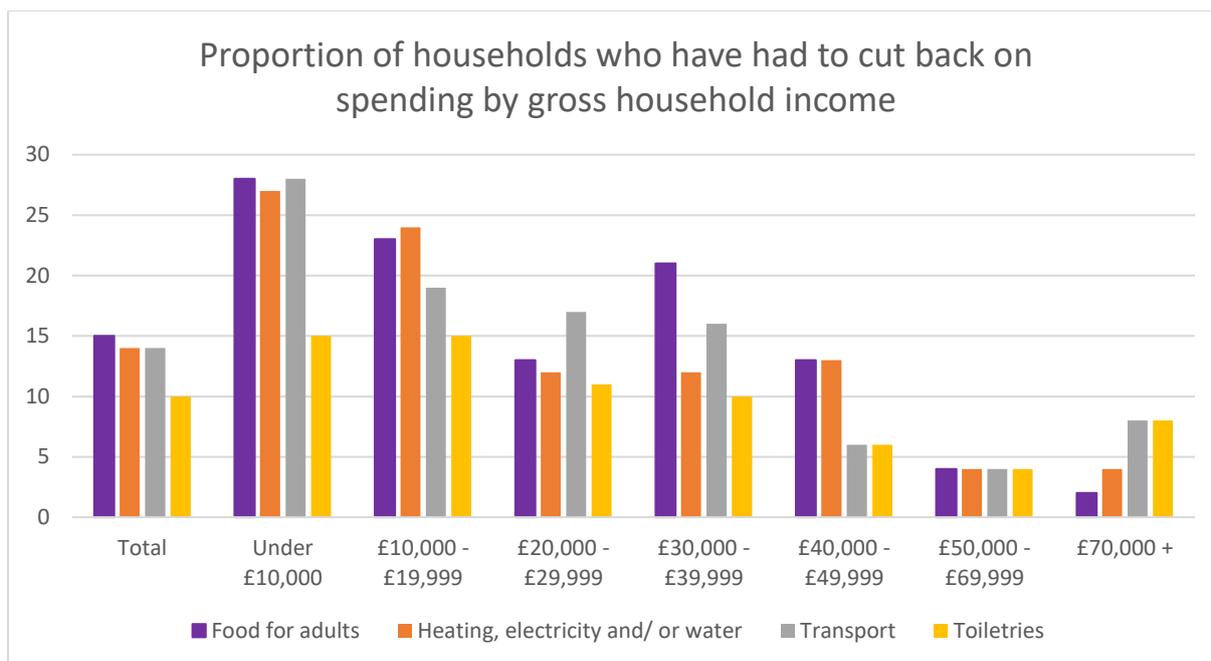
Other living costs have remained largely unchanged. 79% of households for example, report no change in their rent or mortgage payments with 6% reporting an increase in their costs and 5% reporting a decrease. For the 24% of households reporting a fall in their household income however, even flat lining living costs are likely to present a challenge.

The impact of the pandemic on the poorest households

The pandemic has had an impact on households across the income spectrum. It is the poorest households, however, that have been most greatly affected if their incomes have fallen or if their living costs has increased.

Cutting back

The living cost that the largest proportion of people have had to cut back on since March 2020 has been clothes for adults. Since March, 22% of people in Wales have had to cut back on how much they spend on clothing. Whilst the proportion of households who have had to cut back on the amount they spend on clothing has been broadly similar across the board, the same is not true for other essential living costs.



In total more than 200,000 households have had to cut back on food for adults, with more than 190,000 having to cut back on transport and on heating, electricity and/ or water.² More than a one in five households whose gross household income is less than £20,000 have had to cut back on food for adults and heating, electricity and/ or water.

The data also highlights the extent to which parents are cutting back on spending on themselves to protect their children. Only 2% of households have cut back spending on food for children with 6% cutting back on other items for children.

Falling behind on bills

Even having cut back on essential spending many Welsh households are struggling to cover their bills. 9% of households, over 120,000 have behind on a bill since the outset of the pandemic.³ Utility bills are the bills that the greatest proportion of households are struggling to keep up with 5% of households falling behind, followed closely by credit/ loan/ hire purchase repayments at 4% and 3% on Council Tax and rent/ mortgage repayments respectively.

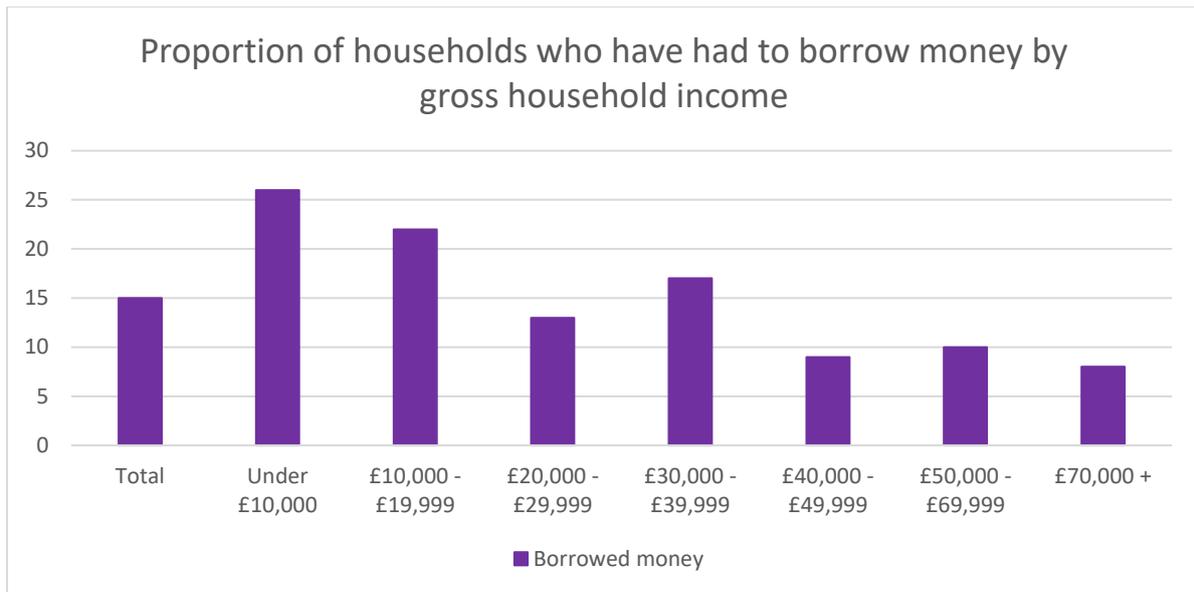
Renters, both social and private sector have been the most likely to fall behind on their bills with 19% of social renters and 20% of private renters falling behind on at least one bill. Of these 9% of social renters have fallen behind on their rent, compared with 6% of private tenants and 4% of mortgage holders.

Borrowing money

Other households have had to borrow money to make it through the last nine months. 15% of households have borrowed money since March 2020. Low income households have been the most likely to borrow funds.

² Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

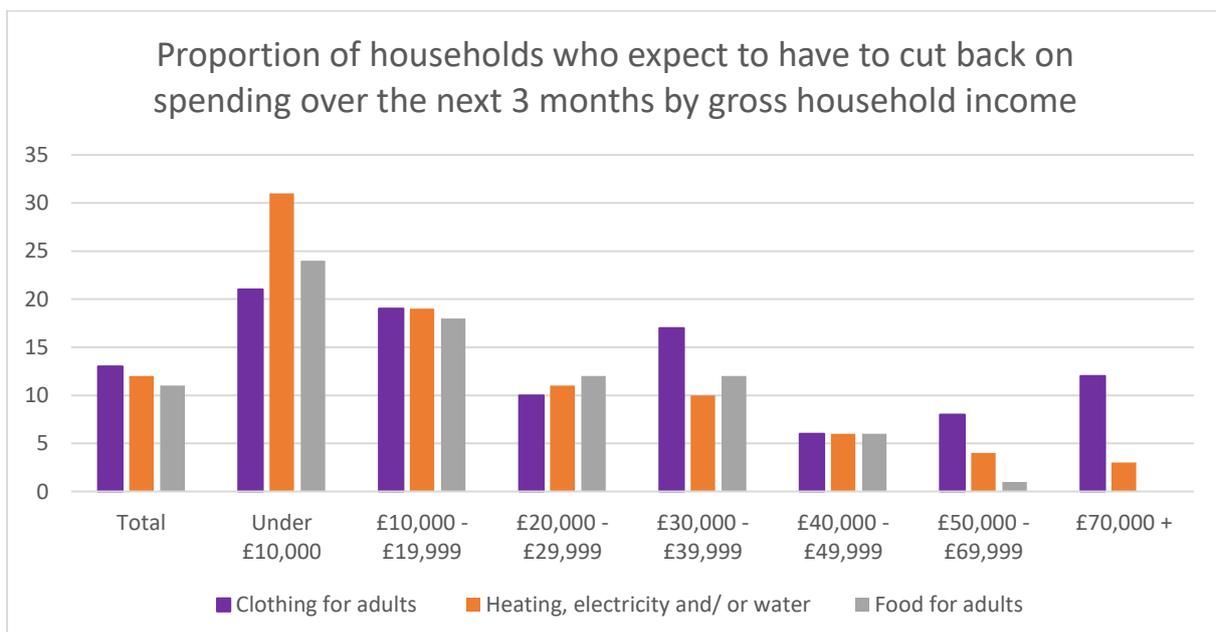
³ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.



Not only have the lowest income households been more likely to borrow money since the outbreak of the pandemic they have also borrowed from different sources. 13% of households whose gross annual income is under £10,000 and 15% of households whose gross income is less between £10,000 and £19,999 have borrowed money from friends and family compared with 8% of the overall population. The lowest income households have also been the most likely to go into their overdraft, with borrowing on credit cards being fairly consistent across the income spectrum at 5%.

The next three months

Many households do not expect their personal financial situation improve significantly over the next 3 months. 21% of households, expect to have to cut back on at least one essential over the next three month period with food for adults, clothing for adults and heating, electricity and/ or water being the essentials that most households expect to have to cut back on. Again, lower income households are more likely to expect to have to cut back.



Over 80,000 households,⁴ 6% of all households expect that they will fall behind with at least one bill over the next three months, whilst 150,000 households,⁵ 11%, expect that they will need to borrow money over the next three months. If this adds to the debt accrued by households over the past nine months many will be paying the bill for the pandemic long after the full roll out of the vaccine.

There is broad public support for action

The devastating impact of the pandemic on people's income is laid bare by this latest data. With 700,000 people already living in poverty in Wales before the pandemic struck, many households have had little room to manoeuvre as the impact of the Covid 19 storm has struck. It is therefore not surprising that there is broad public support for the Welsh Government to take greater action to invest in both short term and long term solutions to poverty.

Among the measures that there is popular support from the public for are provision of emergency support for struggling families (74% in favour) funding for young people aged 16-18 who want to continue in education or training (67%) investment to close the attainment gap (67%) and the construction of more social homes (63%) in favour, additional support with Council Tax (56%) and a cap on social rents (55%).

Based on this support and clear need for action the Bevan Foundation believe that, in the short term, the Welsh Government should:

- Provide free laptops and data to all children in receipt of Free School Meals
- Established a Education Maintenance Allowance (EMA) Hardship Fund to support young people to stay in education
- Write off Tenant Saver Loans
- Ensure income maximisation advice is provided nationally rather than through small scale local pilots.

To reduce poverty and inequality in the longer term, however, we believe the Welsh Government must go further. Our ideas about the actions that the Welsh Government should take are set out in full in *Transforming Wales: how Welsh public services and benefits can reduce poverty and inequality*.⁶ Amongst the measures outlined in the report are:

- The establishment of a Welsh Benefits System including:
 - A new School Start Scheme
 - A new Learning Allowance for low income learners in FE
 - The establishment of a Welsh Emergency Fund
 - Reform of Council Tax Support
- The construction of 20,000 affordable homes in 5 years

⁴ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

⁵ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

⁶ Bevan Foundation, *Transforming Wales: how Welsh public services and benefits can reduce poverty and inequality*, October 2020, available at - <https://www.bevanfoundation.org/publications/transforming-wales-welsh-public-services-and-benefits/>

- A cap on increases in social rents
- Free universal childcare
- Action to close the attainment gap
- More public and community wifi.