

A snapshot of poverty in spring 2021

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FOUNDATION

June 2021



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

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.

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Acknowledgements

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1. Introduction and Summary

The Covid 19 storm has hit us all in Wales over the past 15 months. Whether we have been working from home, home schooling, shielding, or working in our hospitals and supermarkets, the pandemic has had a significant impact on our household finances. Not all of us have been in a position to weather the storm as easily as others.

As restrictions begin to ease and as the economy starts to show some signs of recovery attention has already begun to turn to building a fairer society. To ensure that our economy recovers in a way that is just for all we need to understand the impact of the pandemic on households and people's concerns for the future. This is why the Bevan Foundation commissioned YouGov to capture how the pandemic has affected Welsh households. This follows on from a survey the Bevan Foundation commissioned in December 2020.¹

1.1 Key findings

Everyone in Wales should be able to enjoy a decent standard of living. Whilst the pandemic may have strengthened our desire to create a more equal society, our latest data demonstrates how far we have to go.

One in three Welsh households does not have enough money to buy anything beyond everyday items. Over 110,000 households, about the same as the number of households in Swansea, struggle to cover the cost of everyday essentials.² Our latest data suggests that the situation could even deteriorate further. The key findings from our survey are set out below:

- **Incomes are still falling but not for everyone** - More than one in five households with a net income of less than £20,000 have seen their income drop since January 2021. For households with a net income of more than £40,000 more than one in five have seen their incomes increase.
- **Living costs are still rising** - Households across Wales have seen their living costs increase. Social renters and parents and guardians have been especially badly affected by rising costs.
- **Living standards are being squeezed** - Thousands of households are having to cut back and ration their use of the essentials we all need to live with dignity. Low-income households, renters, disabled people, lone parents, and adults aged between 25 and 64 more likely to have had to cut back on everyday essentials than other groups.
- **Personal debt is a major problem** - Since January 2021, 10 per cent of Welsh households have fallen behind on a bill whilst 17 per cent have borrowed money to pay a bill. Low-income households, renters, disabled people, lone parents, and

¹ Bevan Foundation, *A snapshot of poverty in winter 2020* (December 2020) available at - <https://www.bevanfoundation.org/publications/poverty-in-winter-2020/>; and Bevan Foundation, *Differing experiences of poverty in Winter 2020* (February 2021) available at - <https://www.bevanfoundation.org/resources/differing-experiences-of-poverty/>

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

adults aged between 25 and 64 are more likely to be behind on a bill or have borrowed money than others.

- **Many people are worried about losing their homes and their jobs** - One in ten people are worried about the prospect of losing their job over the next three months with one in twenty worried about losing their home. Six per cent of households have already been told that they will lose their home. This is equivalent to over 80,000 households forced to seek a new home.³
- **Many households expect little improvement over the summer** - One in five households are worried about having to cut back further on everyday items over the next three months, with others worried about falling behind on a bill or having to borrow money.

1.2 About this briefing

All figures quoted in this briefing unless otherwise stated are from YouGov Plc. The total sample size was 1,035 adults. Fieldwork was undertaken between 20th and 24th May 2021. The survey was carried out online. The figures have been weighted (unless specified otherwise) and are representative of all Welsh adults (aged 16+).

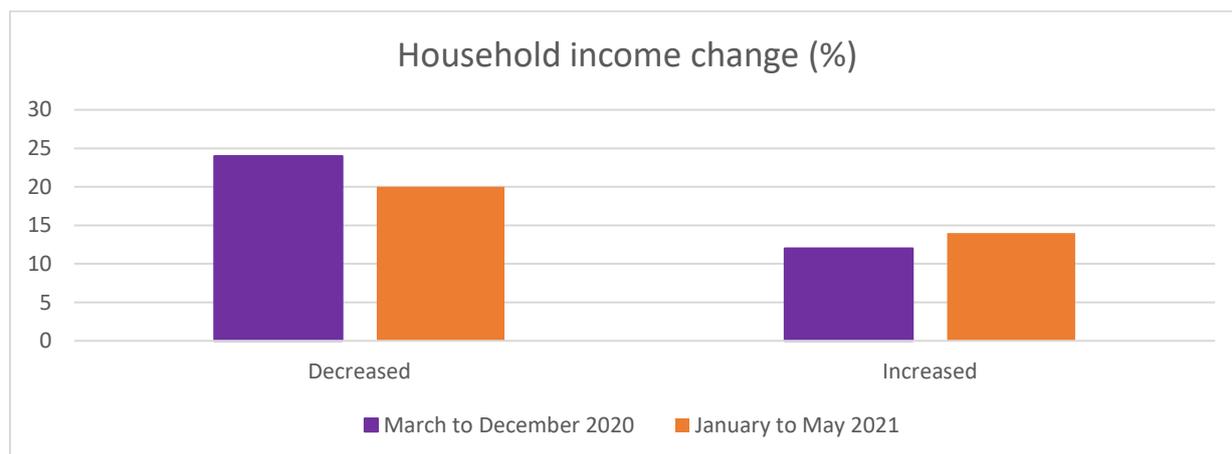
Short briefings are available on the impact of the pandemic on individual demographic groups. These briefings are available for free to Bevan Foundation supporters and subscribers on request.

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

2. Household income

2.1 Position in May 2021

The pandemic has had a significant impact on household incomes. Between January and May 2021 one in five Welsh households have seen their incomes decrease. This is on top of nearly a quarter of households which saw their incomes fall between March and December 2020. For some of these households, the fall in income since January will be on top of decreases in income experienced earlier in the pandemic.



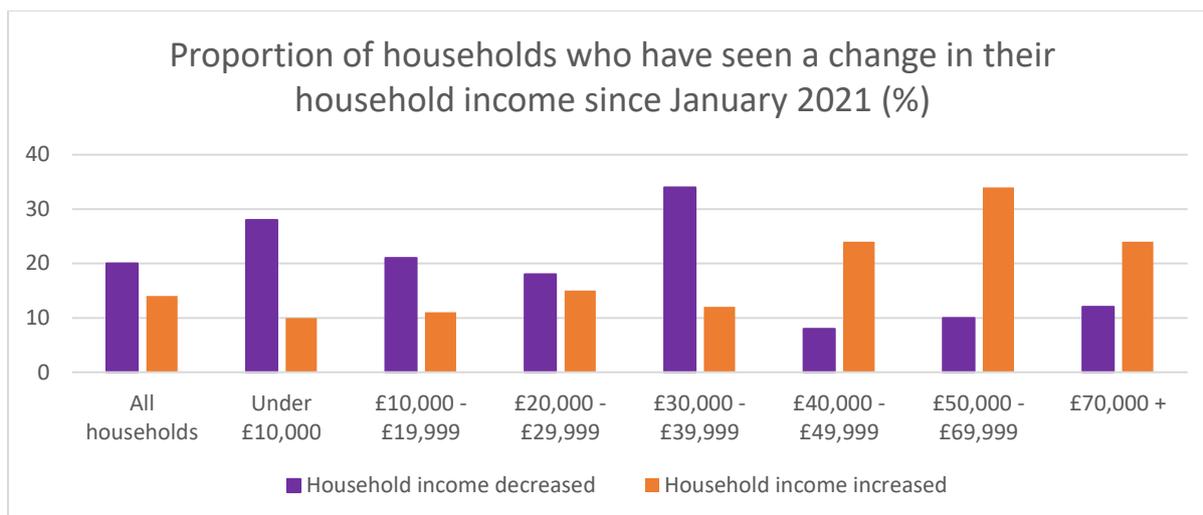
The negative impact of the pandemic on household income is further emphasised when looking at the proportion of households who have seen their income increase. Given the easing of restrictions in recent weeks, we may have expected to see a rise in the proportion of households who report an increase in their income as businesses reopen and people return to work from furlough or re-enter employment. In reality, only 14 per cent of households have seen their incomes increase since January, two percentage points higher than the proportion that saw their income rise in 2020.

Even with restrictions easing, it appears that very little progress was made in the first part of 2021 in reversing the damage to household income caused by the pandemic.

2.2 Different groups

The latest data raises some serious concerns that our recovery from Covid-19 may deepen existing income inequalities.

More than one in five households with a net income of less than £20,000 have seen their income drop since January 2021. For households with a net income of more than £40,000, however, more than one in five have seen their incomes increase.



The group that does not fit the broader trend is households with an income of £30,000 to £39,999. Further investigation is needed to understand the reasons for this.

Proposed changes to the social security system could deepen inequalities even further. The social security system has been made more generous temporarily in response to the pandemic.⁴ This has offered some protection to those on the lowest incomes over recent months. With many of these temporary changes due to come to an end over the summer many of the lowest income households are likely to see their incomes cut. With the labour market still expected to be difficult, thousands of more households in Wales could be squeezed in a similar way.

⁴ Bevan Foundation, *Differing experiences* (n1)

3. Living costs

3.1 Position in May 2021

Households across Wales have seen their living costs continue to increase into 2021. The costs range from the cost of the rent or the mortgage, to the cost of food, clothing and toiletries. Respondents noted three living costs in particular as having increased since January 2021:

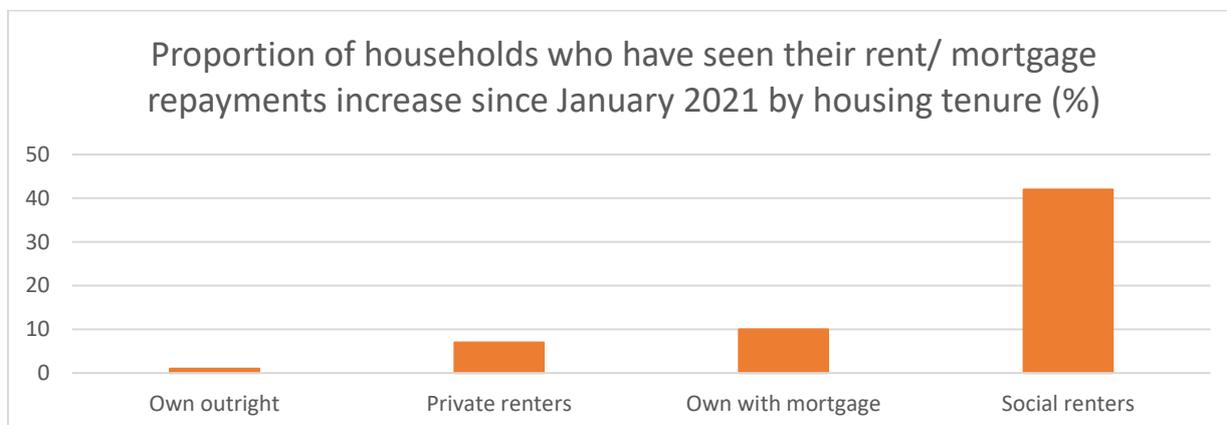
- 43 per cent of households are spending more on heating, electricity and/or water.
- 38 per cent of households are spending more on food.
- 20 per cent of households are spending more on internet costs or devices to access the internet.

These increases are on top of already significant increases in the cost of living that were reported in our December 2020 survey.⁵

3.2 Different groups

Living costs have increased across the board in Wales, with households right across the income spectrum spending more on everyday items. Two groups of people appear to have been disproportionately affected by rising costs: social renters and households with children.

Social renters have been significantly more likely to see the costs of housing itself i.e. the amount a household spends on rent or mortgage repayments increase than anyone else in Wales.



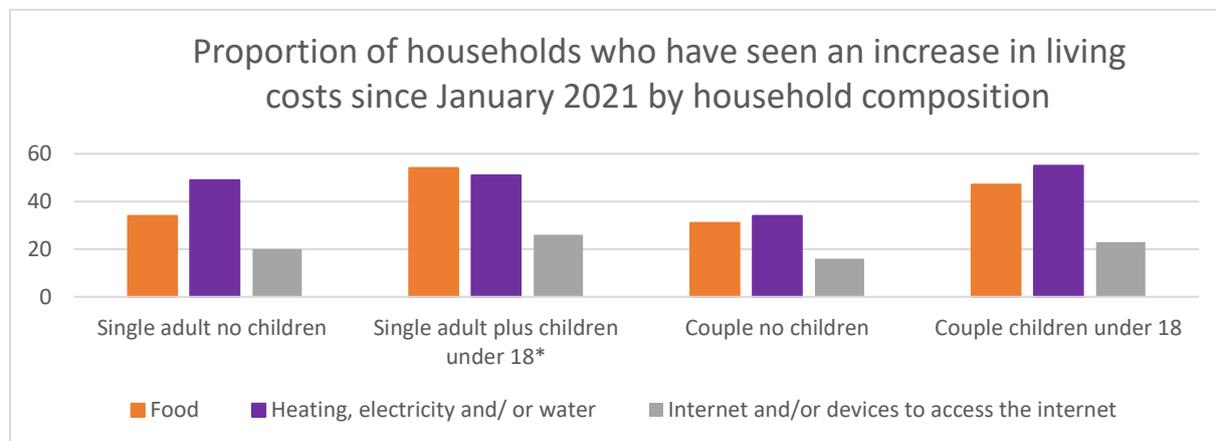
Social renters have been four times as likely to see their housing costs rise than people living in other tenures.⁶ This stark difference between the experiences of social renters and people living in other forms of housing can likely be explained by the Welsh Government's social rent setting policy which permits social landlords to increase their

⁵ *ibid*

⁶ The proportion of people who rent their homes from local authority landlords who have seen their rents increase has been even higher, standing at 47% compared with 37% for those who rent from housing associations. This is based on a small sample size so the figure should be treated with caution.

rents by CPI inflation + 1% every year. Whilst many social landlords have chosen not to exercise this option during the pandemic a sizeable proportion of tenants are still affected.

Households with children have also faced pressures on their living costs, being more likely to report increased spending on everyday items than households without children.



*Based on a small sample size

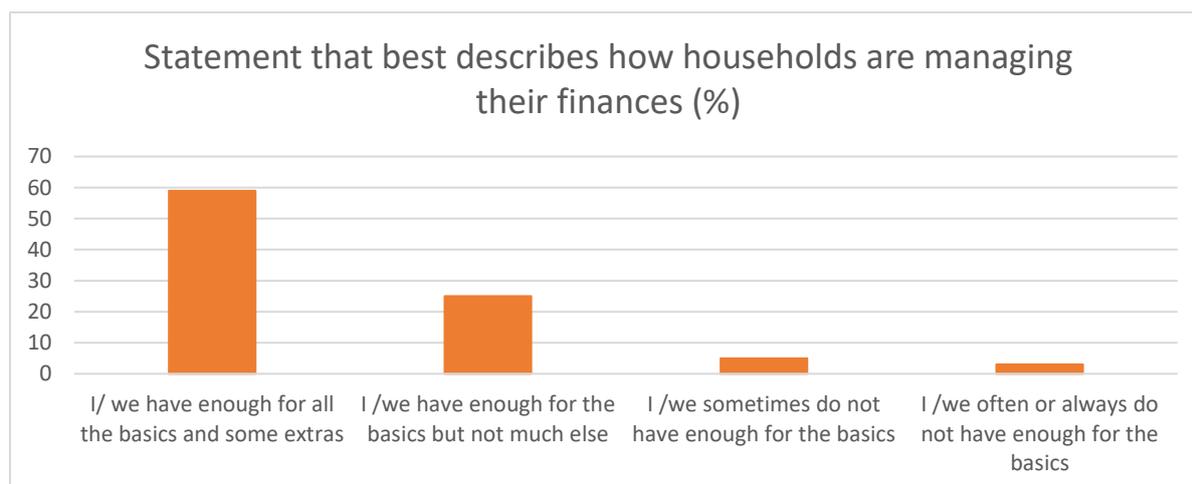
Not only are households with children more likely to have had to spend more on some key living costs than households without children, but they have also faced additional pressures from the costs of meeting children's needs. A quarter of parents and guardians of at least one child under 18 have spent more on items for children since January 2021. This is on top of the 26 per cent that reported that they had to spend more on such items up to December 2020.

A further nine per cent of parents and guardians reported spending more on childcare since January 2021, this is up slightly on the six per cent that reported this being the case in our December survey. Whilst 14 per cent of parents or guardians reported that they had saved money on childcare between March and December 2020, this has dropped to only five per cent between January and May 2021.

4. Living standards

4.1 Position in May 2021

Everyone in Wales should be able to enjoy a decent standard of living but our latest data demonstrates that thousands of people across the country are denied this. To get a sense of how difficult households in Wales find it to make ends meet we asked a new question in this survey. Respondents were asked to consider which from a set of statements best described how they were managing their household finances. The findings are very alarming.



A third of Welsh households never have enough money to buy anything beyond day-to-day items. Over 40,000 households (three per cent of the total) often or always do not have enough for basics, whilst nearly 70,000 household (five per cent of the total) sometimes do not have enough for the basics.⁷ If both figures are combined approximately 110,000 households (eight per cent) struggle to have enough for everyday essentials at least some of the time, similar to the total number of households in Swansea.⁸

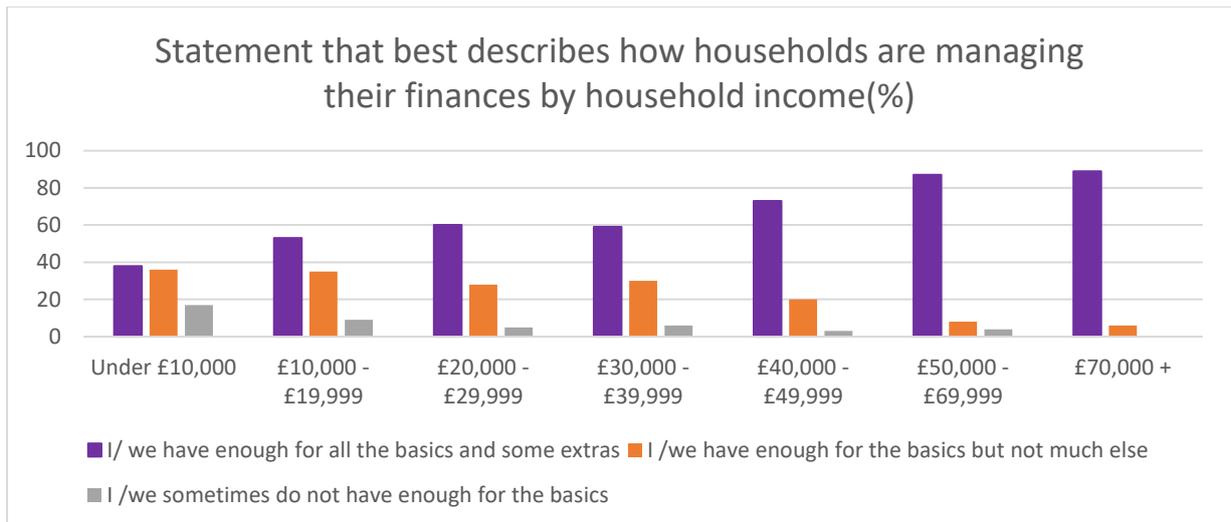
4.2 Different groups

There are significant variations as to which households find it most difficult to find enough money to cover all their day-to-day needs.

It is perhaps not surprising that low-income households find it significantly more difficult to afford everyday essentials than higher-income households. The extent of the divide, however, is highly concerning and demonstrates the clear link between household income and the ability to enjoy a decent standard of life.

⁷ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

⁸ *ibid*



It is not just low-income households which find it especially difficult to cover their everyday costs. Amongst other groups that struggle to meet the costs of essentials are:

- Disabled people
- Social renters
- Private renters
- Lone parents

5. Cutting back

5.1 Position in May 2021

Thousands of households in Wales do not have enough money to cover their everyday needs. These pressures leave people with difficult decisions about cutting back on their use of the goods and services that we all need to live with dignity. The latest data highlights just how many households are forced to go without.

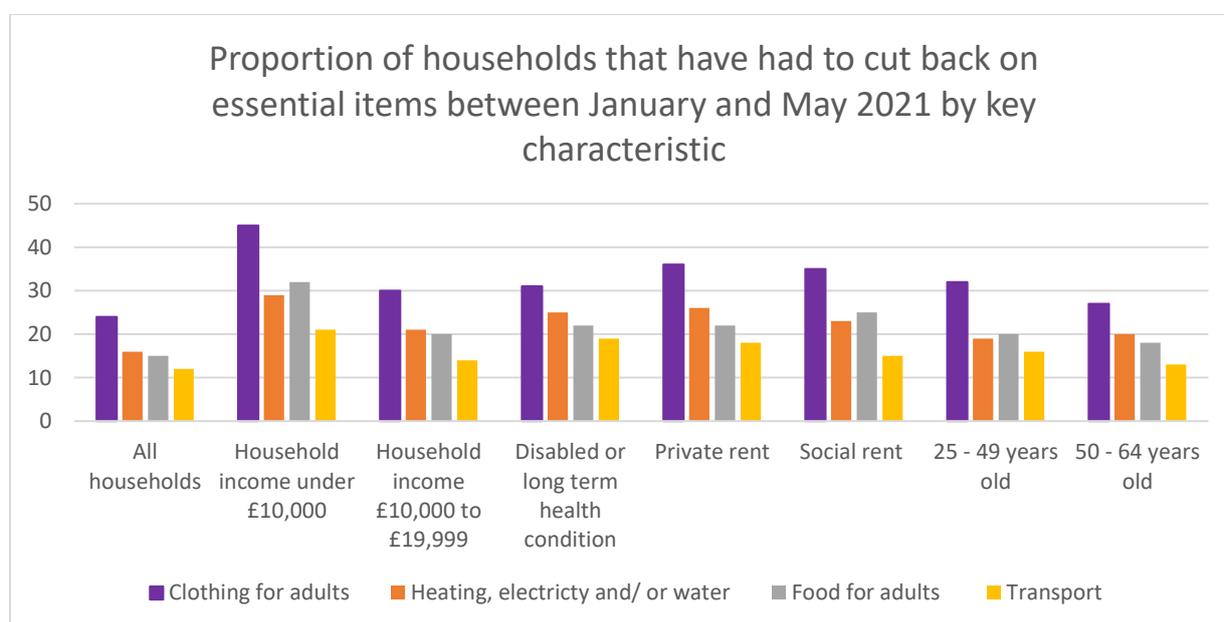
Between January and May 2021:

- 24 per cent of households of Welsh households cut back on clothing for adults
- 16 per cent of Welsh households cut back on heating, electricity and/ or water
- 15 per cent of Welsh households cut back on food for adults
- 12 per cent of Welsh households cut back on transport costs

5.2 Different groups

We all face difficult decisions sometimes, but some people are more likely to have had to cut back on everyday items since the start of the year than others.

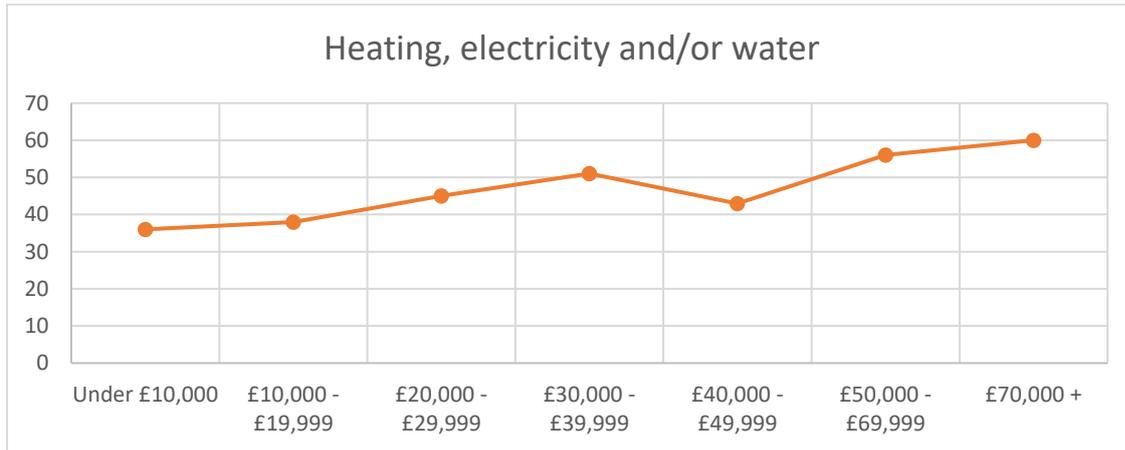
Low-income households, renters, disabled people, lone parents, and adults aged between 25 and 64 have all been more likely to have had to cut back on everyday items since the start of the year than other groups.



The connection between low income and difficulty meeting a household's everyday needs is illustrated starkly when looking at household expenditure on one item in particular: heating, electricity and/ or water. As the chart above illustrates, more than a quarter of households with an income of less than £10,000 and more than a fifth of households with an income of between £10,000 and £19,999 have had to cut back on

how much they spend on gas, electricity and/ or water since January. The same is only true for four per cent of households with an income of more than £70,000.

In fact, households with an income of more than £70,000 have been the most likely to see an increase in the amount they spend on utility bills between January and May, with households with an income of more than £70,000 being almost twice as likely to spend more on their heating, electricity and/ or water since January than households with an income of less than £10,000.



A number of factors may explain this difference. Higher-paid workers have been more likely to work from home throughout the winter than low-paid workers, for example. This may have led to some higher-income households using more heating, electricity and/ or water because they have spent more time at home. Higher income households may also have had the flexibility to choose whether to keep their heating on throughout the winter, because they can afford to do so. Many lower income households who have spent more time at home may have not had such flexibility leading to families keeping the heating off, even when they've been cold.

6. Debt

6.1 Position in May 2021

In addition to cutting back on everyday items, households which are struggling to find enough money to cover their day-to-day needs can also be pushed into debt. The survey we conducted provides insights into two forms of debt: households in arrears on a bill and households which have borrowed money. The latest results demonstrate that this is a significant problem for many households:

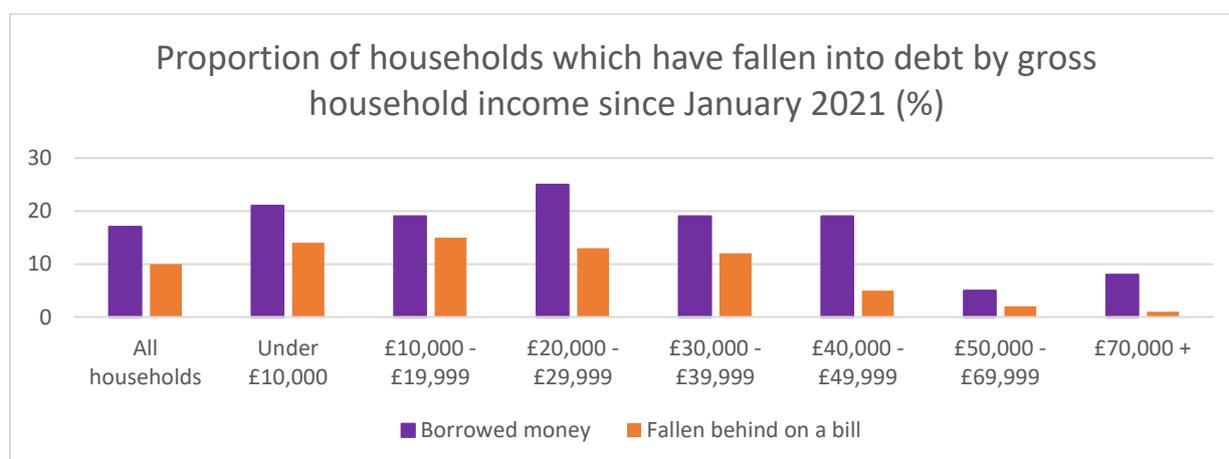
- Over 130,000 households (10 per cent) have fallen behind on a bill since January 2021⁹
- Over 230,000 households (17 per cent) have borrowed money since January 2021.¹⁰

Not only do these findings demonstrate that hundreds of thousands of households are currently in debt in Wales, they also suggest that households have found the first five months of 2021 harder than they were expecting. In the December 2020 survey households were asked to set out their expectations for the next three months. Only six per cent of households were expecting to be in arrears on a bill, with only eleven per cent of households expecting to have to borrow money.¹¹

Given the continued financial pressures households are under it is not surprising that personal debt is a major issue. The Bevan Foundation is currently exploring the extent of the impact of the pandemic on personal debt in Wales and will report shortly.

6.2 Different groups

Households which are most likely to have had to cut back on everyday items since the new year are also the households that have been most likely to fall into debt. These include disabled people, renters, lone parents and adults aged between 25 and 64. Low income households have also been significantly more likely to fall into debt since the turn of the year than higher income households.



⁹ Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

¹⁰ *ibid*

¹¹ Bevan Foundation, *Snapshot of poverty* (n1)

Households with a gross income of more than £40,000 have been much less likely to fall into arrears on bills than households earning less than £40,000. Lower-income households are especially likely to be in arrears with utility bills: nine per cent of households with an income of less than £40,000 are behind on utility bills compared with one per cent of households earning more than £40,000.

Households with a gross income of more than £50,000 have been much less likely to have borrowed money since January than households earning less than £50,000. Friends and family have been the main source of funds for households which have had to borrow money since January. This is true across the income spectrum but is especially so for households with an annual income of less than £10,000. Of these low income households which have borrowed money, 14 per cent have done so from friends and family. The two other forms of borrowing that have been used by more than five per cent of households are credit cards and current account overdrafts.

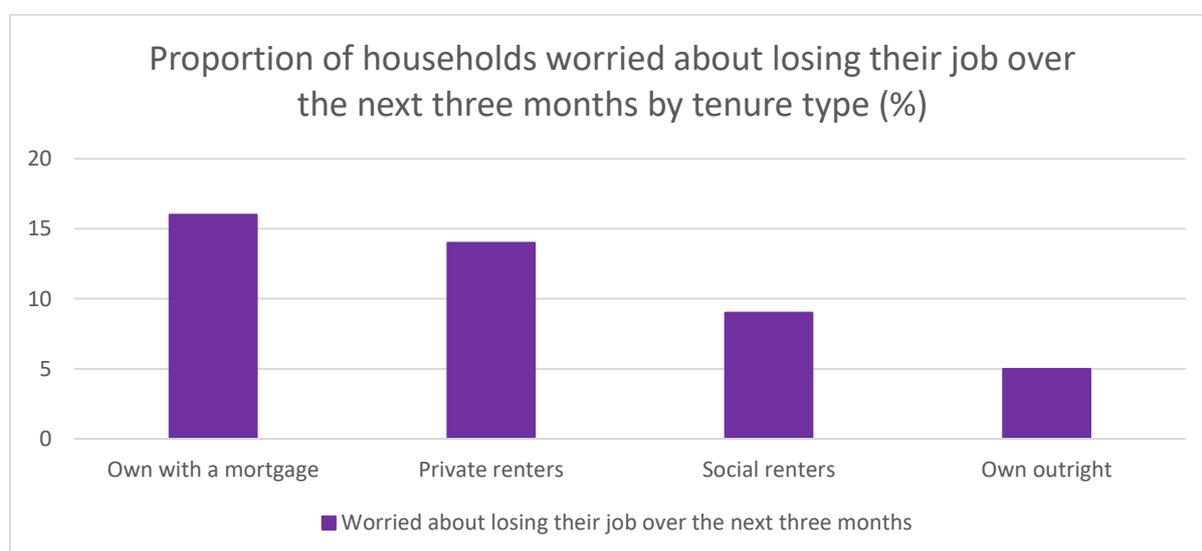
7. Job security

7.1 Position in May 2021

With the economy reopening and many of the protections that have safeguarded people's jobs, such as the furlough scheme, set to come to an end we asked a new question in our survey to get a sense of how secure workers feel in their roles. A sizeable minority, ten per cent of respondents, stated that they were either somewhat worried or very worried about losing their job over the next three months.

7.2 Different groups

Perhaps surprisingly, workers are worried about losing their jobs across the income spectrum with no major difference by household income. One area where there is a difference is by tenure type.



This difference might be a reflection of the fact that a higher proportion of private renters and people who own their home with a mortgage are in work than people who live in the two other tenure types.

A similar pattern also emerges when looking at job security by age group:

- 10 per cent of 16 – 24-year-olds are worried about losing their job over the next three months
- 16 per cent of 25 – 49-year-olds are worried about losing their job over the next three months
- 13 per cent of 50 – 64-year-olds are worried about losing their job over the next three months

Given the fairly even spread of concern about job security across the working age population, programmes to support people whose employment has been affected by the pandemic should take this into account.

8. Housing security

8.1 Position in May 2021

With the protections from eviction being loosened we asked people if they are worried about losing their home over the next three months. The findings are startling and suggest an imminent housing crisis.

In total, more than one in ten households is facing insecure housing. A shocking six per cent of households have already been told that they will lose their home, equivalent to 80,000 households who have already had to, or will have to find a new home, despite protections from eviction still being in place when the survey was undertaken.¹² The survey also revealed that five per cent of households are concerned about losing their home by eviction or repossession over the next three months, although they have not yet been served notice.

8.2 Different groups

Generally, renters are more concerned that they may lose their home within the next three months than owner occupiers:

- 8 per cent of renters are worried that they lose their home within the next three months
- 4 per cent of owner occupiers are worried they may lose their home within the next three months

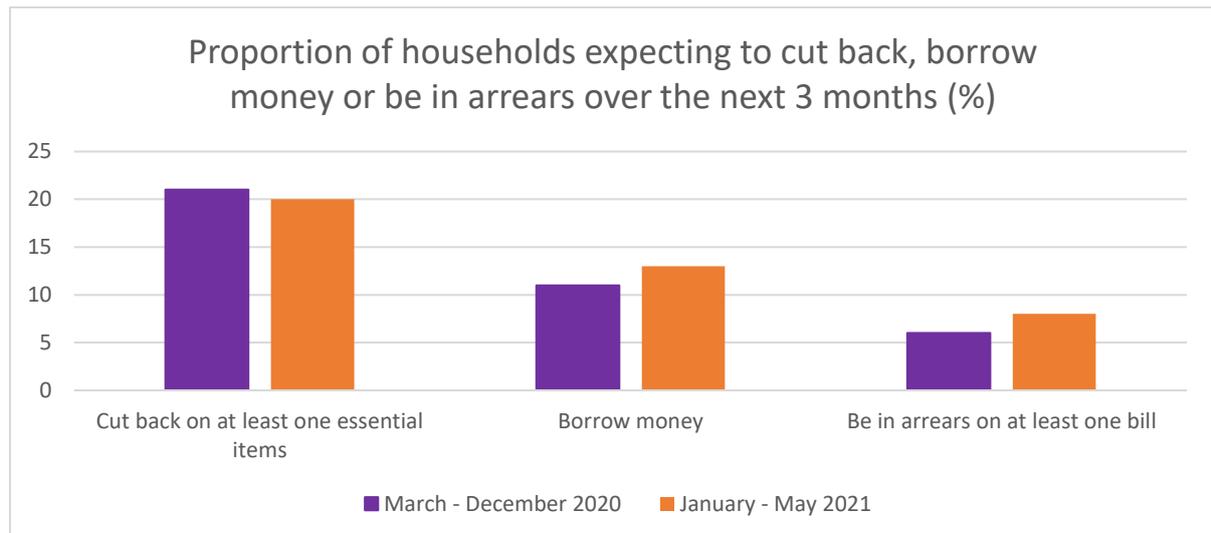
Broadly speaking lower-income households, disabled people and working age adults are more concerned about being evicted or having their homes reposessed than higher-income households. Over 10 per cent of households with an income of less than £20,000 have already been notified that they will lose their home, highlighting how unequally Covid 19 has affected our society.

¹² Calculations done by Bevan Foundation based on Welsh Government Household estimates for Wales, 2019 data.

9. The next three months

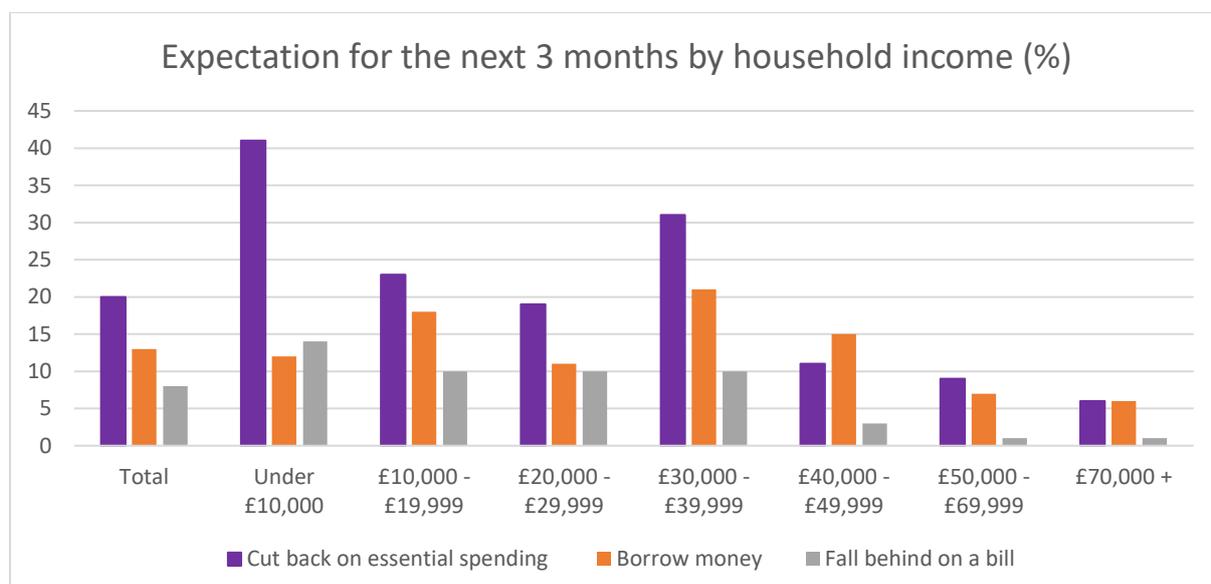
9.1 Position in May 2021

Despite the expected easing of restrictions over the summer a sizeable proportion of households remain very concerned about the economic landscape. Indeed, households' expectations for the next three months are very similar to their expectations heading into winter 2020. One in five households expect to have to cut back on an everyday spending this summer, with the proportion of households expecting to be pushed into debt slightly higher than was the case in December.



9.2 Different groups

Broadly speaking lower-income households are more likely to be concerned about having to cut back on everyday items or about falling into debt than higher income households. There are some interesting variations with households with an income of £30,000 to £39,999 being noticeably more pessimistic about the future than may have been expected given the broader trend across income groups.



Amongst the other groups that are more concerned than average about their prospects across the next three months are:

- Disabled people or people with a long-term health condition – 40 per cent expect to cut back, 18 per cent expect to borrow money and 12 per cent expect to fall behind on a bill
- Lone parents – 38 per cent expect to cut back, 33 per cent expect to borrow money and 14 per cent expect to fall behind on a bill¹³
- Private renters – 36 per cent expect to cut back, 22 per cent expect to borrow money and 14 per cent expect to fall behind on a bill
- Social renters 30 per cent expect to cut back, 17 per cent expect to borrow money and 15 per cent expect to fall behind on a bill
- Single adults without children – 28 per cent expect to cut back, 16 per cent expect to borrow money and 10 per cent expect to fall behind on a bill
- 25 – 49 year olds – 25 per cent expect to cut back, 15 per cent expect to borrow money and 10 per cent expect to fall behind on a bill.

¹³ Based on a small sample size

10. Conclusion

The past 15 months have been challenging for all of us. It is clear however, that the impact of the pandemic has not affected each of us equally. It is the people who were already on the lowest incomes that have been hit the hardest. The UK and Welsh Governments have tried to do the right thing over recent months to protect those most vulnerable to the pandemic's impact. From the furlough scheme to Free School Meals over the holidays, both governments have put in place measures that have offered vital assistance. This briefing has highlighted that there is far more that we need to do if we are to ensure that everyone can recover from the effects of the pandemic and enjoy a decent standard of living.

10.1 We will need intervention to ensure a just recovery

A key theme that has emerged throughout this briefing is that without intervention, our recovery is likely to be unequal. This is illustrated clearly by that fact that whilst more than one in five households with a net income of less than £20,000 have seen their income drop since January 2021, more than one in five with an income of more than £40,000 have seen their incomes increase. There is a clear need for us to take action now if we are to ensure that any economic recovery improves the lives of everybody in Wales.

10.2 Life for thousands of people in Wales is tough

Everyone in Wales should be entitled to a decent living standard. This briefing has set out clearly that hundreds of thousands of people across our nation are denied a decent quality of life. Over 110,000 households in Wales either sometimes or always struggle to cover the cost of everyday items. Thousands of households all over Wales have had to cut back on essentials this spring as a result of the pressures of the pandemic. Thousands more have been pushed into debt or been forced to borrow. Whilst the pandemic has unquestionably placed greater pressure on everyone in Wales, the fact that the households which have been hit hardest are the ones that were already at the highest risk of poverty once again demonstrates the need to take action to address the root causes of poverty.

10.3 Costs and income matter

One of the key themes that emerged from our *Differing experiences of poverty in Winter 2020* report is that both costs and income matter.¹⁴ Whilst the landscape has changed somewhat, given that the pandemic now appears to be affecting household income in a more unequal manner, this key message remains important and needs reiterating.

One of the reasons why disabled people, parents and single people have been harder hit by the economic impact of the pandemic is that their households have higher living costs, or that their living costs account for a higher proportion of their income.¹⁵ The fact that some living costs have increased more sharply for groups which are at a higher risk of living in poverty is therefore extremely concerning.

For example, this briefing has showed how social renters have been four times as likely to see their housing costs increase since January than private renters or owner occupiers.

¹⁴ Bevan Foundation, *Differing experiences*, n(1)

¹⁵ *ibid*

Parents and guardians are starting to see the cost of childcare creep up. Whilst boosting incomes may ease some of the pressures faced by such households, if we do not take action on living costs, any progress, we make on income risk being undermined. It is therefore vital as we seek to recover from the pandemic that we consider how we invest in stronger public services so that people have greater access to social housing, good quality and affordable public transport, and suitable childcare.

10.4 We are facing an imminent housing crisis

With more than one in ten households reporting that their housing situation is insecure it is clear that we are facing an imminent housing crisis. Whilst both the UK and Welsh Governments have taken action to protect people's homes over the duration of the pandemic, some of these protections have already come to an end, with others due to end over the summer. Unless further action is taken some of the progress that has been made over the course of the pandemic in reducing homelessness are likely to be reversed.