WEATHERING THE STORM: HOW COVID-19 IS ERODING FINANCIAL RESILIENCE

November 2020

TURN2US

CONTENTS

Introduction 3
Methodology 4
Key Findings 4
Impact of Covid-19 on financial resilience 4
Who has faced the largest impact on their financial resilience? 5
What should we do? 7
Recommendations 7
What impact has the pandemic had on financial resilience in the UK? 8
Financial Resilience indicators 9
Running out of money before the end of week or month 9
How long people can make ends meet after losing main source of income 15
Ability to afford emergency costs 19
Coping strategies 21
Debt and payment behaviours 21
Analysis of financial support available 25
Awareness and use of Local Welfare Assistance schemes 25
Impact of £20 per week uplift to Universal Credit 27
Whose financial resilience has been particularly affected by the pandemic? 29
Gender 29
Coping strategies 33
Age 33
Coping strategies 38
Disability 38
Coping strategies 40
Ethnicity 42
Families with children 45
Coping strategies 47
Single parents 48
Our Recommendations 51
Maintain the £20 per week uplift to Universal Credit and apply to legacy benefits 51
End the five-week wait for Universal Credit 51
Increased funding and guidance for Local Welfare Assistance schemes 52
Increased support for children 53
Increased support for people with disabilities 54
Methodology 55

INTRODUCTION

The 2020 Covid-19 pandemic has had profound effects on the UK economy and caused many people to experience severe disruption to their employment and personal finances. Since March, 9.6 million people have been placed on furlough and 2.7 million more people are now claiming Universal Credit due to a loss of income and 695,000 people have been made redundant.

While certain groups have seen their income and livelihoods particularly affected, including women, single parents, younger people and people from ethnic minorities, the effects of the pandemic have been felt throughout UK society.

The financial impact of the first wave of the pandemic will be felt far beyond the immediate loss of income that people have faced. In the face of such a historic life-changing event, people will have turned to other forms of income and support to get by.

Depending on our individual situations, many of us will have used up our savings, spent money that was meant for a deposit, asked family and friends for support, or started to rely more heavily on credit cards and overdrafts. People who have been financially affected by the pandemic will have done all this to try and ride out the first wave of the Covid-19 pandemic, until we return to more stable economic times.

As a second wave of the pandemic hits us over winter, we believe that now is the time to move beyond just looking at the impact of the first wave on changing levels of unemployment and income levels. We should also turn our attention to the impact of the first wave on people's financial resilience. We need to consider what people have had to do to financially survive the last six months, and what that means about their ability to stay afloat during a second wave of Covid-19 related job losses, income shocks and additional costs.

This report sets out to answer those questions, by looking at the impact of Covid on our collective financial resilience. Financial resilience is defined as the ability to cope financially when faced with a sudden fall in income or unavoidable rise in expenditure.

In this report, we set out to answer the following questions:

- How capable are people of coping with the economic shocks of a second wave?
- Who has seen their financial resilience most eroded in the last six months?
- What measures need to be in place to support people who are unable to financially cope with subsequent waves of the Covid-19 pandemic?

METHODOLOGY

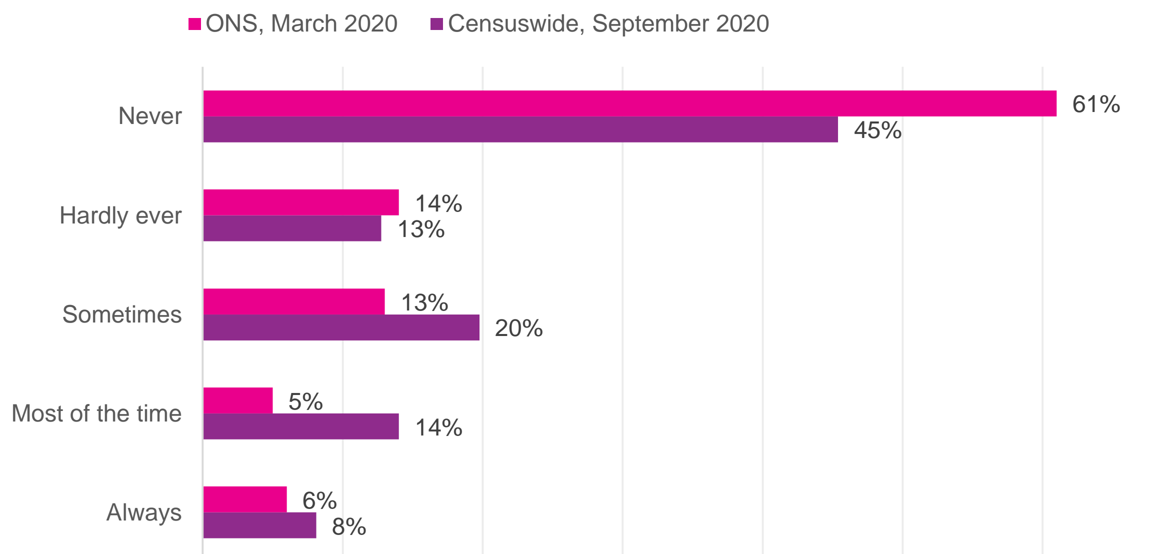
A representative survey of 2,500 UK adults aged 18 and above, was conducted by Censuswide between the 16th and 21st September 2020. The aim was to gather data on people's levels of financial resilience in September and how that has changed since February, before the first national lockdown. Alongside this survey, we also conducted 16 semi-structured interviews with people who had experienced changes to their financial resilience since February.

KEY FINDINGS

Impact of Covid-19 on financial resilience

When we compare people's financial resilience in September to that in March, there has been a sharp and unprecedented rise in the number of people who are now frequently running out of money, before they are paid again.

More than one in five of us (11 million people) are now running out of money 'always' or 'most of the time' before the end of the week or month. This means an additional 4.2 million are now frequently running out of money, compared to the start of March.



The financial resilience of people who are working has seen the most dramatic deterioration, since March. Employees are now twice as likely to frequently run out of money as they were pre-Covid-19 and self-employed workers now 2.5 times more likely to frequently run out of money as they were before Covid. A quarter of people who are working are currently running out of money 'always' or 'most of the time'. That means that more than 8 million people in employment are now frequently running out of money each week or month.[1]

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[1] Estimates for June to August 2020 show 32.59 million people aged 16 years and over are in employment, 102,000 fewer than a year earlier and 153,000 fewer than the previous quarter.

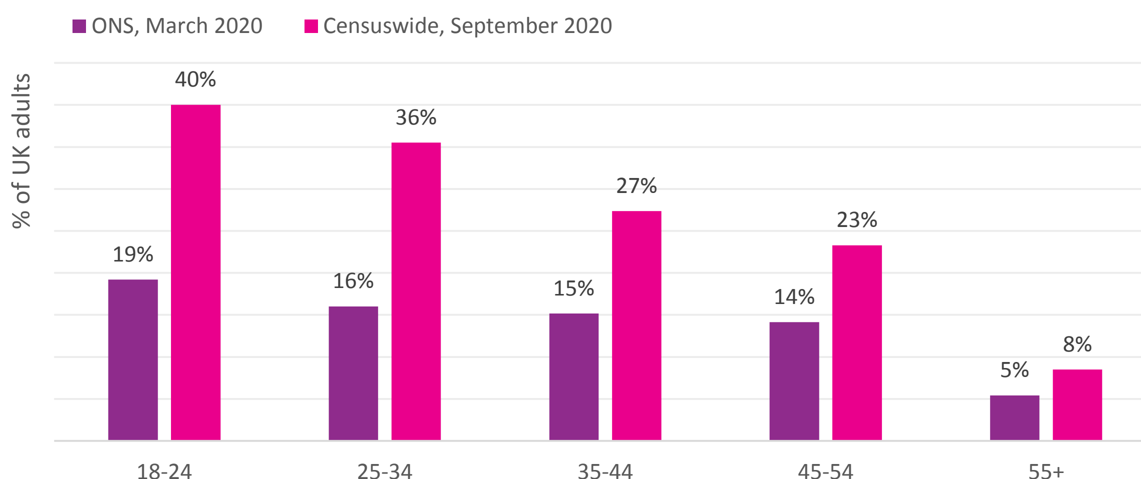
More than 8 million workers are also currently only able to cope financially for less than a month if they lost their main source of income. This means they could not last for the duration of the five-week wait for a first payment of Universal Credit if they needed to apply.

In addition, almost 18 million people (34%) have had to use some form of debt to get by since March 2020, with 6.4 million (12%) people using multiple forms of debt. Additionally, 6.4 million people (12%) have resorted to missing a bill or debt repayment since March. Half of all people furloughed since March have had to use forms of debt, compared to just 23% of people who have seen no change to the employment.

Who has faced the largest impact on their financial resilience?

Younger people

40% of 18-24-year olds have frequently run out of money in the past year, compared to only 8% of people over the age of 55. When compared to previous data from pre-Covid, we can also see the disproportionate impact of the virus on the financial resilience of younger people. An additional 21% of people aged 18-24 are now frequently running out of money, compared to an additional 3% of people aged 55 and over. The differences in financial resilience by age have been starkly increased by the pandemic. This means that 2.3 million young people, aged 18-24, are now frequently running out of money each week or month.



People with a disability

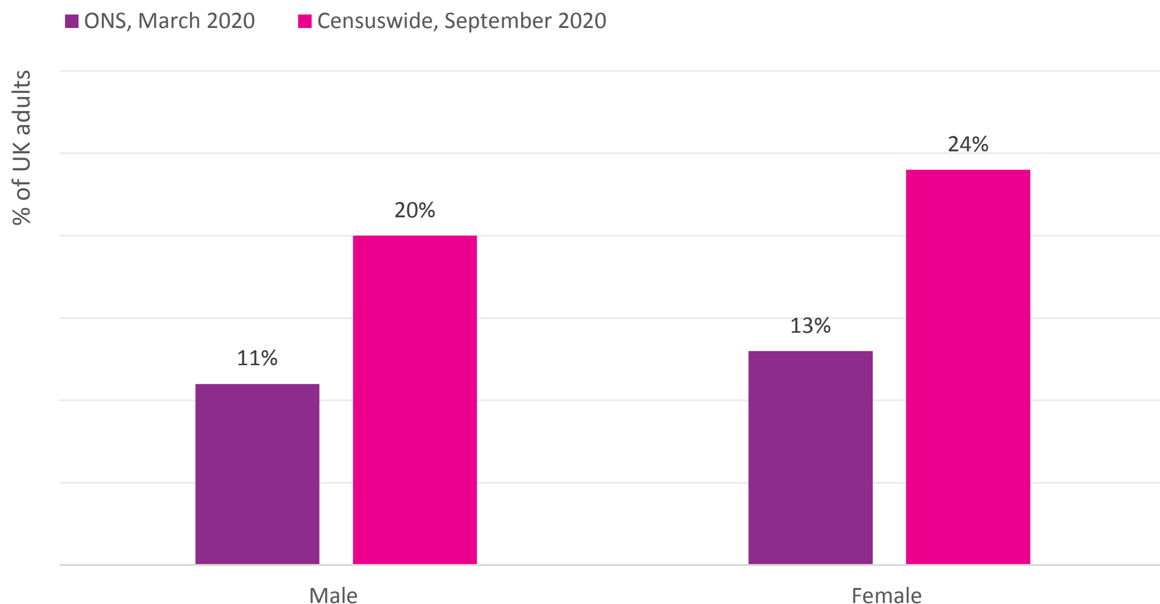
People with a disability are significantly more likely to say they run out of money before the end of the week or month. A third of people with a disability (33%) run out of money frequently ('Always' or 'Most of the time'), compared to only 18% of people without a disability. Whilst nearly half of people who do not have a disability (49%) say they have never run out of money over the last 12 months, only 35% of people with a disability said the same.

People from ethnic minorities

While over a third of people from both Asian and Black ethnic backgrounds frequently run out of money (34%, 36%), only a fifth of people from white ethnic backgrounds experience frequently running out of money (21%). Similarly, while only 36% of people from Asian ethnic backgrounds could cope for more than three months, if they lost their main source of income, more than half of people from white ethnic backgrounds (51%) could cope for more than three months.

Women

Nearly a quarter of women (24%) frequently run out of money, compared to a fifth of men (20%) and this gap has widened since March. Nearly a third of women (32%) could also only last a month or less, if they lost their main source of income, compared to a quarter of men (25%). This means that women are particularly likely to find it difficult to cope during the 5-week wait for Universal Credit.



Larger families and single parent households

Families with three or more children are twice as likely to always run out of money as families with only one child (18%, 9%).

Single parents are also likely to have much lower levels of financial resilience and more likely to have needed to resort to credit in order to get by over recent months.

Universal Credit claimants

Universal Credit claimants are disproportionately likely to run out of money. Only 26% of Universal Credit claimants have hardly ever or never run out of money before then end of the week or month within the last year, compared to 72% of people who aren't claiming income related benefits and 38% who are. In addition, nearly a fifth (19%) have never had enough

money to make it to the end week or month without having to resort to credit cards or overdrafts.

What should we do?

There has been a significant drop in the financial resilience of everyone in the country but particularly among workers. More than 8 million workers are now frequently running out of money before payday, and more than 8 million workers are now also unable to cope financially for long than a month if they were to lose their income. In addition, the situation is dramatically worse for Universal Credit claimants, nearly half of whom (49%) run out of money frequently. That means that almost three million claimants on Universal Credit are regularly running out of money before the end of the week or month.

If the effects of the first wave of the pandemic were difficult to predict ahead of time, the effects of the second wave are painfully clear. Without continued financial support for those at risk of losing their income, there will be higher unemployment, rising levels of poverty and greater levels of food insecurity. And the actual human experience of these national statistics is likely to be more severe, as people's financial resilience has been silently eroded. Fewer people now have the financial resources to stay afloat over the winter if their income drops or their expenses increase. This makes it vital that the government continues the measures it has put in place to support anyone who has been financially affected by the crisis, including the furlough scheme and the £20 per week uplift to Universal Credit standard allowance.

Many of the people who have been hardest hit by this pandemic are those of us who already face the most barriers within our economy. Women, people of colour, people with disabilities and single parents already faced greater disadvantage and have therefore also used up their financial resilience and 'buffer' far quicker than others when the pandemic hit.

Therefore, we need targeted support for groups who have struggled to stay afloat the most through the first wave and are now particularly at risk of poverty, financial hardship, and hunger over the course of winter. This is also necessary to ensure that equality improvements over last few decades are not more severely eroded and we do not slip further backwards.

Certain welfare policies such as the Benefit Cap and Two-child Limit have made some people more vulnerable to the financial impact of the pandemic, or undermined the impact of measures put in place to help people through this difficult time. These policies should at the very least be suspended until our economy has recovered.

RECOMMENDATIONS

- Maintain the £20 per week uplift to Universal Credit
- End the five-week wait for Universal Credit
- Increased funding and guidance for Local Welfare Assistance schemes
- Increased support for children through the benefits system
- Increased support for people with disabilities and apply the £20 uplift to legacy benefits.

WHAT IMPACT HAS THE PANDEMIC HAD ON FINANCIAL RESILIENCE IN THE UK?

In this first section, we will explore the overall impact of the first wave of the Covid-19 pandemic on people's financial resilience. In other words, we will explore the extent to which people would be able to cope with another financial shock now, in comparison to February before the first national lockdown. Before we explore several different indicators of financial resilience and how those have changed since February, it is useful to summarise the impact of the pandemic on people's level of income.

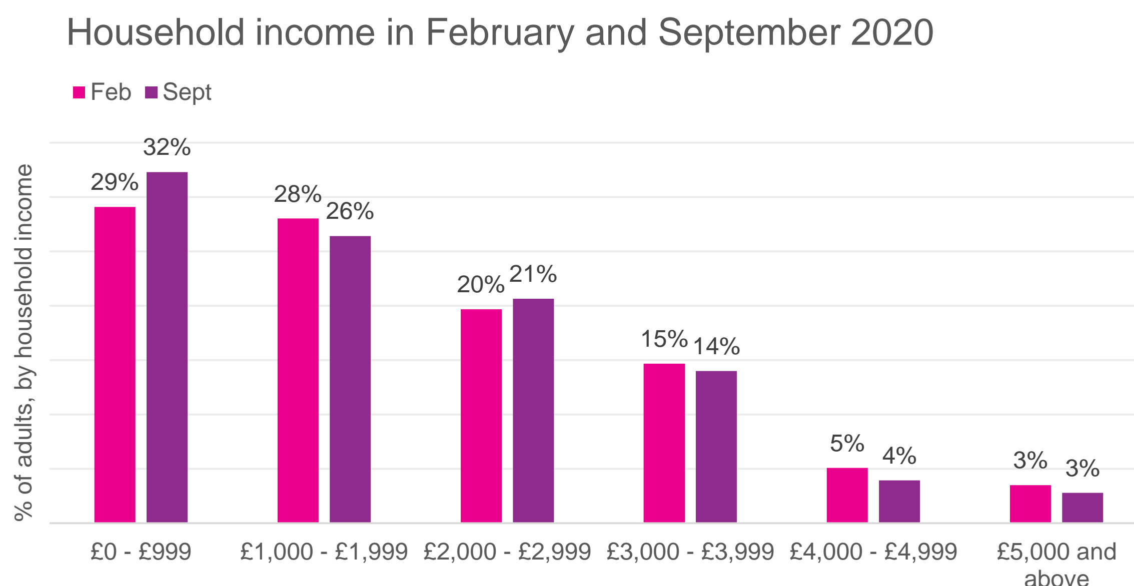
From previous research that Turn2us published earlier in the year, we know that the financial impact of coronavirus is being felt most strongly by people in atypical forms of employment, such as the self-employed and those on zero-hours and casual contracts. In June, people in atypical forms of employment were far more likely to have seen a drop in income since the lockdown began.

Our previous research showed that working-age adults had experienced an average drop in income of £162 per month, between February and April. Using the same analysis in our September survey, we see that the average drop in income has now reduced since April. At this point, we estimate that the average reduction in income between February and September now stands at £68 per month for working-age adults.

While there will be significant variation in income drops between different groups, the general indication from this is that the government's support schemes have been effective at mitigating against a severe drop in income for people who are eligible. The mitigation of lost income is clear between April, when the furlough scheme and Self-Employment Income Support Scheme (SEISS) were being introduced, and September when 12 million people have made use of those support packages.

For households, the average drop in income recorded in this survey is £97 per month, from £1902 per month in February, down to £1805 per month in September, with almost a third of households receiving less than £1,000 of income in September.

Figure 1: Household incomes in February and September 2020



FINANCIAL RESILIENCE INDICATORS

While the furlough scheme and SEISS have been effective in mitigating the worst effects of Covid-19, the reduction in income for many people in the UK since March points to the fact that they may have been making use of debt or savings to get by.. This raises the risk that these households will have less ability to cope during the second wave of the pandemic if these government support measures are taken away. A similar level of lockdown and infection rates could therefore lead to a more drastic impact on levels of poverty, homelessness, and hunger over winter, as people's sources of resilience have become eroded over the past six months.

The rest of this section will explore how these changes in income or employment status, after the life-changing events of the last six months, have affected people's financial resilience and their ability to cope with another unexpected shock in the future.

Running out of money before the end of week or month

A key indicator of a household's financial resilience is simply whether they have enough money to last until the end of the week or month. A household that frequently runs out of money is at risk of severe financial consequences such as mounting problem debt, destitution, eviction, and homelessness. Even households who rarely run out of money before the end of a week or month have poor financial resilience – walking a cliff edge where they could easily fall into longer term financial difficulties if they cannot make up this shortfall in forthcoming months.

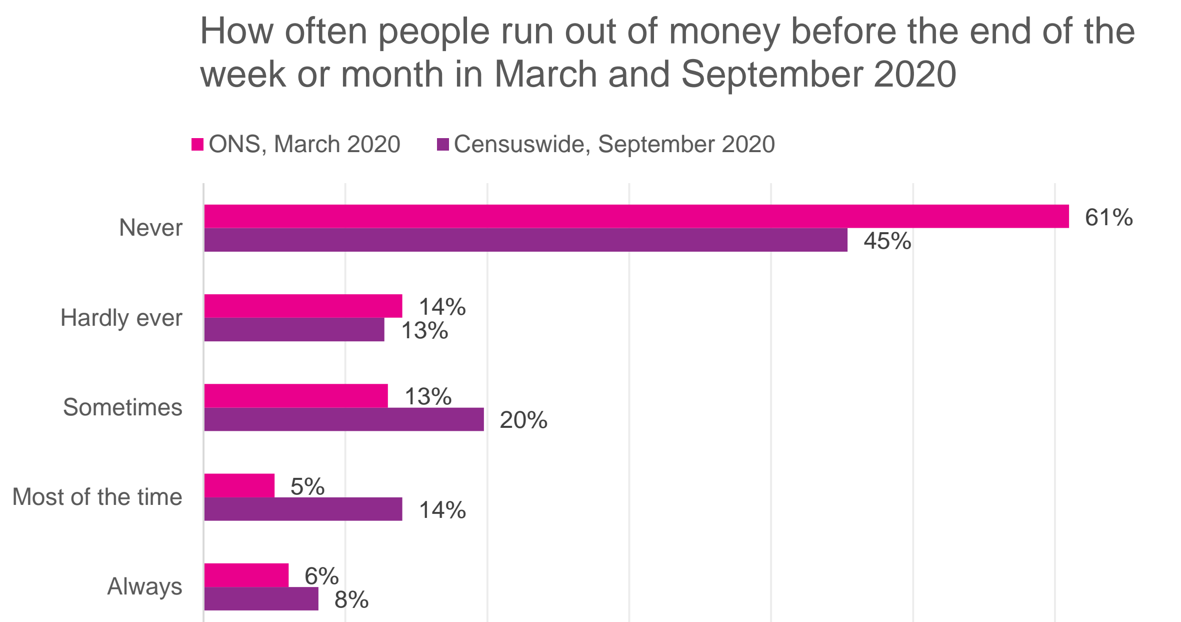
In our September survey, we asked respondents how often in the past 12 months have they have run out of money before the end of the week or month or if they needed to use a credit card or overdraft to get by. Using the Office for National Statistics (ONS)' Family Resources

Survey[2], we have compared this with the latest available comparable data set, which runs from April 2018 – March 2020.

Since March there has been a 16% increase in the proportion of households that have run out of money before the end of the week or month. This means that 55% of people are encountering some degree of shortfall in their household budgets during the year. And that in the past year, 28.8 million people have run out of money at least once, an increase of 8.4 million people from before the first Covid-19 lockdown.

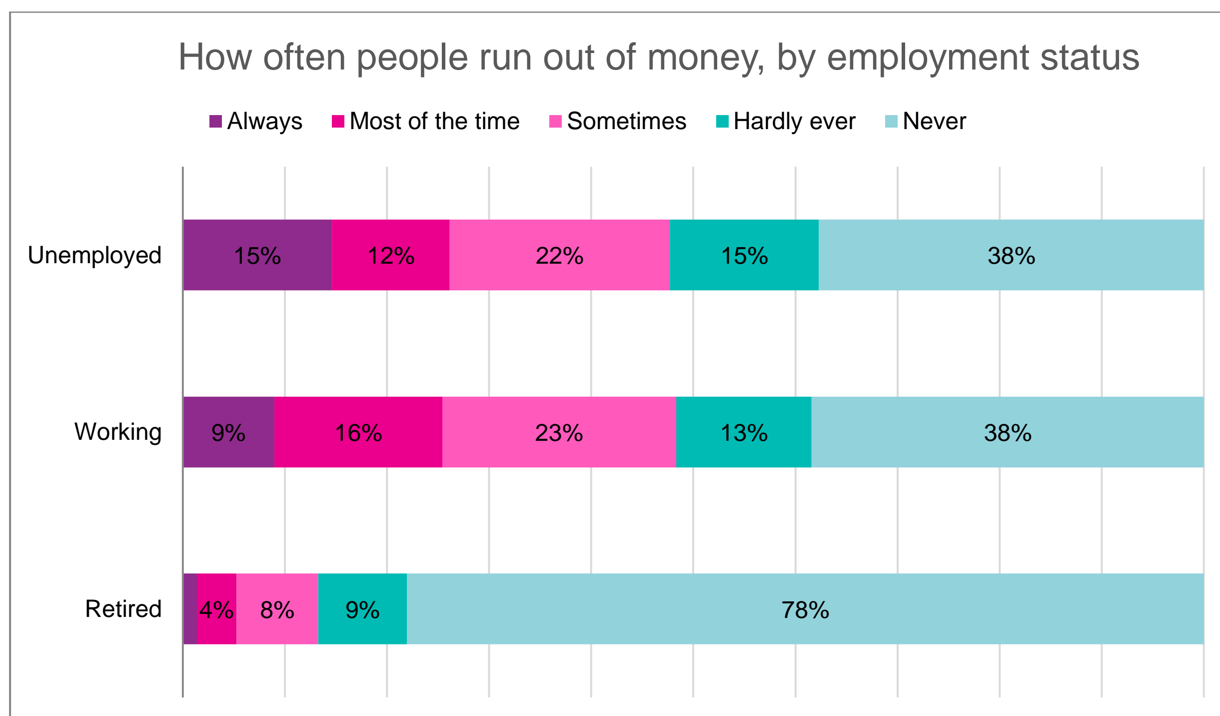
Most significantly, the proportion of households that run out of money 'most of the time' has doubled. 11 million people are now running out of money 'always' or 'most of the time' – an increase of 4.2 million since the start of March.

Figure 2: In the past 12 months, how often have you run out of money before the end of the week or month or needed to use a credit card or overdraft to get by?[3]



[2] Office for national Statistics (2020) Family Resources Survey
[3] 116 out of 2500 Turn2us survey respondents answered 'Too hard to say' to this question and have been removed from this graph. However, percentages have been kept the same to ensure comparability with ONS data.

Figure 3: Frequency of running out of money before the end of the week or month by household employment status

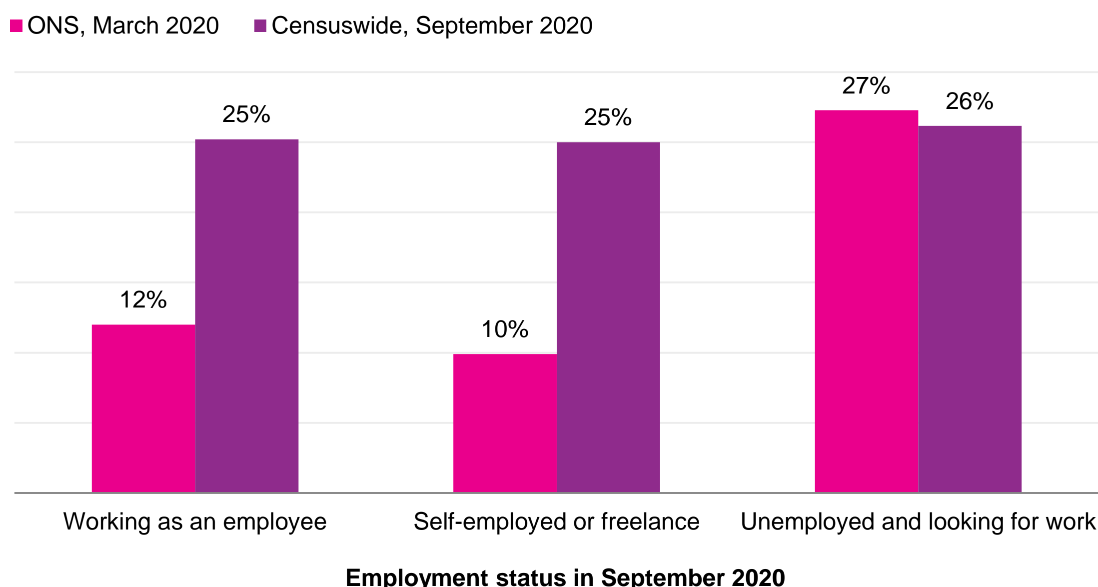


The difference in financial resilience between households with retired members and other households is considerable. Over three quarters of retired households never run out of money with only 14% doing so more than rarely ('hardly ever' or 'never'). There is some divergence between households with workers and unemployed households with the latter being more likely to run out – likely due to a lower income on average.

A full quarter of employees and the self-employed now frequently run out of money within the last year, almost at the same level as people who are unemployed. The financial resilience of people who are working has seen the most dramatic deterioration, since March, with employees now twice as likely to frequently run out of money as they were pre-Covid-19, and self-employed workers now 2.5 times more likely to frequently run out of money as they were before Covid-19. That means that more than 8 million people in employment are now frequently running out of money each week or month.[4]

[4] Estimates for June to August 2020 show 32.59 million people aged 16 years and over in employment, 102,000 fewer than a year earlier and 153,000 fewer than the previous quarter.

Figure 4: Frequently running out of money before the end of the week or month by individual employment status, comparing Turn2us data with ONS data

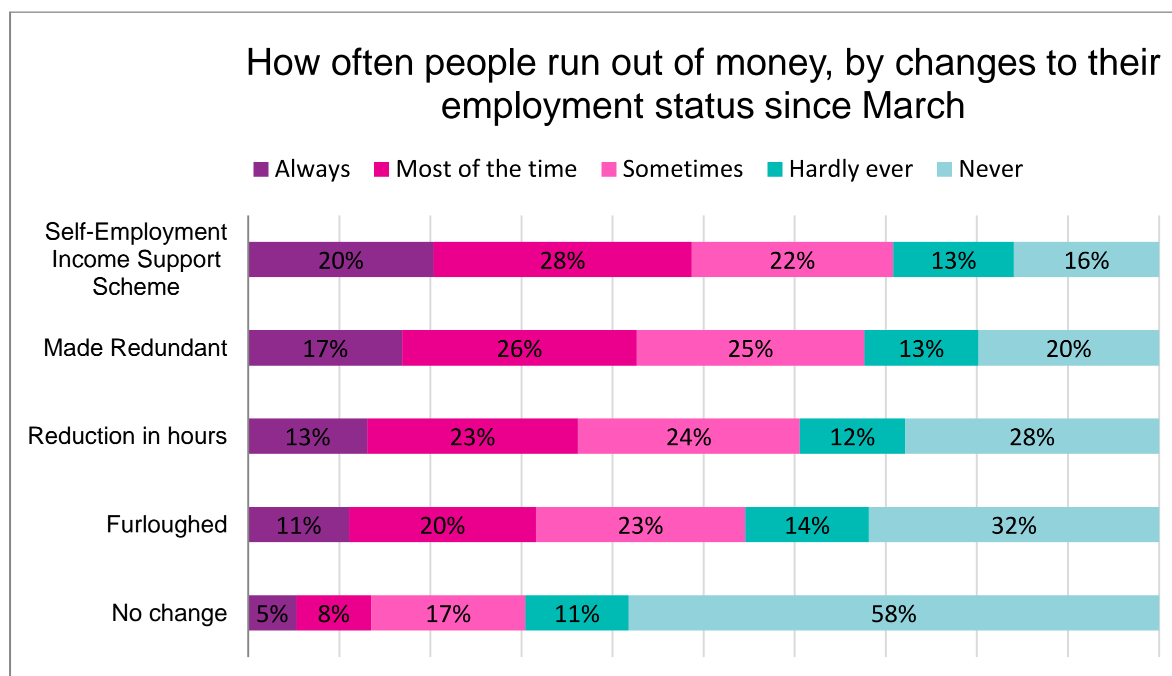


The likelihood of a person's ability to afford their costs up to the end of a week or month is considerably dependent on how their employment situation has been affected by the Covid-19 pandemic.

People who have been furloughed are markedly less likely to run out of money before the end of the week or month than other groups of people whose employment has been affected. This suggests that the Coronavirus Job Retention Scheme has successfully mitigated the financial repercussions of the pandemic for many individuals and households. Self-employed people who have used the SEISS have not been as cushioned, potentially due to the scheme only covering Pay As You Earn (PAYE) income and not dividends.

People who have been made redundant are more likely to run out of money at a more regular frequency. Although these people are ineligible for support through the Coronavirus Job Retention Scheme and Self-employment scheme, many should be eligible for support through existing parts of the social security system.

Figure 5: Employment or self-employment affected by COVID-19 pandemic and running out of money before the end of the week or month



The difficulty of being made redundant during or just before lockdown, and the speed with which existing savings and financial buffers could be depleted was expressed clearly by several interviewees. With firms not hiring new people, many people made redundant had no choice but to make ends meet by using up savings or taking on debt. Within a couple of months, most interviewees had exhausted all of the financial resources they had available.

Redundant during a pandemic

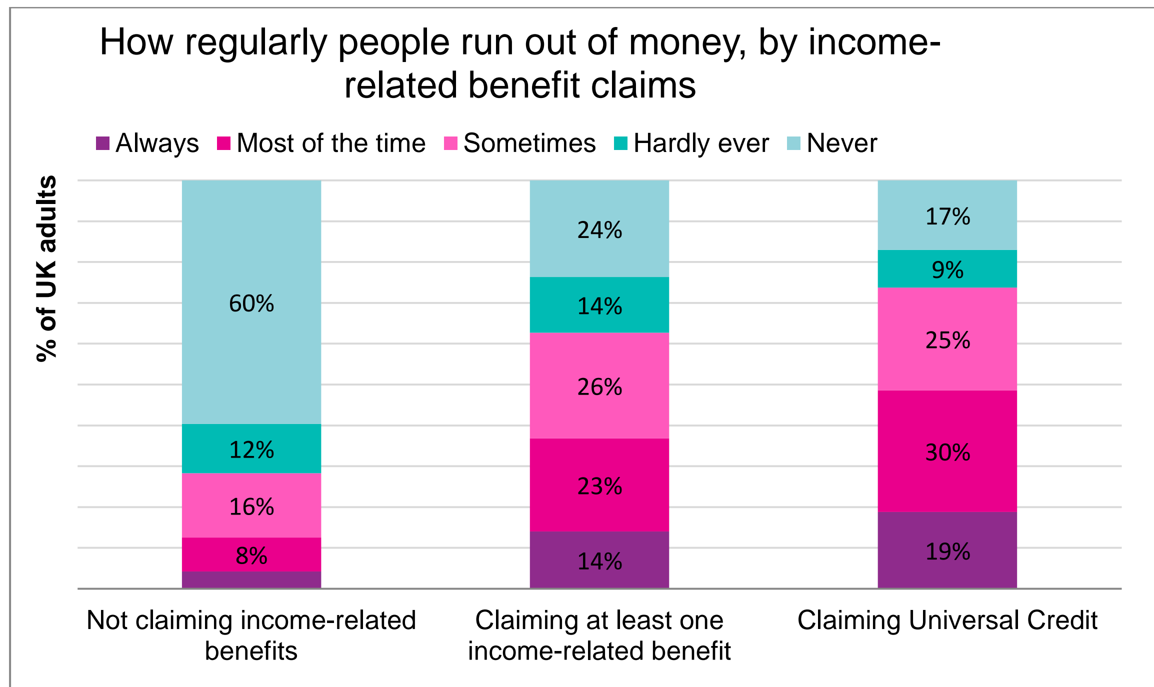
Before Covid, Steve was an ex-forces veteran and has never claimed benefits before. He is married with four children. Immediately before the pandemic, he used to earn more than £40,000 per year in sales, but was made redundant at the end of February, just before the first lockdown.

Steve's savings of £5,000 were quickly eaten up in the first few months and he had to sell many personal possessions to get by. Eventually, he applied for Universal Credit, while he quickly tried to find more work.

The reality of job-searching during the pandemic was hard though. Steve eventually managed to find another role as an employment consultant, only to be made redundant again, three weeks later. Steve now worries about his future, and how he will be able to provide for his kids.

People on an income-related benefit[5] were significantly more likely to indicate that they would run out of money before the end of the week or month at a greater frequency. The proportion of benefit claimants who frequently run out of money ('Most of the time' and 'Always') is 37%, three times higher than people who are not claiming (12%). The situation is dramatically worse for Universal Credit claimants, nearly half of whom (49%) run out of money frequently. That means that almost three million claimants on Universal Credit are frequently running out of money before the end of the week or month.[6]

Figure 6: Running out of money before then end of the week or month based on benefit claims



Astonishingly, only 26% of Universal Credit claimants have hardly ever or never run out of money before then end of the week or month within the last year, suggesting the benefit is failing to adequately meet the needs of people on low incomes. The fact that nearly a fifth of Universal Credit recipients (19%) have a broken budget where they've never had enough money to make it to the end week or month without having to resort to credit cards or overdrafts is a serious cause for concern.

The five-week wait for a first payment of Universal Credit could be a contributing factor for the particularly low financial resilience of Universal Credit claimants. Even in cases where claimants have chosen to take out an advance this has weakened their financial resilience as they will need to pay back this debt through deductions from subsequent payments.

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[5] By an income related benefit we mean one of the following: Universal Credit, Housing Benefit, Council Tax Support, Tax Credits (Child Tax Credit and Working Tax Credit), Income-related Employment and Support Allowance, Income-based Jobseeker's Allowance, Pension Credit or Income Support

[6] 5.7 million people on Universal Credit in September 2020, Department for Work and Pensions Stat-Xplore, September 2020

How long people can make ends meet after losing main source of income

Another key indicator of financial resilience is the length of time a household can cope after losing their main source of income. Since March there has been a general trend towards people being able to cope for a shorter period if they lost their main source of income. In particular, there has been 2% growth in people who could only make ends meet for less than a month and a 6% growth in the amount of people who can only make ends meet for three months or less. This trend could partly be due to people eroding savings or taking out forms of debt over the last few months whilst being furloughed or out of work.

Although there has been little change at the bottom end of the scale, it is important to consider the implications of 14.6 million people (28%) only being able to cope for less than a month without their main source of income. With the potential for further redundancies over the coming months, a large number of households could be facing immediate financial crisis, and would not be able to meet all of their costs before the end of the five-week wait for Universal Credit – even if they applied immediately.

Figure 7: Length of time that people would be able to make ends meet if they lost the main source of income coming into their household?

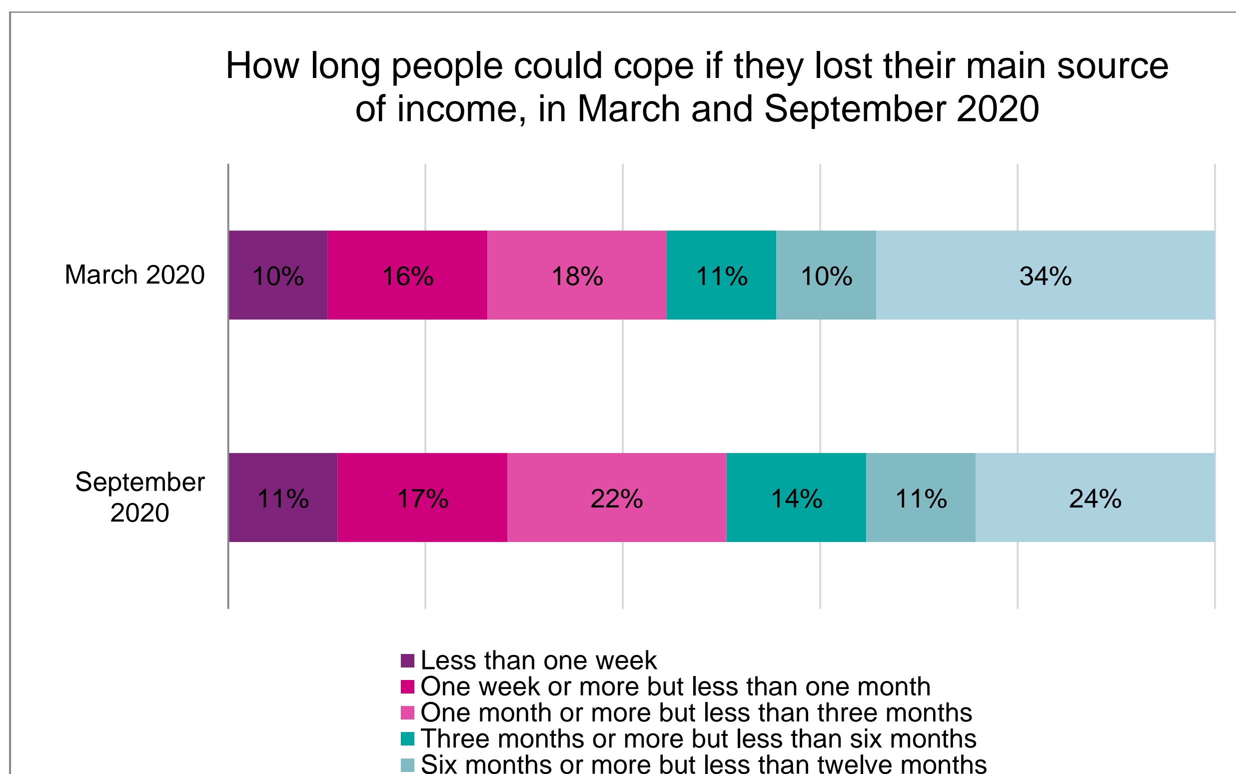
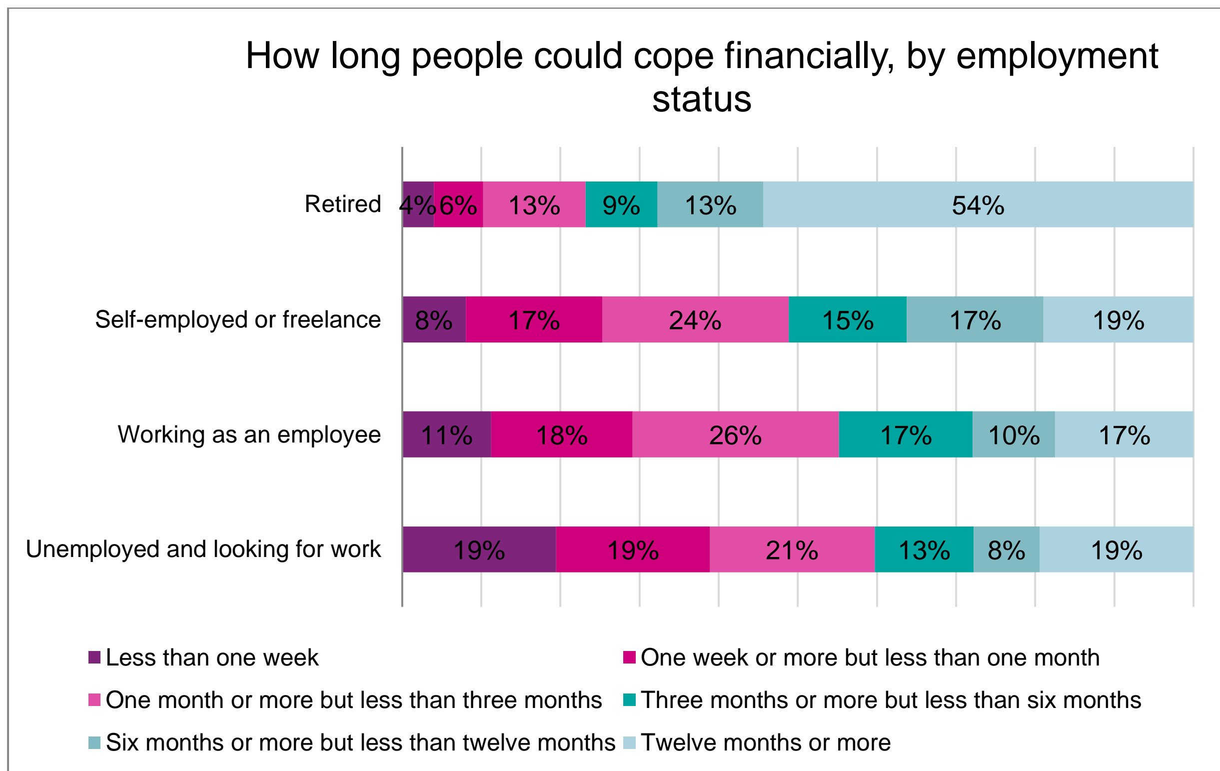


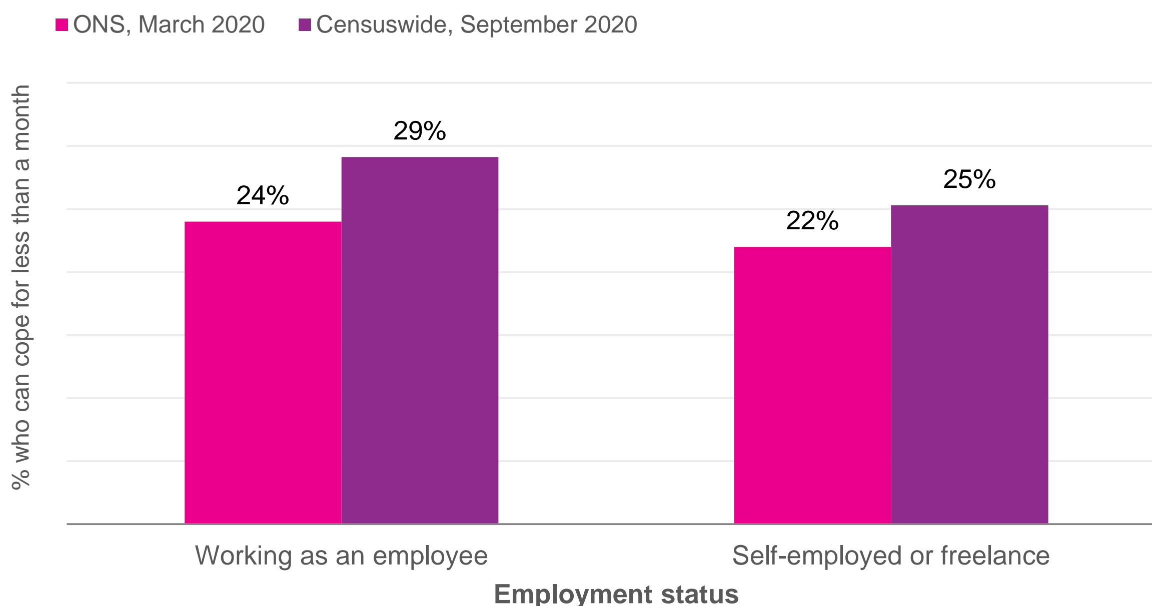
Figure 8: Length of time that people could make ends meet without main source of income, by employment status in September 2020



When examining the length of time that workers could cope if they lost their main source of income, we find that 29% of employees and 25% of the self-employed could only last for a month or less if they lost their main source of income. Unsurprisingly, most households that include a retiree have accumulated enough savings to be able to cope with a loss in income for a significant length of time.

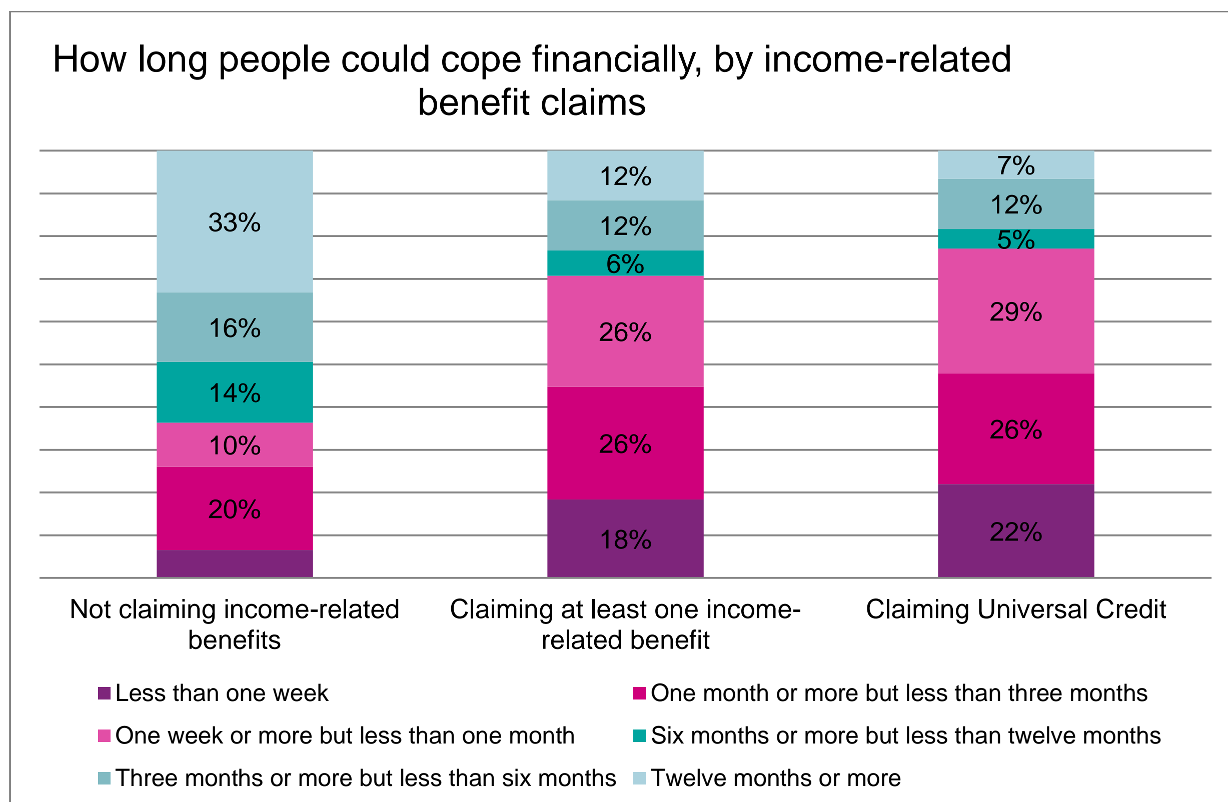
This means that in the event of redundancy or loss of self-employed work, over a quarter of all workers (29%) would not be able to last through the five-week wait for Universal Credit without needing to borrow, assuming they applied straightaway. More than 8 million workers would currently only be able to cope financially for less than a month if they lost their main source of income.

Figure 9: Proportion of households who could make ends meet for less than a month, if they lost their main source of income, by employment status



Furthermore, the proportion of employees who can cope for a month or less has increased during the Covid-19 pandemic, from 25% of employees pre-pandemic, to 29% of employees in September. Therefore, workers' ability to withstand unemployment, redundancy or a drop in income has been significantly eroded since March. This means that current employees who lose their employment over winter are going to be less likely to be able to cope financially while they find another job or apply for Universal Credit.

Figure 10: How long households could make ends meet for less than a month, if they lost their main source of income, by benefit status



When examining the length of time households can cope with the loss of their main source of income by what benefits they claim, a similar picture is presented to how often people ran out of money. Benefit claimants are likely to be able to cope for a shorter period than people who are not on benefits. The proportion of people that can cope for less than a month is 44%, compared to 17% for people who do not claim benefits. As stated before, the situation for Universal Credit claimants is slightly worse still, over half (51%) could last for less than a month.[7]

It is also notable that 17% of non-benefit claimants could cope for less than a month as this will mean they will be unable to cope for the duration of the five-week wait for Universal Credit if they need to apply in the future.

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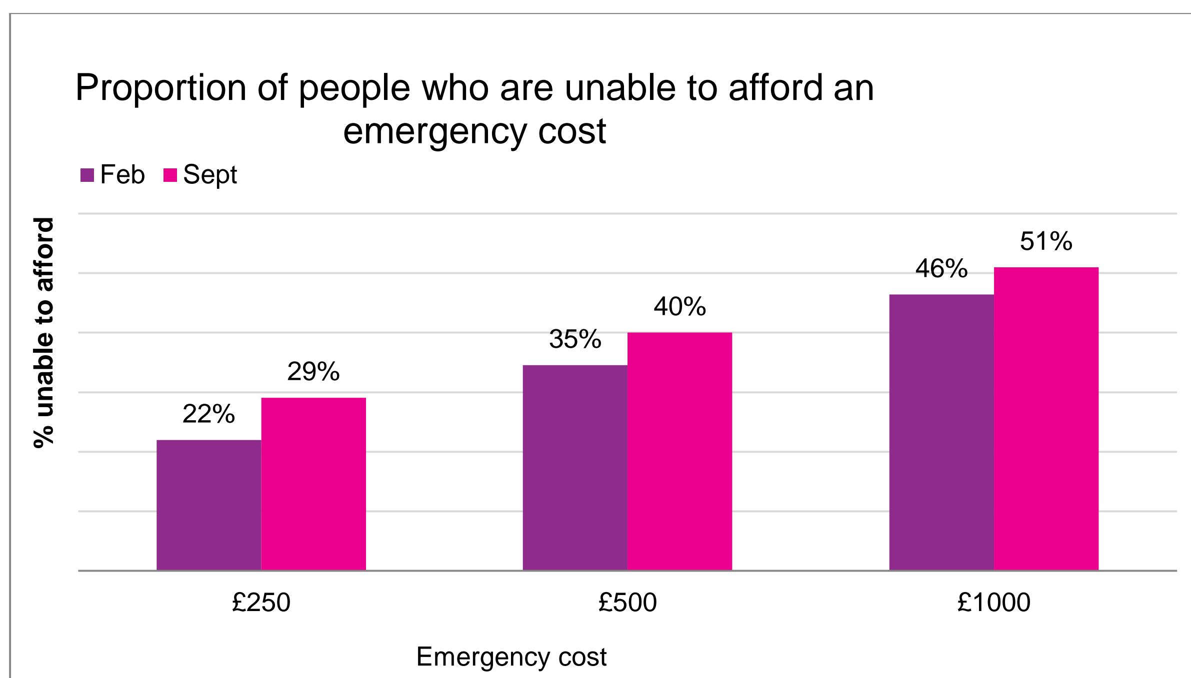
[7] It should be noted that the loss of a benefit claimant's main source of income may be a slight abstraction for some claimants as this may be their benefits entitlement rather than wage, meaning losing it is much less likely.

Ability to afford emergency costs

Another indicator of financial resilience is the ability to pay an emergency cost, such as a broken boiler. If a household is unable to afford this expense, this could have a detrimental effect on their financial situation as they are likely to need credit.

Figure 11: Proportion of people who could not afford an emergency cost of £250, £500, £1,000 in February and September

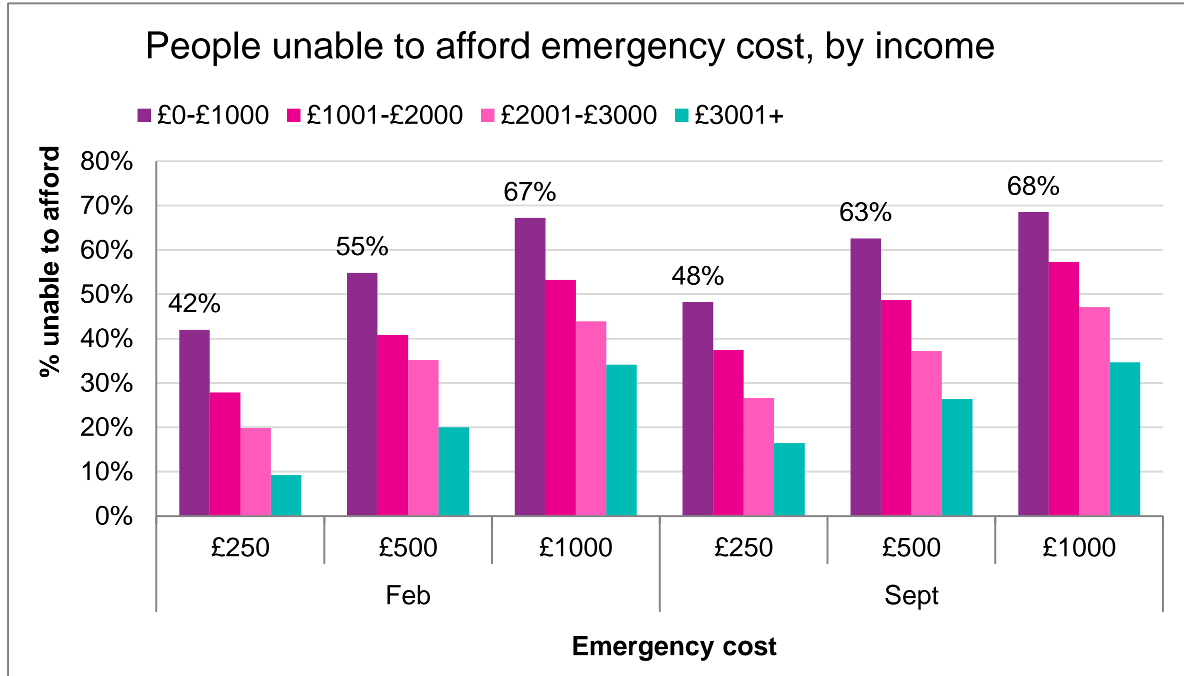


The proportions of people who could not afford emergency cost of £250, £500 or £1,000 have increased by some degree for each amount. In particular, 7% fewer people could afford an emergency cost of £250 in September, compared to February. This means that now 15 million people could currently not afford an emergency cost of £250, an increase of 3.7 million people since pre-Covid-19. This means that many people would be unable to replace an essential appliance such as a cooker or washing machine if it broke down.

As a person's financial resilience gets lower, their ability to cope with financial shocks also reduces – meaning less significant events can have greater consequences. For example, the breakdown of a cooker may not seem too great an event in many people's lives but if you have a low disposable income and very little few savings, it can be. You either need to get into some form of credit – problematic if you income is low enough to struggle with repayment – or live without (the consequences of which are documented in our Living Without report[8]).

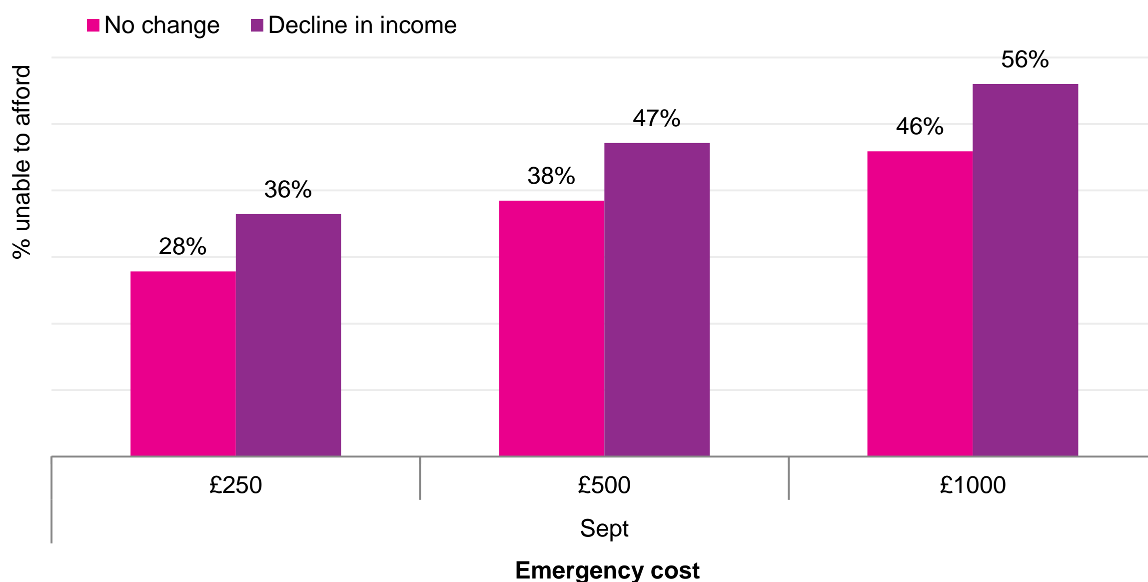
[8] Turn2us (2020) Living Without: The Scale and Impact of Appliance Poverty

Figure 12: Proportion of people unable to afford an emergency cost, by household income band



There is a strong correlation between a household's income and their ability to afford emergency costs. In September, nearly half (48%) of households earning less than £1,000 a month could not afford an emergency cost of £250. In comparison, significantly fewer households (16%) earning more than £3,000 a month could not afford an emergency cost of £250This is still notable and shows that even across income bands certain people may have low financial resilience due to their monthly costs.

Figure 13: Unable to afford emergency cost by change in household income



Households that have had a drop in income since March are less likely to be able to afford an emergency cost than households whose income has not been affected. 36% of household whose income has declined decreased cannot afford an emergency cost of £250 compared to 28% of households whose income has not changed.

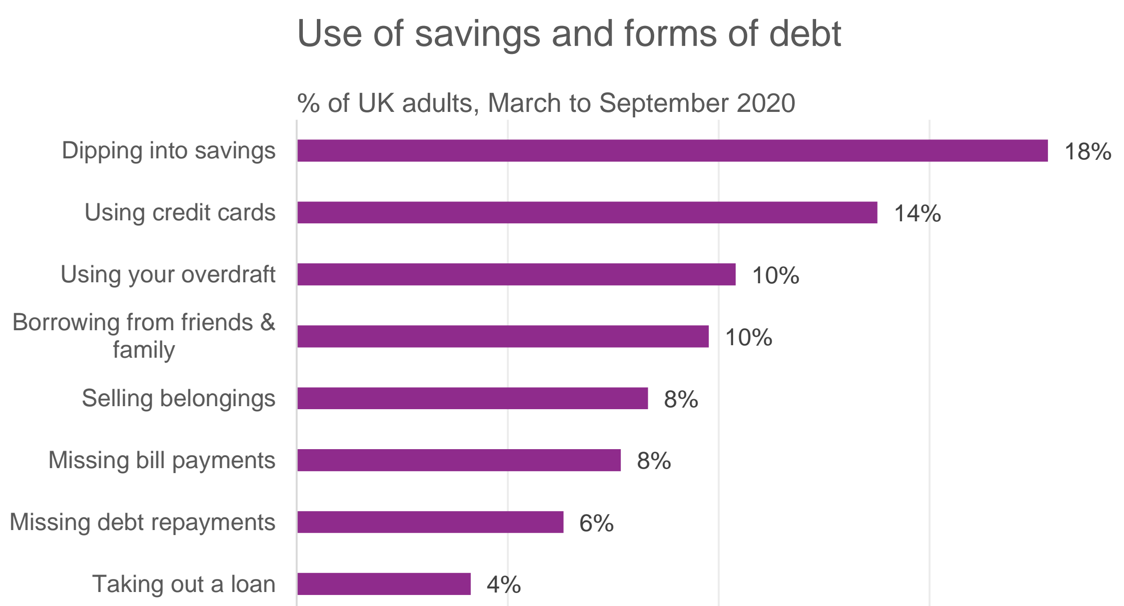
COPING STRATEGIES

We have also surveyed people on what forms of debt or savings they have used since March, in order to make ends meet. This section explores the coping strategies that people have employed since March and the extent to which people have been relying on debt or savings to make up for the shortfalls and reductions in their income. The more that people have been relying on credit or savings during the first wave of the pandemic, the less the population will be able to financially cope with the fallout from a second wave of Covid-19.

Debt and payment behaviours

Since the beginning of March, 44% of people have weakened their financial resilience by taking at least one of the following steps to get by, with almost one in five adults dipping into their savings since March.

Figure 14: Proportion of people who have used forms of savings or debt, since March 2020



Since March, almost 18 million people (34%) have had to take on some form of debt to get by since March 2020, with 6.4 million (12%) people using multiple 'debt making measures'. Many people have used conventional forms of credit, such as credit cards (14%), overdraft facilities (11%) or loans (4%).A substantial number have borrowed from friends and family (10%) and 6.4 million people (12%) have missed a bill or debt repayment

A familiar picture presents itself when looking at the amount of time households could cope without their main source of income. Those in the weakest financial position have been most likely to have needed to resort to a debt making measure. The reasons for this are likely to be a mix of a low financial resilience causing the need to resort to debt, and debt cause a household to be able to cope for a shorter period of time.

Figure 15: Proportion of people who used at least one form of debt since March, by the length of time they could cope without main source of income.

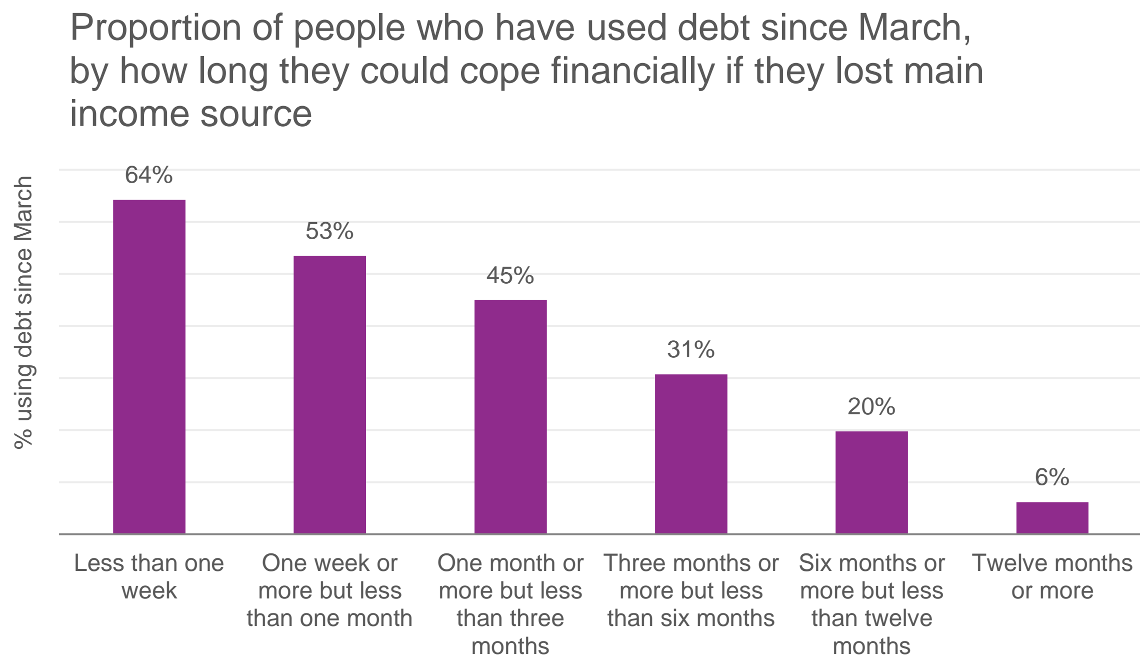
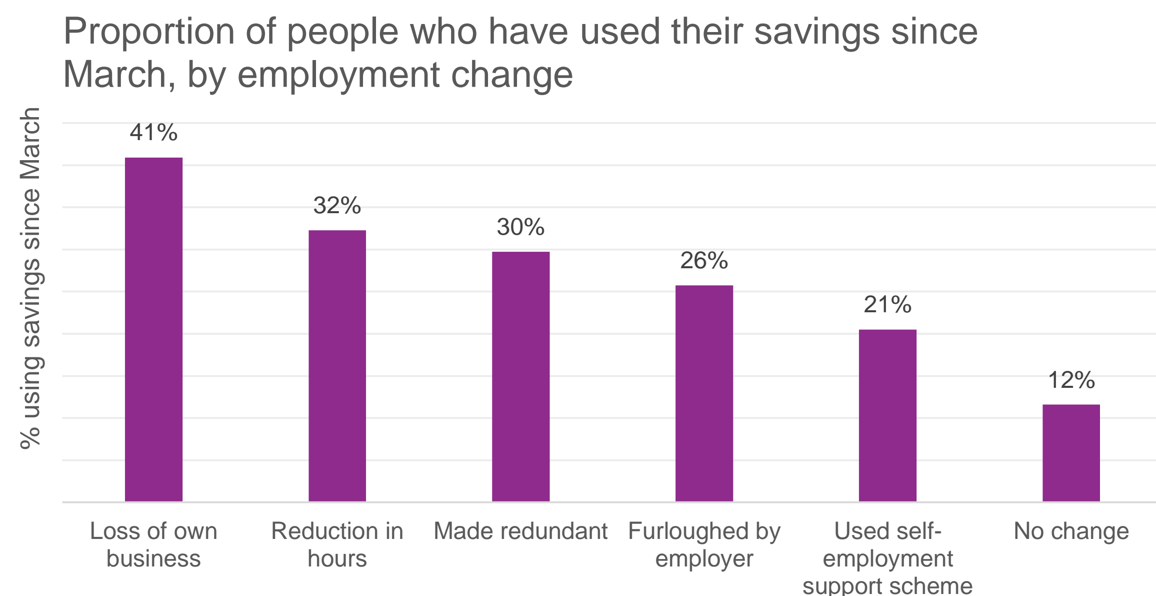


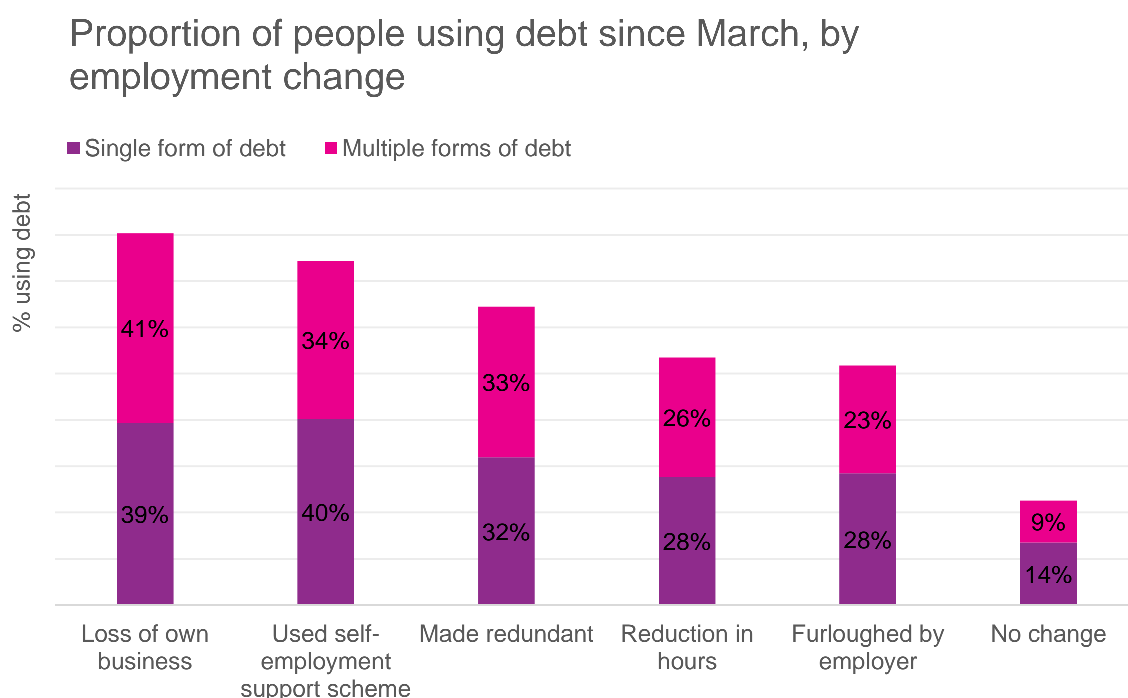
Figure 16: Proportion of people who have used their savings since March, by employment change



Whilst only 12% of people not affected by a change in their employment because of coronavirus have needed to use any of their savings, 29% of all people whose employment has been negatively impacted have.

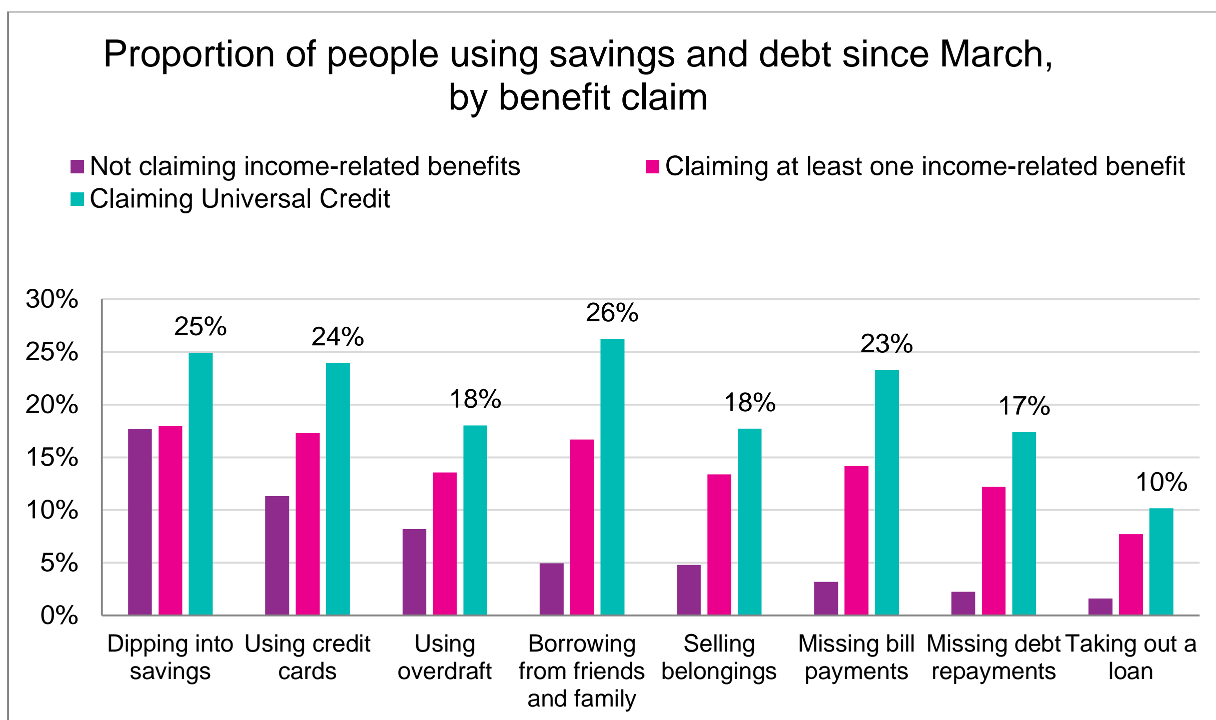
Even a high proportion of furloughed workers (26%) have needed to dip into their savings since the beginning of March. Although the scheme has been effective in mitigating the economic consequences of the pandemic, the need to make up for a 20% drop in wages has still meant people have needed to use other forms of capital, to make ends meet. This could have a significant impact on a household's ability to cope if it is impacted by a redundancy in the future.

Figure 17: Proportion of people who have used debt since March, by employment change



The picture is similar when focusing on debt making measures such as using credit cards, overdrafts, and loans. Only 23% of people whose employment has not been affected have used one or more of these measures, over half of people who have faced a negative change have needed to take out debt. Half of all people furloughed since March have had to use forms of debt, compared to just 23% of people who have seen no change to their employment.

Figure 18: Use of savings and debt, by benefit status



The correlation between being on income related benefits and needing to take financial measures corresponds with the earlier analysis on people's ability to make ends meet. Based on this earlier analysis it is unsurprising to find that benefit claimants are more likely to have needed to take measures such as borrowing or missing payments to get by since March 2020. And similarly, being on Universal Credit has corresponded with an increased likelihood of needing to take these financial resilience weakening steps.

Benefit claim status	Used at least one form of savings or debt since March	Used multiple forms of savings and debt since March	Used at least one form of debt since March	Used multiple forms of debt since March
Not claiming income related benefits	32%	13%	22%	6%
Claim any income-related benefits	62%	28%	54%	22%
On Universal Credit	67%	40%	61%	22%

Only 22% of people who do not claim benefits have needed to resort to a financial measure that has resulted in additional debt, whereas 54% of income related benefit claimants have needed to do so. For Universal Credit claimants 61% have done so, with 30% resorting to missing bill or debt payments (a third missed both).

ANALYSIS OF FINANCIAL SUPPORT AVAILABLE

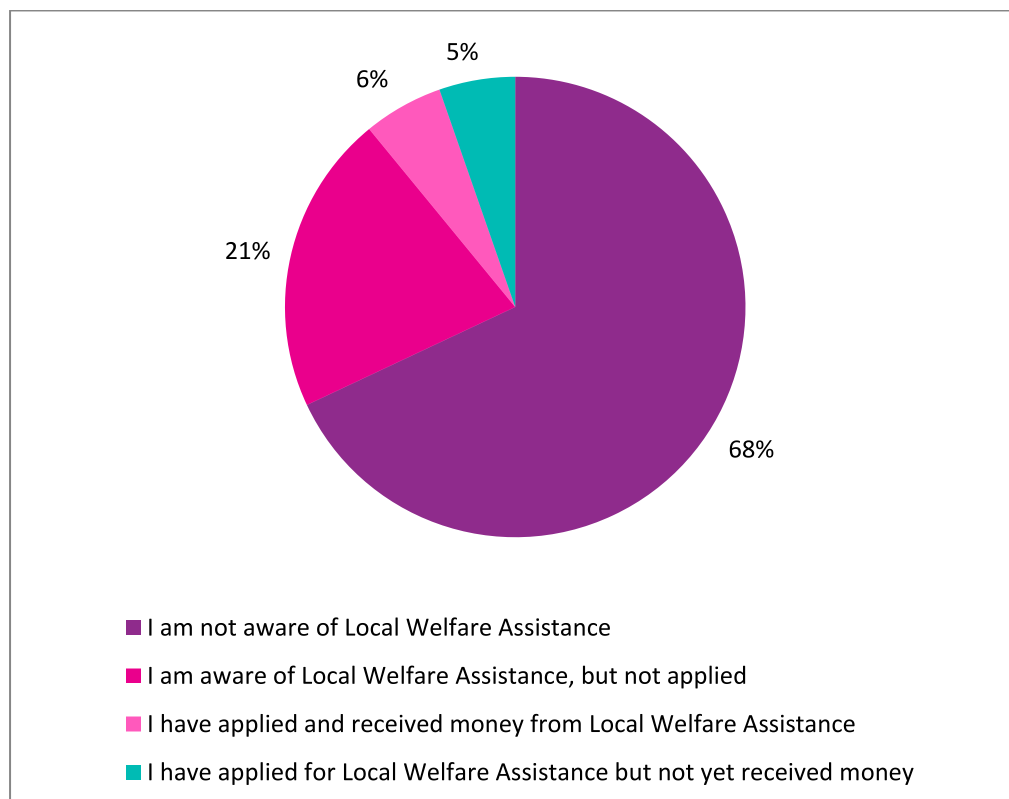
Awareness and use of Local Welfare Assistance schemes

Local Welfare Assistance (LWA) schemes provide an existing mechanism for councils to support low-income households in times of financial crisis. LWA schemes are a relatively small but vital part of the social security system and can be an effective part of a wider local safety net, alongside services such as debt advice and income maximisation support.

During the current pandemic, LWA schemes offer a particularly important intervention to support people whose weakened financial resilience puts them at risk of severe financial crisis, such as destitution or homelessness.

The type and level of support available varies widely from area to area. Since responsibility was devolved to local authorities in 2013, many councils have reduced their LWA budget with some cutting their schemes entirely. With no rules or guidance about how these schemes should run, how they are accessed and promoted is different for each council.

Figure 19: Awareness and usage of LWA schemes

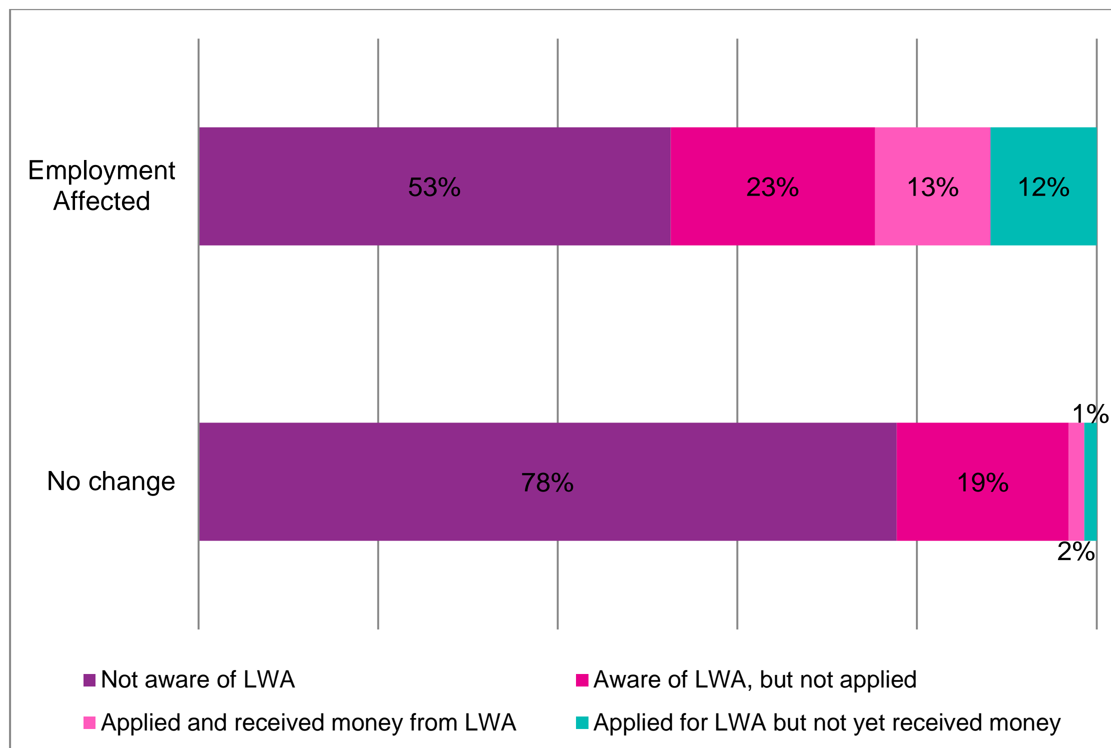


Overall awareness of LWA provision is low with only 32% of people having heard of it. Roughly half of people who applied over the last few months received support. However, it is not possible to say what proportion of the people who didn't get help were ineligible, still waiting on a decision or the scheme had run out of money.

Awareness of LWA provision is relatively uniform across household income bands, though 36% of people whose household income is less than £1,000 are aware of LWA compared to the

average of 32%. They are also nearly twice as likely to have received support (9% compared to 5%).

Figure 20: Awareness and use of LWA schemes, by whether employment has been negatively affected by coronavirus



Over a quarter of people whose employment has been affected by the pandemic applied for LWA. Awareness is significantly higher at 47% showing that a proportion of people appear to be successful in finding out about this form of crisis support when affected by a life event. However, awareness is still low in comparison to other forms of social security.

It would be expected that people on income-related benefits would be more likely to know about what LWA provision was available. This is the case for Universal Credit claimants likely because of referrals from the programme, but when looking at the wider picture awareness is lower. 75% of income-related benefit claimants are not aware of LWA compared to 68% of non-claimants, and 58% of Universal Credit claimants. Consequently, this has also correlated with few applicants – 4% compared to 10% for non-claimants and 22% of Universal Credit claimants. This suggests more needs to be done to reach low income families and make them aware of LWA.

The overall picture for Local Welfare Assistance is that lack of funding and consequently lack of promotion means that many people may be missing out on a lifeline they need in a time of crisis. The failure of the social security to intervene at a critical moment for a person's finance could lead to them consequently incurring far greater financial harm, potentially spiralling debt or eviction.

Impact of £20 per week uplift to Universal Credit

The £20 per week uplift to Universal Credit standard allowance has offered a vital lifeline to many claimants who are struggling to weather the financial storm caused by coronavirus. Although our findings have shown that even with this vital boost many claimants have poor financial resilience, it is clear the situation could be far worse without this support and would have compelled people to take far more drastic financial measures in order to survive.

If this lifeline is taken away, it could destabilise many people's finances overnight. To further examine this, we surveyed 1,387 of our users across the UK who are on Universal Credit to understand what a £20 per week drop in income would mean to them. The following shows the percentage of people who can currently afford the respective item but indicates that they would no longer be able to afford to do so with £20 less income a week:

Item they can currently afford	Percentage who would no longer be able to afford if their income were reduced by £20
Food	62%
Essential bills	44%
An emergency cost of £100	43%
Rent/mortgage	19%

Qualitative responses indicated claimants had found the additional support a big help, with a large proportion indicating it had helped them with food. Unsurprisingly, qualitative comments about the loss of this income reflected the need to cut back on food, particularly healthier options:

> "It would be a struggle to manage for four weeks and probably have to go without food for the last week"

> "I would need to choose between paying bills and buying food. I had to do this before the uplift. I have been unwell, have had surgery and lost so much weight afterwards as I was not eating."

> "I wouldn't be able to buy as much food meaning I'd have to cut down on what we eat so I won't eat as much so I can still give it to my sons"

> "I've been able to buy more fresh food and not cheap fatty foods. I'll have to go back to a poor diet and obesity."

> "£20 is a lot of money at the moment, It would feed us for a four to five days as a four member household if we hunt around for bargains. It probably will have most effect on if we get any fresh fruit for the family."

The extent to which people have needed to resort to these measures is an important indicator of the level of financial resilience they have and how this may have reduced over the last six months due to the coping strategies they've needed to take. By increasing the amount of debt they owe or decreasing the amount of savings they have, people are increasing their susceptibility to future economic shocks. This includes individual changes in circumstances (such as a medical diagnosis) or national crisis like a second wave of the coronavirus pandemic.

The reduction in people's financial resilience due to the first wave of the pandemic, due because of needing to borrow or dip into savings, now means that any changes to people's incomes in a second wave will be felt more acutely. People who may have had a 'buffer' to fall back upon before the pandemic will have seen this eroded and will now be at greater risk of destitution, hunger and homelessness if they are made redundant in the near future.

WHOSE FINANCIAL RESILIENCE HAS BEEN PARTICULARLY AFFECTED BY THE PANDEMIC?

Section 1 has shown that levels of financial resilience have decreased substantially since February 2020, and that on average, UK households are less able to cope with unexpected financial shocks than they were at the beginning of the year.

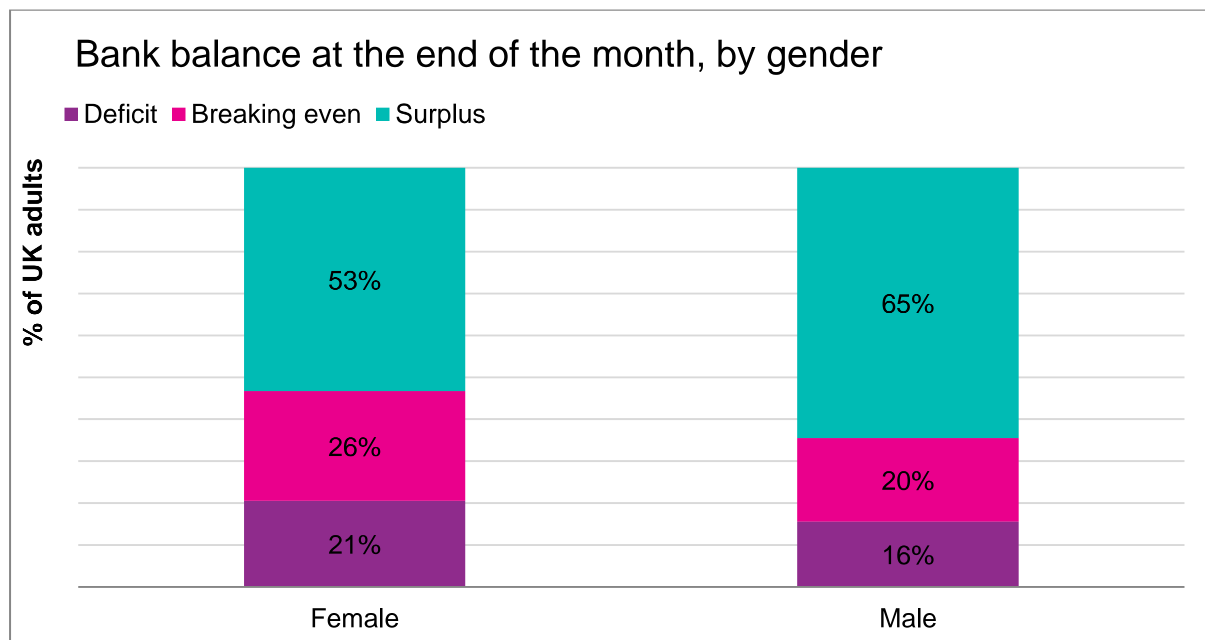
However, as we know from other research into the financial effects of Covid-19, groups who were economically disadvantaged before March 2020 have also been the most affected in terms of losses to employment, income and health outcomes related to Covid-19.

This next section starts to explore the question of whose financial resilience has been most adversely affected by the pandemic. Following on from that, we will discuss what support systems and policy responses may be necessary to stabilise people's financial resilience.

GENDER

When we look at the gendered impact of Covid-19 upon employment and income, we know that women have been more likely to experience loss of employment and income[9]. This has led to a knock-on effect on women's ability to cope with income shocks in the future.

Figure 21: Comparison of people's income and expenditure in September, by gender

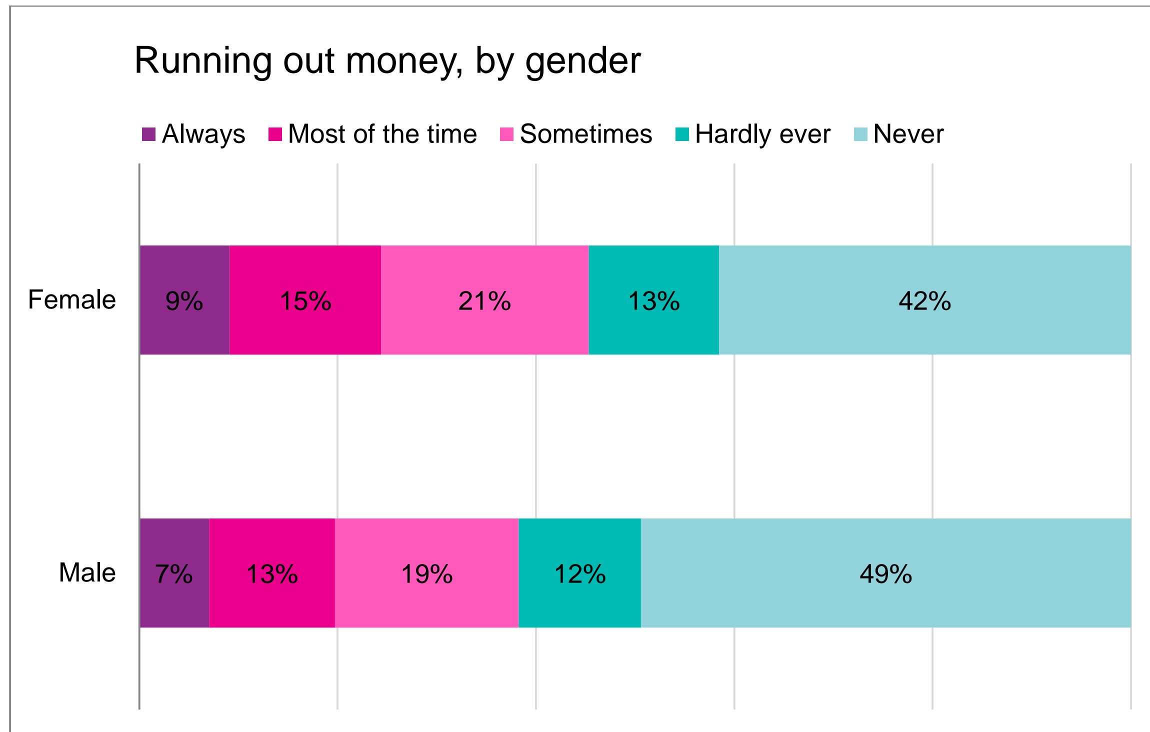


Women are more likely than men to have spent more in September than they made in income, with 21% of women having a deficit in September, compared to 16% of men. Similarly, women

[9] Turn2us (2020) Coronavirus: Exacerbating structural inequalities in the labour market and a looming rental crisis

are less likely to have a surplus in September. 65% of men expected to have a surplus left over in September, compared to only 53% of women.

Figure 22: Frequency of running out of money before the end of the week or month by gender



When looking at other measures of financial resilience, women are also worst affected than men. For instance, in September, women are more likely to run out of money at a greater frequency than men. 49% of men never run out before the end of the week or month compared to 42% of women. Nearly a quarter of women (24%) frequently run out ('Always' and 'Most of the time') compared to a fifth of men.

The proportion of people who frequently run out of money has increased for men and women. However, since March, it has increased more for women (11% vs 9%). This has further widened the gender gap in terms of level of financial resilience.

Figure 23: Proportion of people who frequently run out of money, by gender

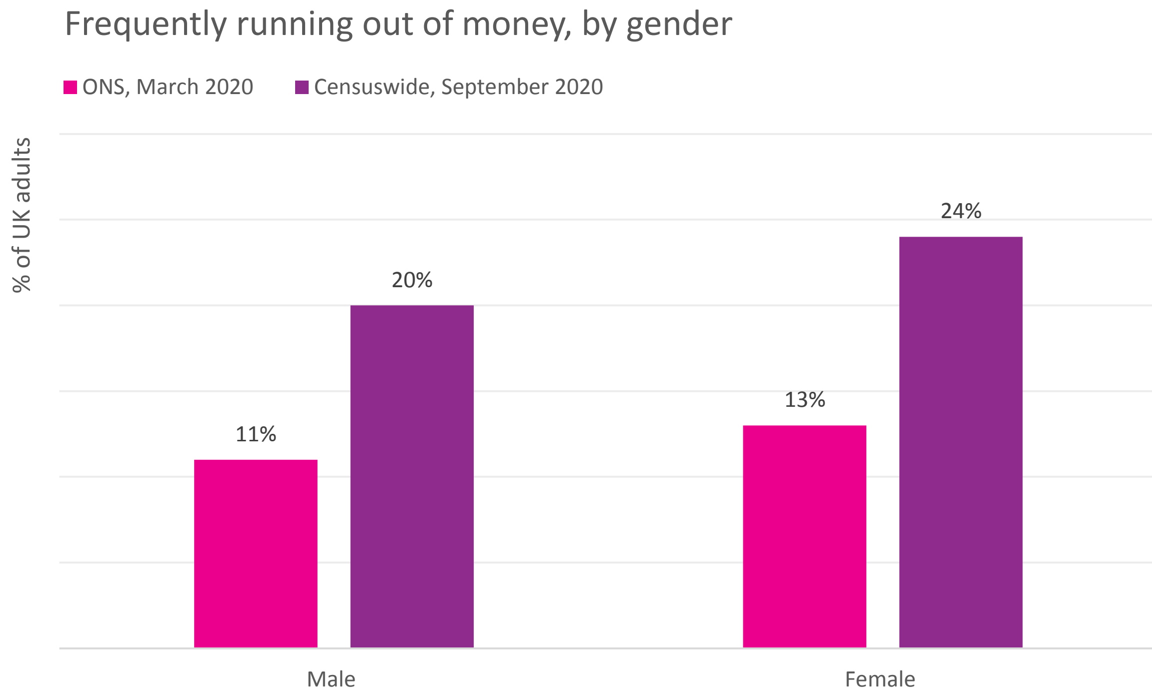
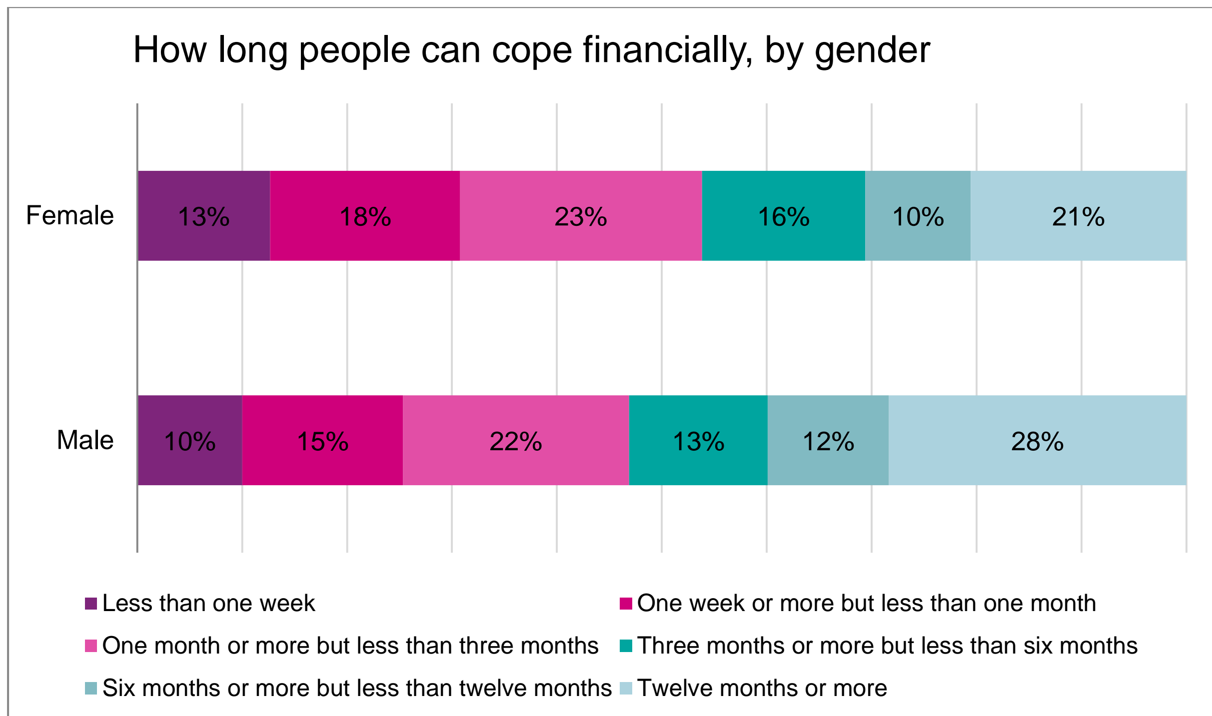
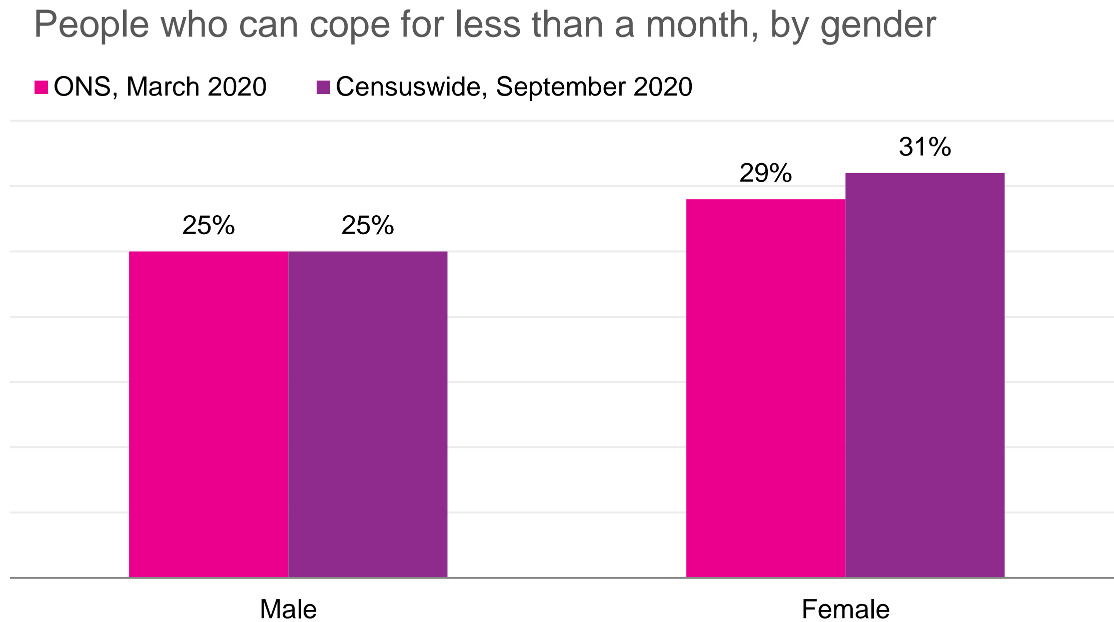


Figure 24: How long people could make ends meet if they lost their main source of income, by gender



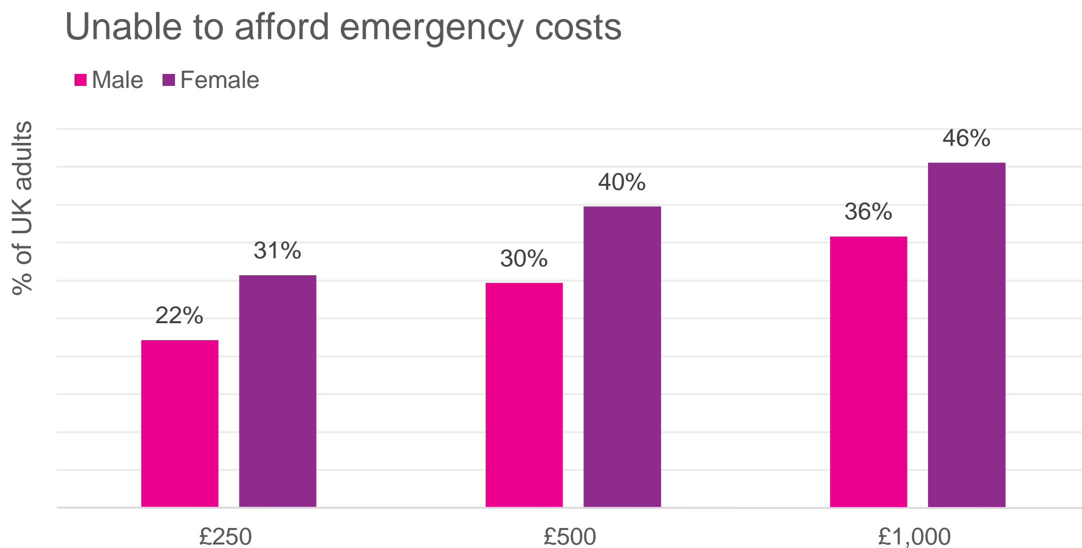
Women are more likely to not be able to make ends meet sooner if they lose their main source of income. Nearly a third of women (32%) could only last a month or less, if they lost their main source of income, compared to a quarter of men (25%). This means that women are particularly likely to find it difficult to cope during the 5-week wait for Universal Credit.

Figure 25: Proportion of people who could make ends meet for less than a month, by gender



While the percentage of men who could cope for a month or less has stayed static between March and September, women have seen a 2% increase in the proportion who are only able to cope for a month or less. This again has widened an already existing gap between the genders in terms of their financial resilience.

Figure 26: Proportion of people who are unable to afford an emergency cost in September 2020, by gender



Women are also significantly less likely to be able to afford an emergency cost than men. In September, over a third of women (35%) could not afford an emergency cost of £250 compared to 23% of men. This trend continues for higher amounts where the gap between

women and men is 14% for costs of £500 or £1,000. Almost half of all women could not afford an emergency cost of £500 in September, compared to only a third of men.

Coping strategies

When we look at the coping strategies that people have employed since February, we also see differences between the genders. Almost half (49%) of women have needed to take at least one financial resilience reducing measure since March, compared to 42% of men. Women are also more likely to have needed to incur some form of debt, 38% compared to 31% of men.

Even though their finances have been less affected than women, men are more likely to be aware of Local Welfare Assistance scheme than women (36%, 28%). They are also 50% more likely to have received support from an LWA scheme since the pandemic began (6% of men, compared to 4% of women).

This data shows that, not only have women been most affected by Covid-19 in terms of employment and income, but it has also had a strong effect on their financial resilience and they are less likely to have received emergency support from the LWA scheme than men.

Women clearly have a lower level of financial resilience than men and are less able to cope with emergency costs or unexpected loss of income. Given the on-going second wave of Covid-19 and the probable impact that this will have on jobs and unemployment, women are likely to face an even greater economic shock this winter than men. The need to keep the furlough scheme and other economic forms of support is clear, so that we don't lose much of the progress made on gender equality over recent decades in just one winter.

AGE

Existing research has shown that younger people have faced more significant impact on their employment and income due to Covid-19[10]. This evidence is mirrored in the impact of Covid-19 on younger people's financial resilience. When we look at the proportion of people who have a monthly surplus in September, 18-24-year olds are far less likely than older adults to have any money left over at the end of the month. For instance, only 43% of 18-24-year olds will have surplus in September, compared to 59% of 25-34-year olds.

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[10] Resolution Foundation (2020) [Young workers in the coronavirus crisis]

Figure 27: Comparison of people's income and expenditure in September, by age

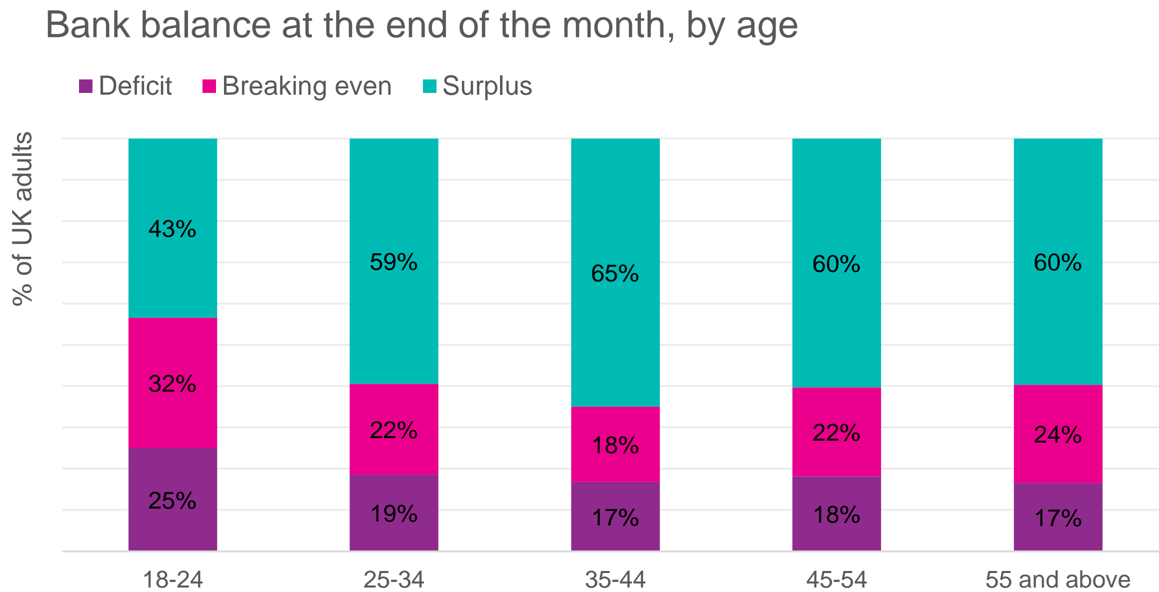
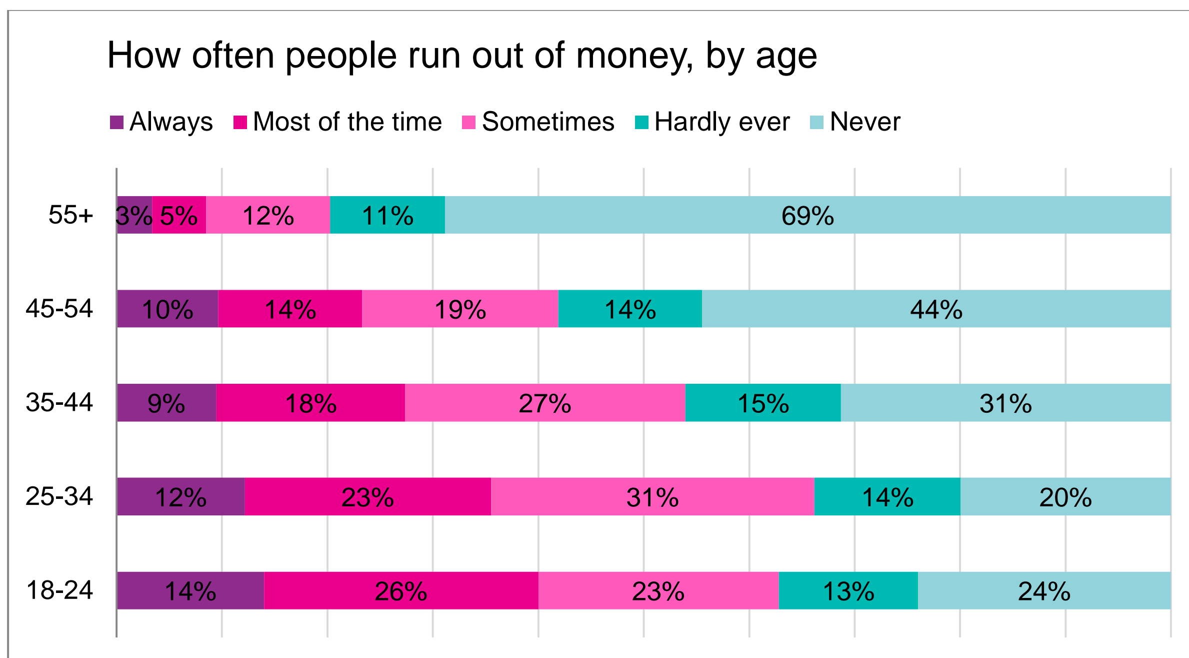
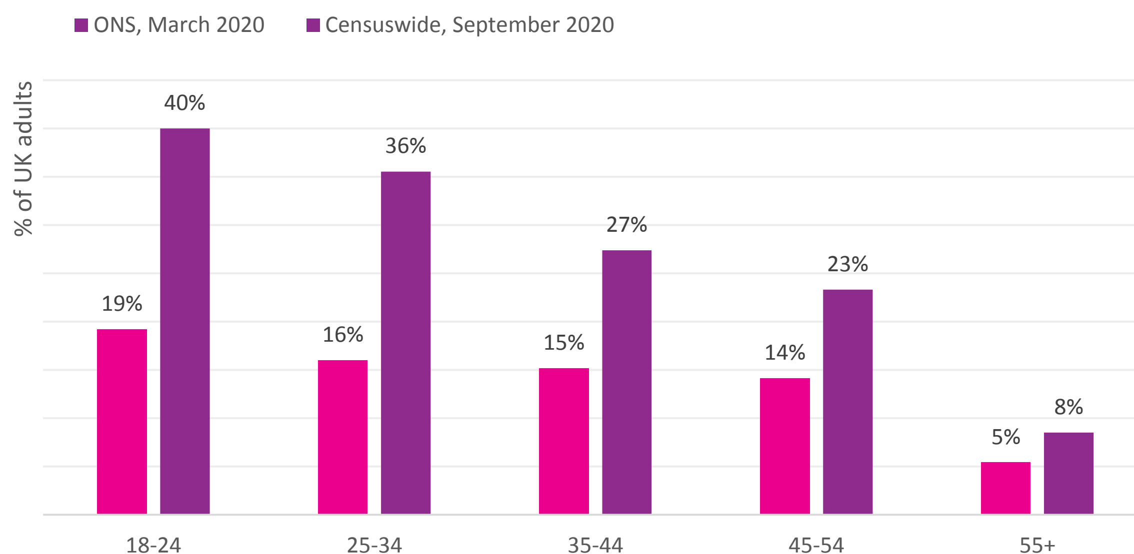


Figure 28: Frequency of running out of money before the end of the week or month, by age



There is a strong correlation between the likelihood of running out of money before the end of the week or month and age. Younger people are more likely to frequently run out ('Always' and 'Most of the time'). 40% of 18-24-year olds have frequently run out of money in the past year, compared to only 8% of people over the age of 55.

*Figure 29: **Proportion of** people who frequently run out of money, by age*



When compared to previous data from pre-Covid-19, we can also see the disproportionate impact of the virus on the financial resilience of younger people. In September, an additional 21% of people aged 18-24 are now frequently running out of money, compared to an additional 3% of people aged 55 and over. The differences in financial resilience for different age groups have been starkly increased by the pandemic.

A similar picture presents itself on how long different age bands could cope if they lost their main source of income. There is a general trend towards younger people being able to cope for a shorter amount of time. However, 18-24-year olds tend to be able to cope slightly better than 25-44-year olds, potentially due to being less likely to have more expensive financial commitments related to children (i.e. cheaper food bills, cheaper housing).

A staggering 39% of people aged 25-34 could only cope for a month or less if they lost their main source of income. Again, this highlights the critical need for the five-week wait to be removed from the Universal Credit system, so that as more people move onto Universal Credit due to Covid-19, they are able to cope over the winter period.

The proportion of people that could cope for less than a month has also increased for under 55s, when compared to March. Most significantly the proportion of 35-44-year olds who could only cope for a month or less, has increased from 30% to 37%, between March and September.

Figure 30: How long people could make ends meet if they lost their source of income, by age

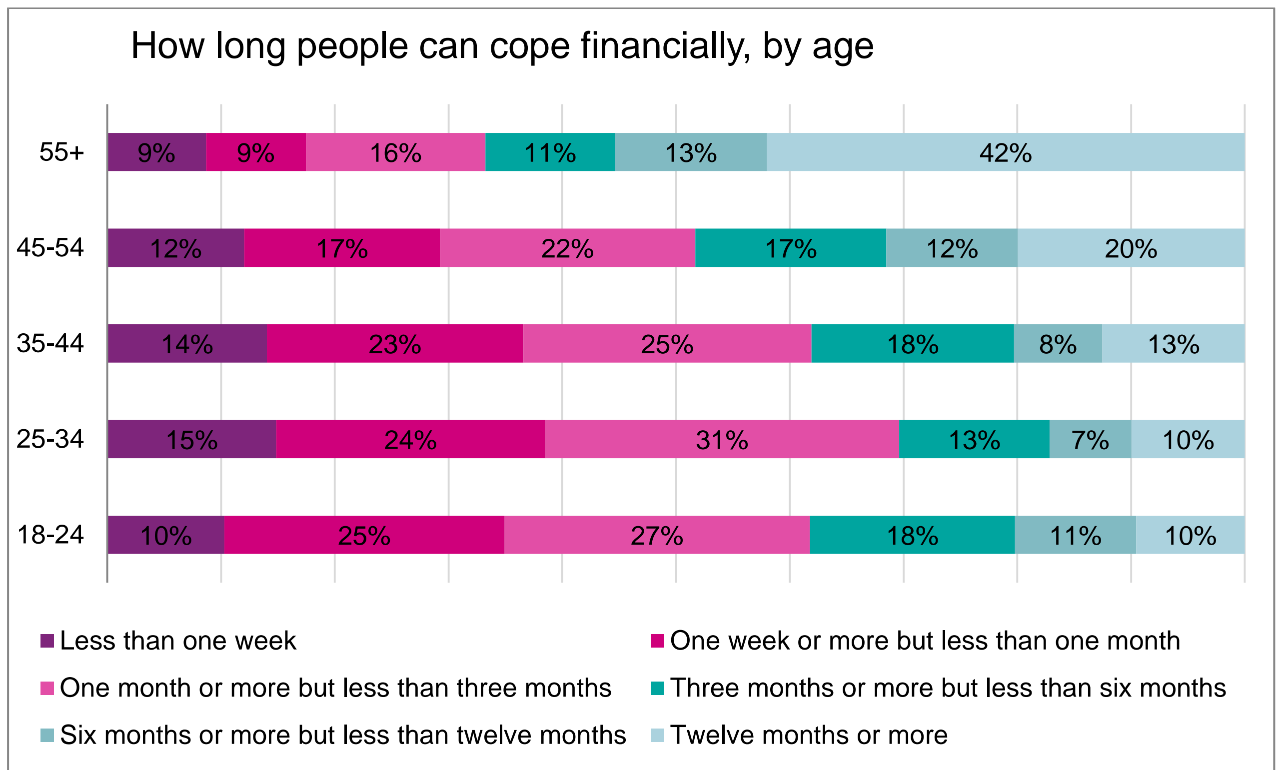
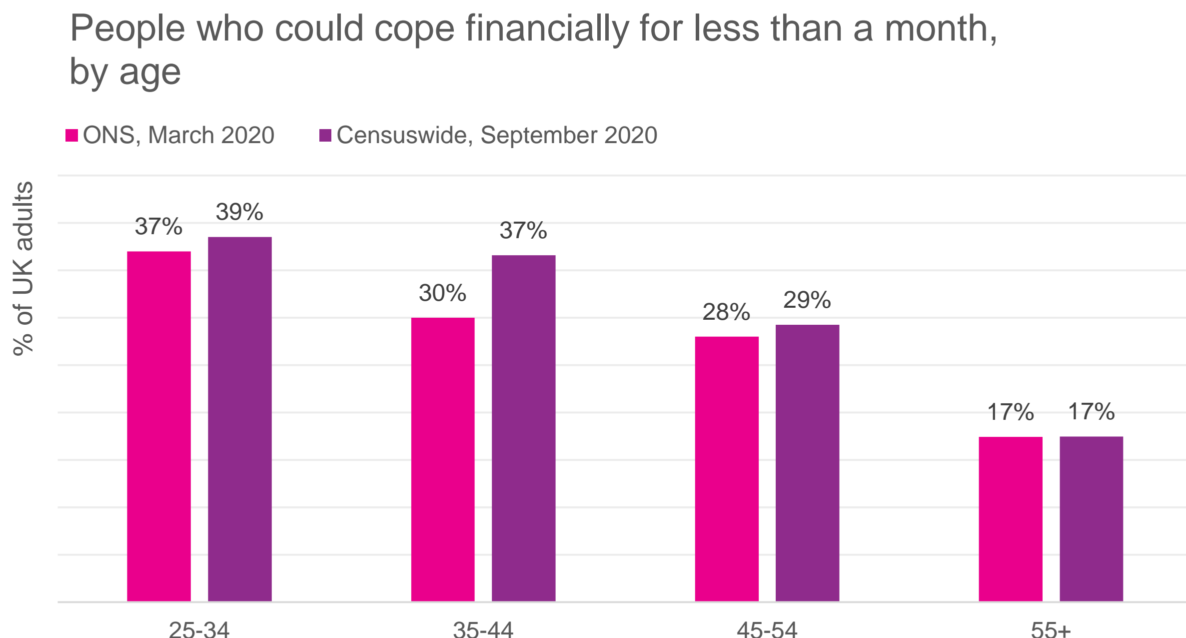
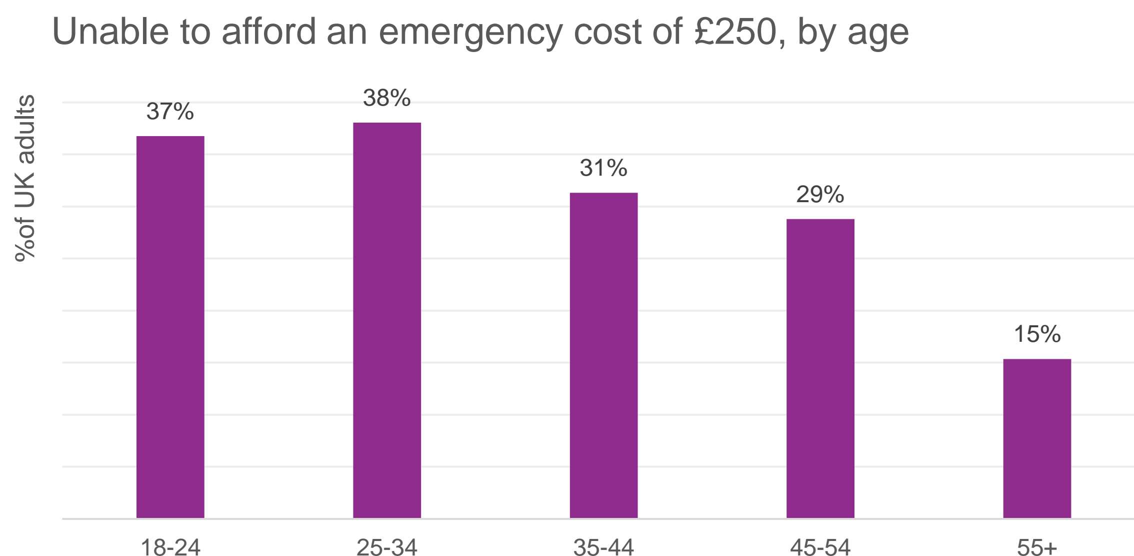


Figure 31: Proportion of people who could make ends meet for less than a month, by age[11]



[11] We have excluded 18-24-year olds from this section, as ONS collects information for 16-24 year olds and so the groups are not comparable

Figure 32: Proportion of people unable to afford an emergency cost of £250 in September 2020, by age



We see the same trends in age, when looking at people's ability to afford an unexpected cost in September 2020. Younger people, aged under 35, are much less likely to be able to afford an emergency cost, than those aged 35 and above. 60% of younger people would be unable to afford an emergency cost in September, compared to less than a quarter of people aged over 55.

The financial picture for younger interviewees looked particularly hard. Being more likely to work in precarious or low-paying roles and with less time in life to have built up savings buffer on which to rely when times get hard, younger interviewees spoke about quickly running out of options, sometimes having to change or limit their future ambitions, due to changing economic circumstances.

Losing work when young

Before the pandemic, Alexa was in the final year of University and makes ends meet by working as a self-employed as a tutor for secondary school age kids. She was living comfortably and was hoping to use the money she had made to start a master's & buy new computer for herself.

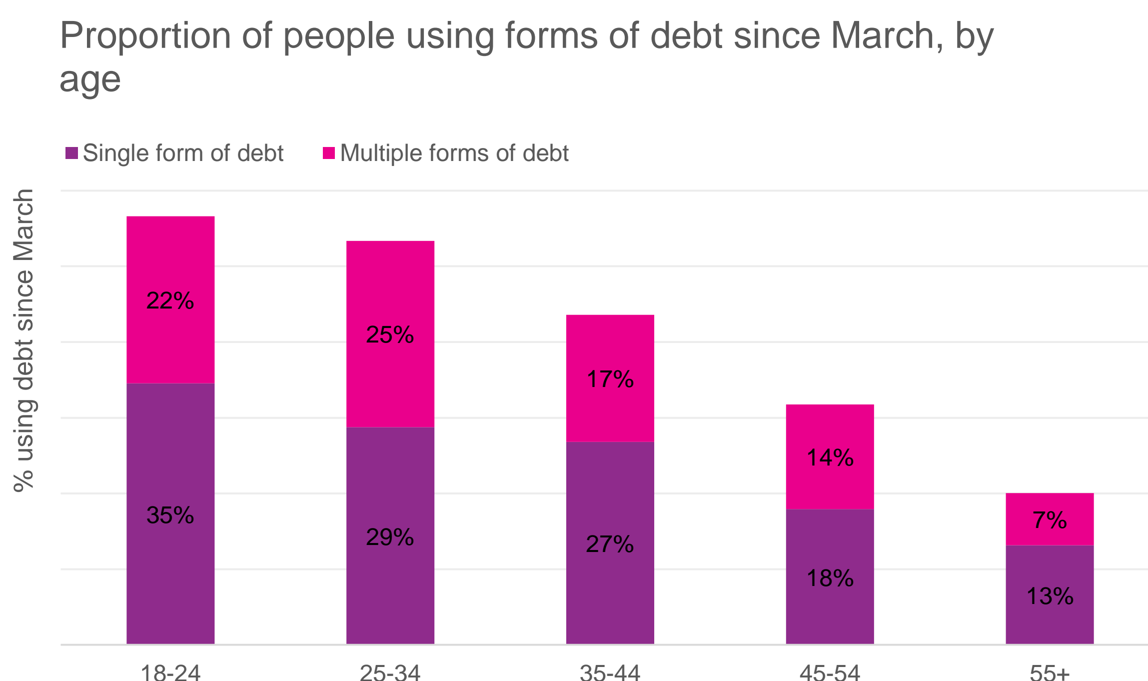
When the pandemic struck, Alexa immediately lost most of her pupils due to circumstances and was completely without work for a few months. She is now making a lower hourly rate because she has to pay for an online service that enables her to teach remotely.

The impact of the pandemic has been that Alexa has really struggled financially, with things being really tight. For a start, she had to wait until she was officially not a student anymore, to then apply for Universal Credit. She had been self-employed for less than a year, so also slipped through the cracks for government support. As a result of the hit to her finances, Alexa had to turn down an offer from Oxford to study her Masters, for financial reasons. She worries about losing her tutoring students again if their parents start to struggle financially again.

Coping strategies

When we look at the coping strategies that people have employed since February, we also see differences between age groups in terms of the coping strategies that have been used. The proportion of people who are reducing their financial resilience and taking out debt also falls strongly with age. 57% of people aged 18-24 have needed to use at least one form of debt since March, compared to just 20% of people aged 55 and above.

Figure 33: Use of forms of debt since March, by age



DISABILITY

It can be anticipated that people with a disability may have a lower financial resilience than people without a disability. Workers with a disability earn on average £3,800 per year less than their counterparts[12]. It can be expected that this lower income would have an impact on their ability to build their financial resilience.

Existing research has also shown that people with a disability have faced more significant impact on their employment and income due to Covid-19[13]. This evidence is mirrored in the impact of Covid-19 on the financial resilience of people with disabilities. For instance, people with a disability are more likely to have a monthly deficit in September, than people without a disability (23%, 17%).

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[12] TUC (2020) Disabled workers earning a fifth less than non-disabled peers
[13] Leonard Cheshire (2020) Building a Disability Inclusive Recovery

Figure 34: Comparison of people's income and expenditure in September, by disability

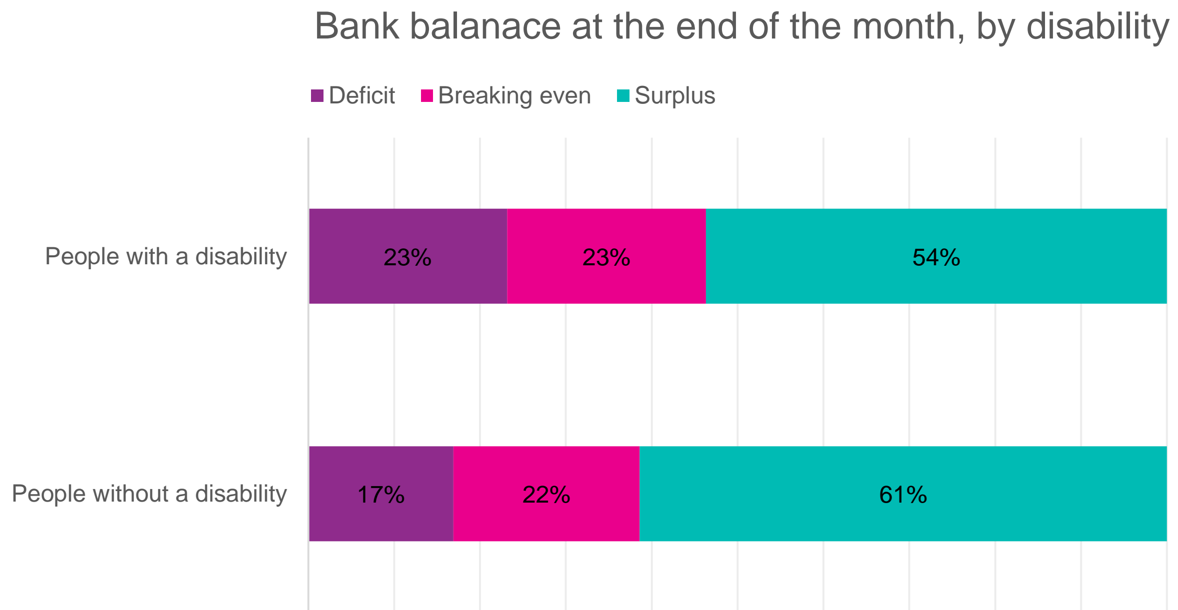
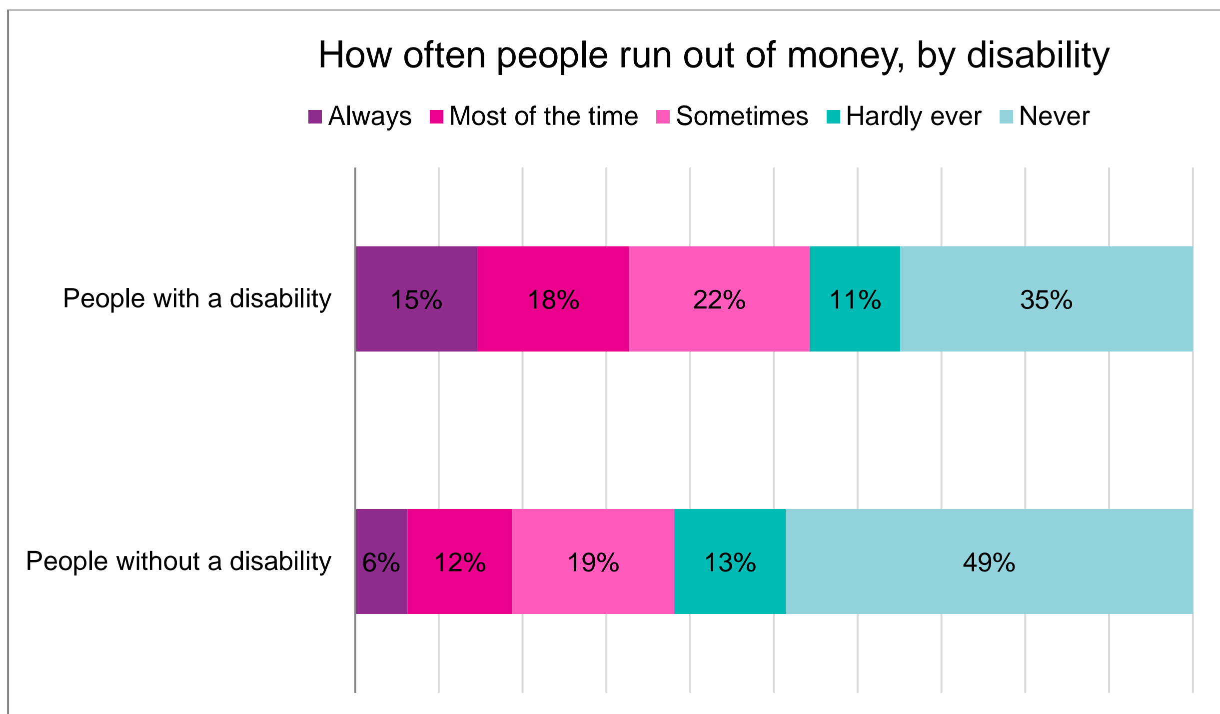
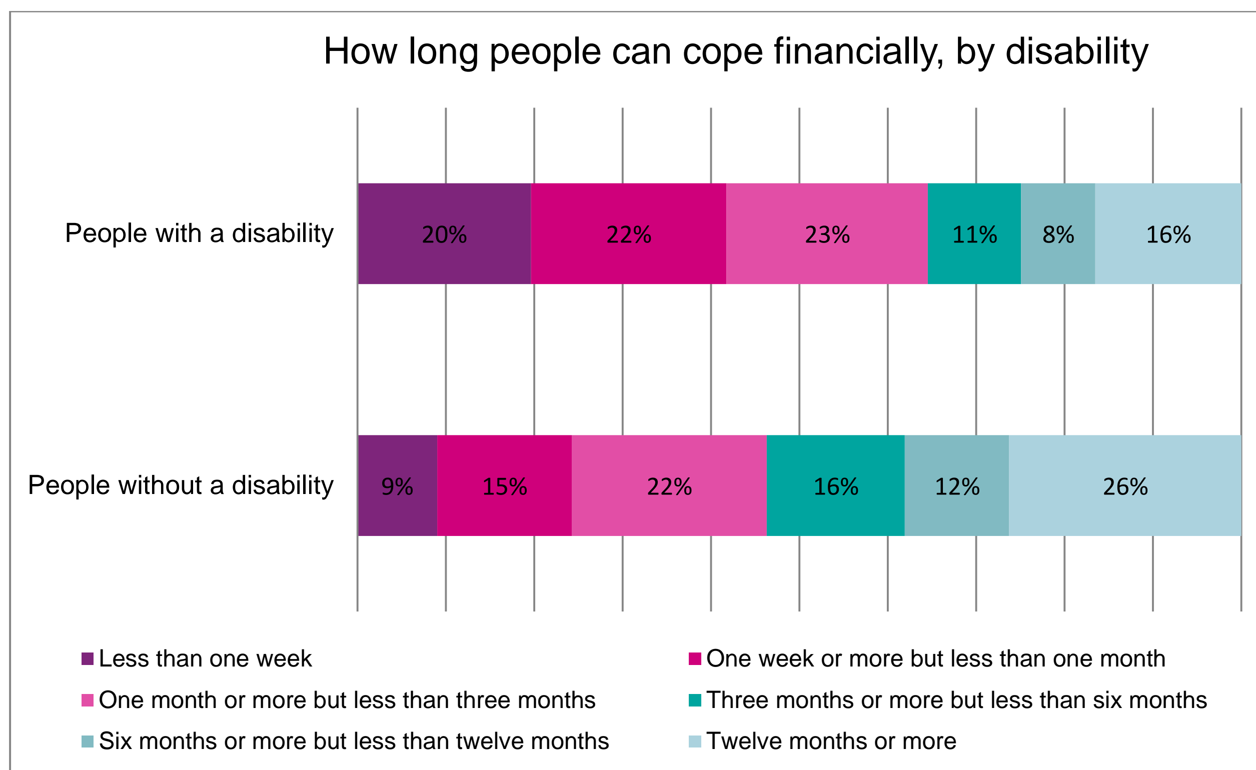


Figure 35: Frequency of running out of money before the end of the week or month, by disability status



People with a disability are significantly more likely to say they run out of money before the end of the week or month. A third of people with a disability (33%) run out of money frequently ('Always' or 'Most of the time'), compared to only 18% of people without a disability. Whilst nearly half of people who do not have a disability, (49%) say they have never run out of money over the last 12 months, only 35% of people with a disability say the same.

Figure 36: How long people could make ends meet if they lost their main source of income, by disability status



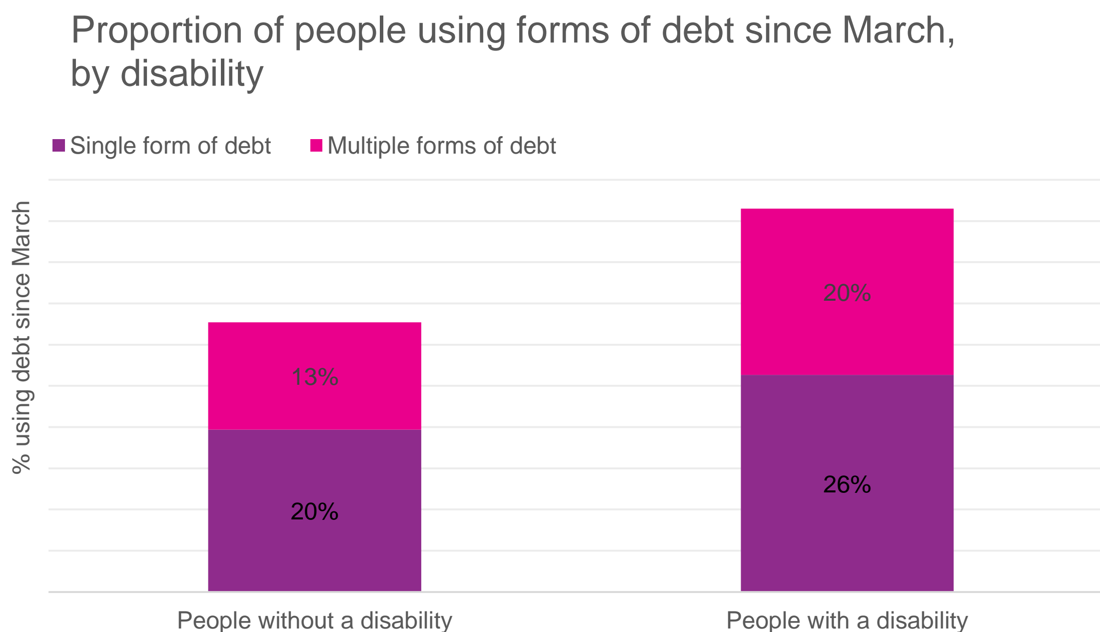
People with a disability are, on average, able to cope for less time if they were to lose their main source of income. They are more than twice as likely to be able to cope for less than a week, if they lost their main source of income (20%, 9%). And 42% of people with a disability could cope for less than a month if they lost their main source of income, compared to only 24% of people without a disability.

There is a significant difference in a person's ability to afford an emergency costs if they have a disability. 37% of people with a disability are unable to afford an emergency cost of £250 compared to 27% for somebody without a disability. This finding correlates with an increased likelihood of being on benefits and earning less if you have a disability.

Coping strategies

When we look at the coping strategies that people have employed since February, we also see differences based on disability, in terms of the coping strategies that have been used. The proportion of people who are reducing their financial resilience and taking out debt is also far higher among people who have a disability. 46% of people with a disability have needed to use at least one form of debt since March, compared to just 33% of people without a disability.

Figure 37: Use of forms of debt, by disability status



Awareness of LWA among people who have a disability is considerably higher than those who do not (41%, 29%). This is reflected in people who have a disability being over twice as likely to have applied for LWA but not yet received funds |(11%, 4%). And being twice as likely to have received support (9%, 5%).

The lack of financial resilience among people with a disability is of particular interest, given that claimants of legacy benefits, such as Employment Support Allowance (ESA), have not received the same £20 per week uplift that Universal Credit applicants have received. This has created a two-tier benefit system. Given that 1.95 million people with disabilities are still receiving legacy benefits and are more likely to be experiencing poor financial resilience, it is imperative that targeted support and investment is provided - to shore up the financial resilience of people with disabilities and to put legacy benefit claimants on the same income footing as claimants on Universal Credit.

Not only do people with disabilities earn less, on average, but the particular circumstances of Covid-19 may have also exacerbated the impact on their financial resilience. When they are more likely to have to shield, people with disabilities that were interviewed were particularly susceptible to paying more for food and essentials than if they were able to physically go to shops for themselves.

Disabled and shielding: the cost of food

Mary is an unpaid full-time carer for her wife and they both receive ESA and PIP. With no savings at the beginning of March, they were just about coping financially. As the Covid-19 pandemic began, Mary needed to start shielding during lockdown.

Since neither Mary nor her wife were able to go out to shop, they had to get all their grocery deliveries online. Online shopping had limits to how much you could buy at one time, which meant that Mary could not stock up on things when they were more affordable. They sometimes also needed same-day deliveries from supermarkets but noticed a big mark-up in prices & expensive delivery. They had no other option to get it though. As a result, their grocery bills increased while they were both shielding, making it even harder to make ends meet.

While the pandemic has been very hard on Mary and her wife, she opened up a Mutual Aid Fund to support disabled people in the local area and has been overwhelmed by the scale of need that she has seen for this voluntary support.

ETHNICITY

Existing research has shown that people from ethnic minorities have faced more significant impact on their employment and income due to Covid-19[14]. This evidence is mirrored in the effects of Covid-19 on the financial resilience of people from ethnic minorities. People from Asian ethnic backgrounds are more likely to have a monthly deficit in September, than people from white ethnic backgrounds (27%, 17%). People from Black ethnic backgrounds were also more likely to have a deficit in September at 22%.

Note on methodology: the sample size from this survey was too low to be able to provide statistically robust results at a more detailed level of ethnic background. Therefore, for the purposes of this analysis, all Asian and Asian British ethnic backgrounds have been grouped together, as has data for all Black and Black British respondents, and all White and White British respondents. There may be significant variation between ethnic minorities that remains unexplored because of this grouping.

[14] Runnymede Trust (2020) Covid-19's Impact on BME Communities

Figure 38: Comparison of people's income and expenditure in September, by ethnicity

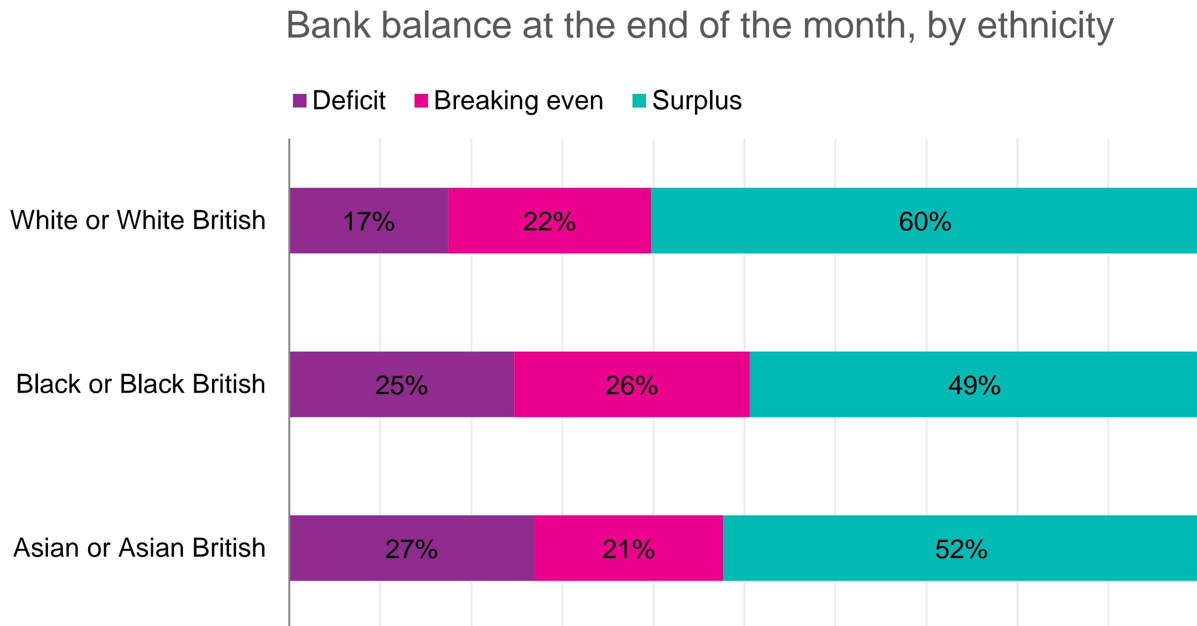
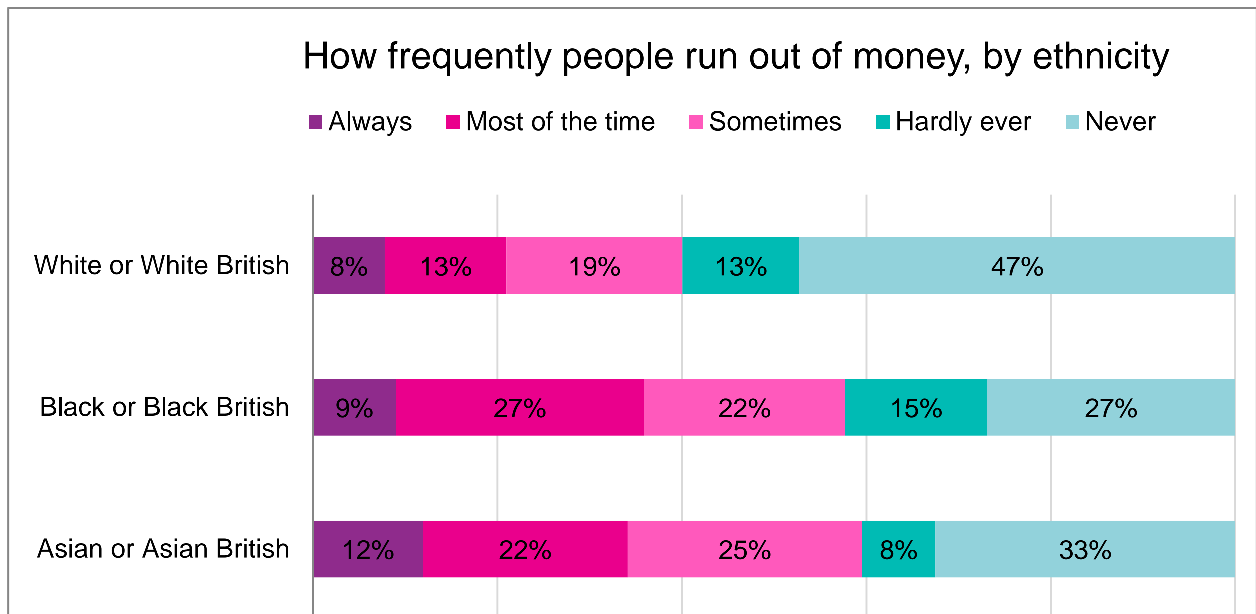


Figure 39: Frequency of running out of money before the end of the week or month by ethnicity



We can see that financial resilience levels of Black and Asian respondents are lower than that of White respondents. While more than a third of people from Asian and Black ethnic backgrounds frequently run out of money (34% and 36%), only 21% of people from white ethnic backgrounds experience frequently running out of money. Similarly, while only 36% of people from Asian ethnic backgrounds could cope for more than three months, if they lost their main source of income, more than half of people from white ethnic backgrounds (51%) could cope for more than three months.

*Figure 40: How long **people could make ends meet if they lost their main source of income, by** ethnicity*

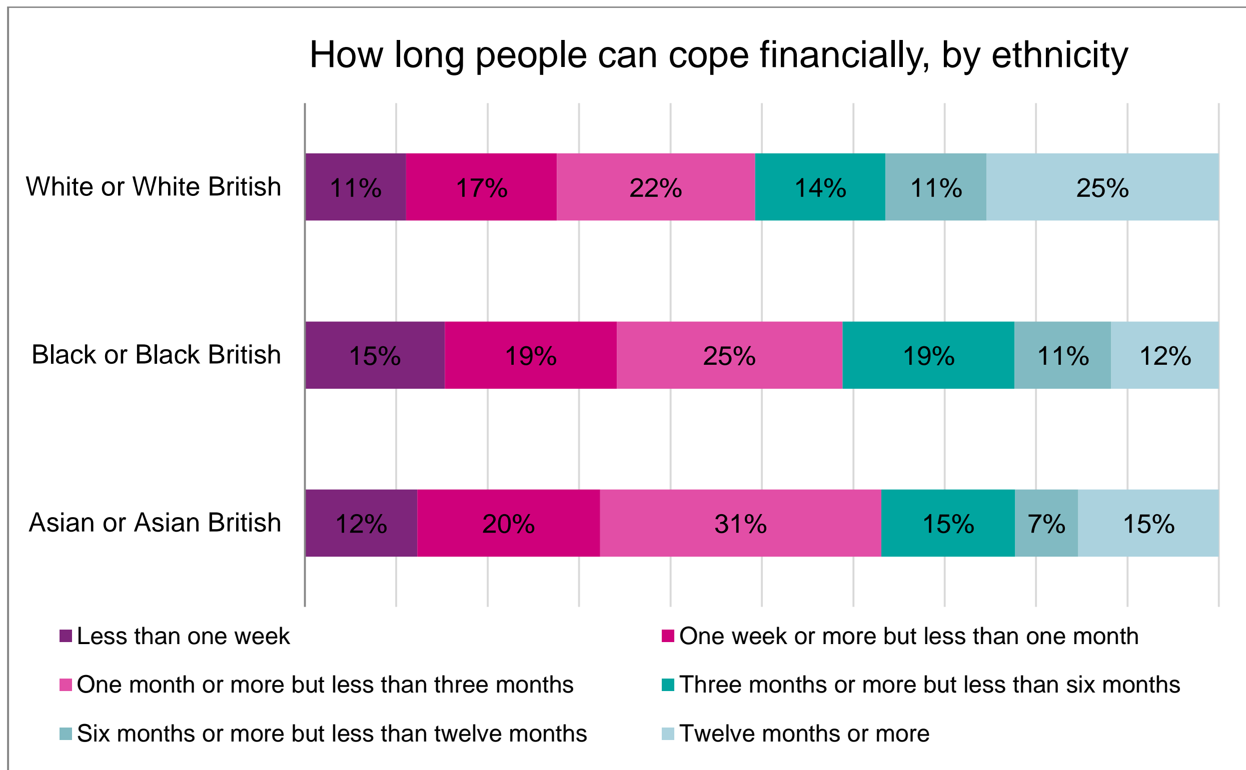
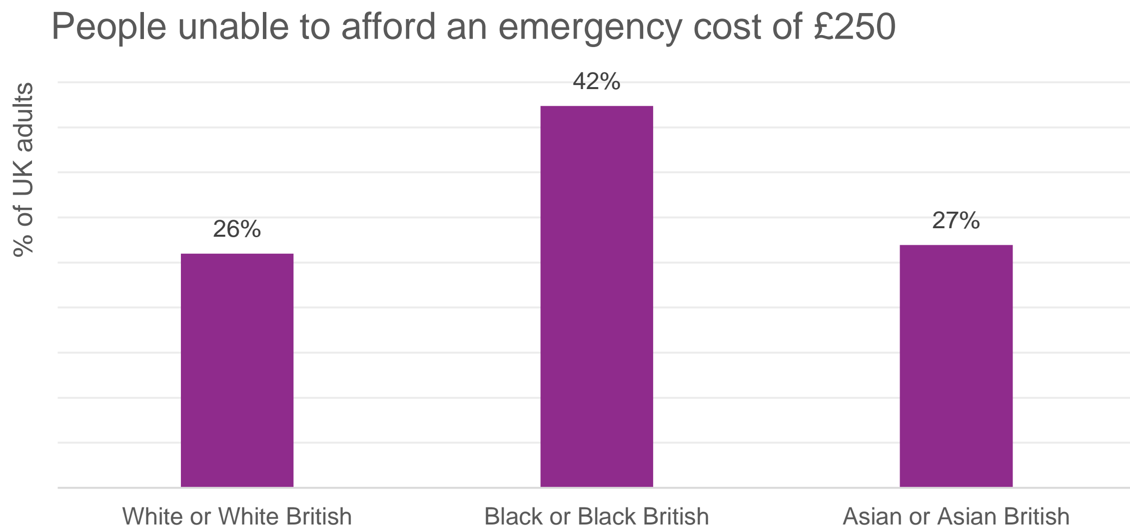


***Figure 41: Proportion of people u**nable to pay for an emergency cost of £250, by ethnicity*



When we analyse people's ability to pay for an emergency cost of differing amounts, people from Black ethnic backgrounds are disproportionately unable to afford even the smallest cost of £250. While 26% of people from White ethnic backgrounds are unable to afford a cost of £250, 42% of people from Black ethnic backgrounds are unable to afford the same emergency amount.

FAMILIES WITH CHILDREN

Before the coronavirus pandemic, increasing numbers of families were struggling to make ends meets as their costs rose but income languished - often due to benefits freezes or sub-inflationary rises. In 2018-19, a third of children were already in poverty.

With a rising level of financial hardship and benefit claims due to Covid-19, the impact of the virus on child poverty has also been drawn into the limelight, particularly by Marcus Rashford and his campaign for free school meals to continue over summer and the October half-term.

What we see from this most recent data on financial resilience is that families with children, and especially families with three or more children, are much more likely to experience poor financial resilience and to be struggling to cope. This highlights the critical importance of greater financial support for families with children and especially for families with more than two children.

As well as greater long-term investment in support for children, the evidence supports the need to end the Benefit Cap and to end the Two-child Limit, both of which are having a disproportionate effect on the financial resilience of families with more than two children.

As the graph below shows, families with three or more children are disproportionately likely to report that they 'always' run out of money than families with fewer children. In fact, families with three or more children are twice as likely to always run out of money as families with only one child (18%, 9%).

Figure 42: Frequency of running out of money before the end of the week or month, by number of children

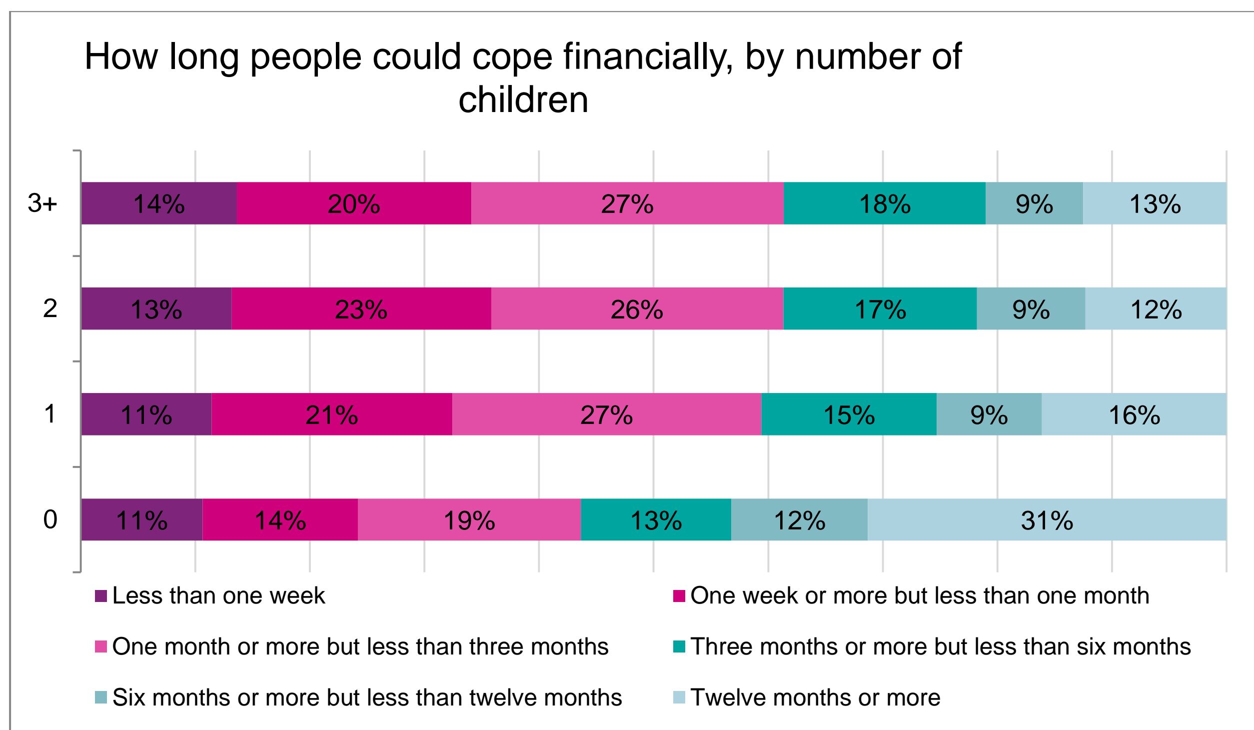
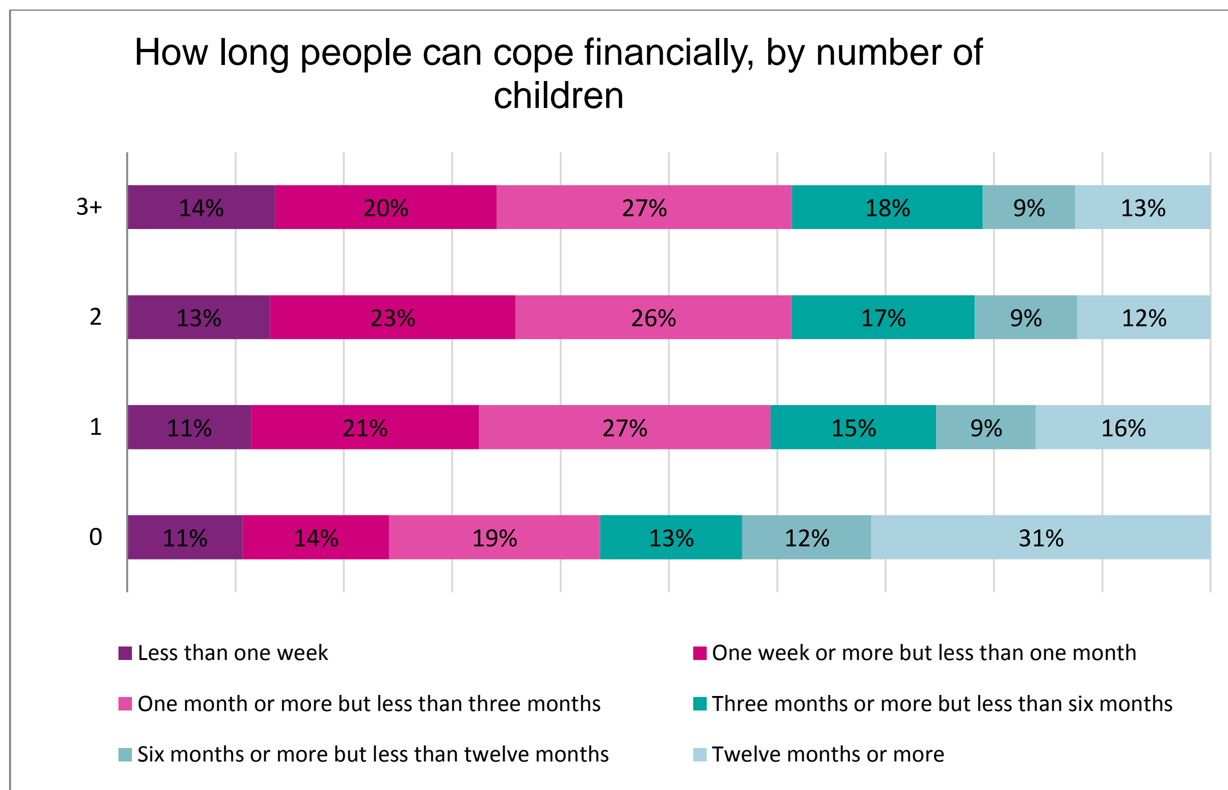


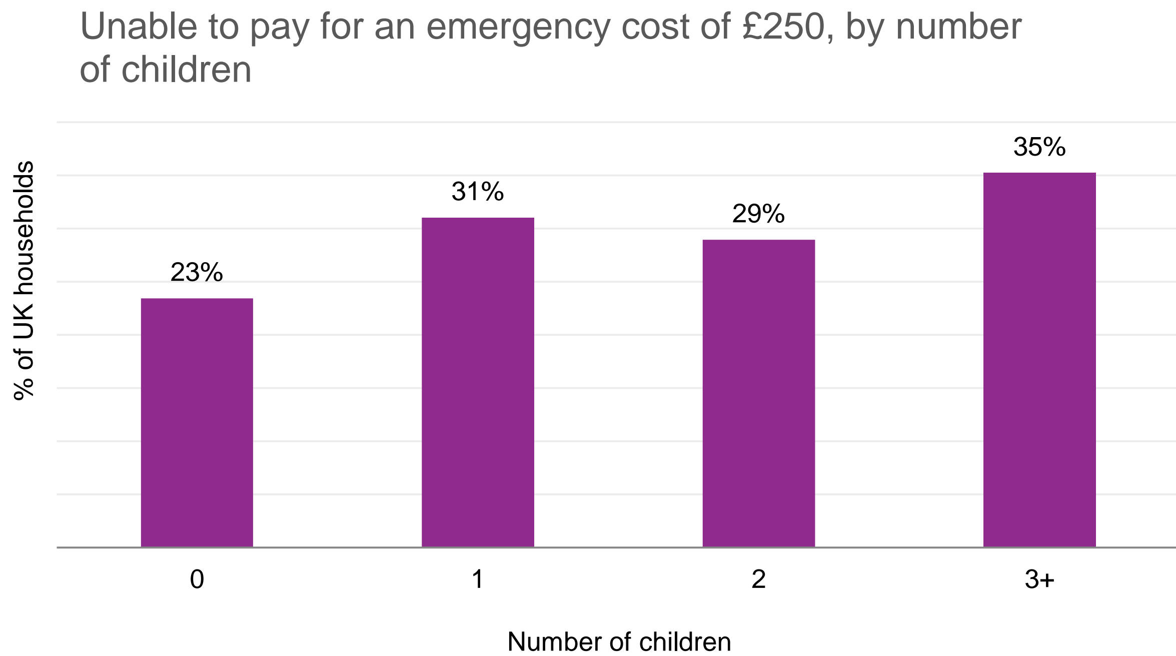
Figure 43: How ***long people could make ends meet if they lost their main source of income****, by number of children*



The amount of time that families could cope, if they lost their main source of income, is relatively similar, independent of the number of children in the family. Roughly one-third of families with children could cope for less than a month if they lost their main source of income. This is compared to less than a quarter of households with no children living in them.

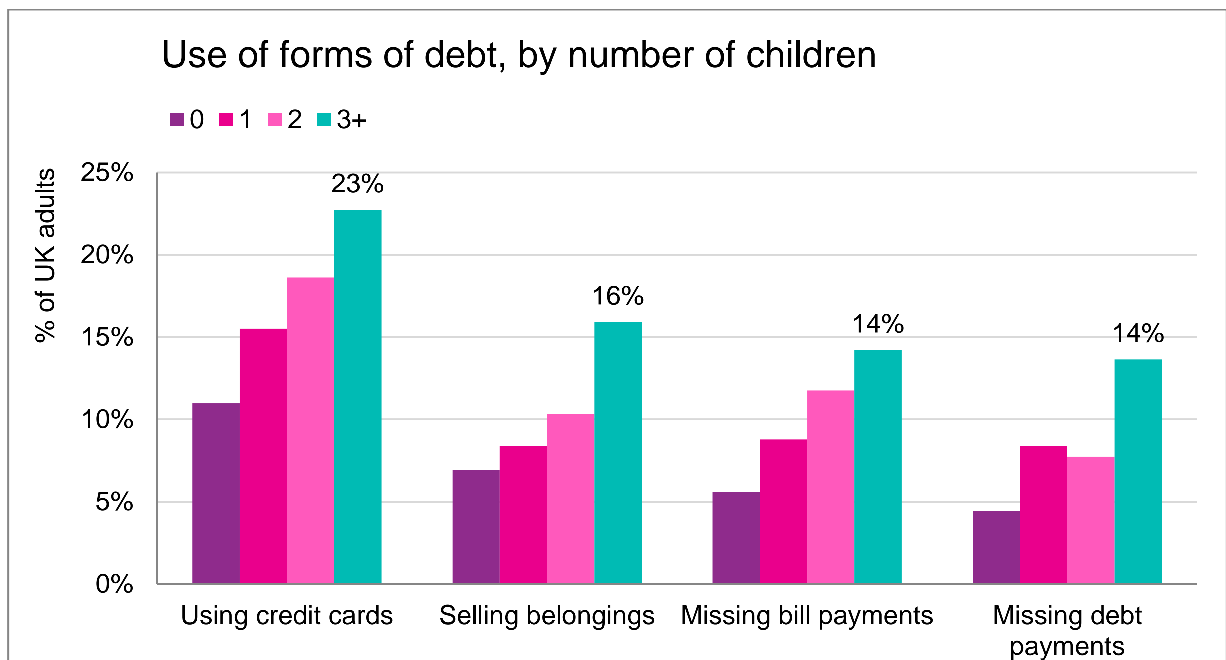
There is also a correlation between the number of children that are in a family and their ability to afford an emergency cost. For instance, 35% of families with three or more children are unable to afford a cost of £250, compared to just 23% of households with no children.

Figure 44: Proportion of people unable to pay for an emergency cost of £250, by number of children



Coping strategies

Figure 45: Use of some forms of debt, by number of children



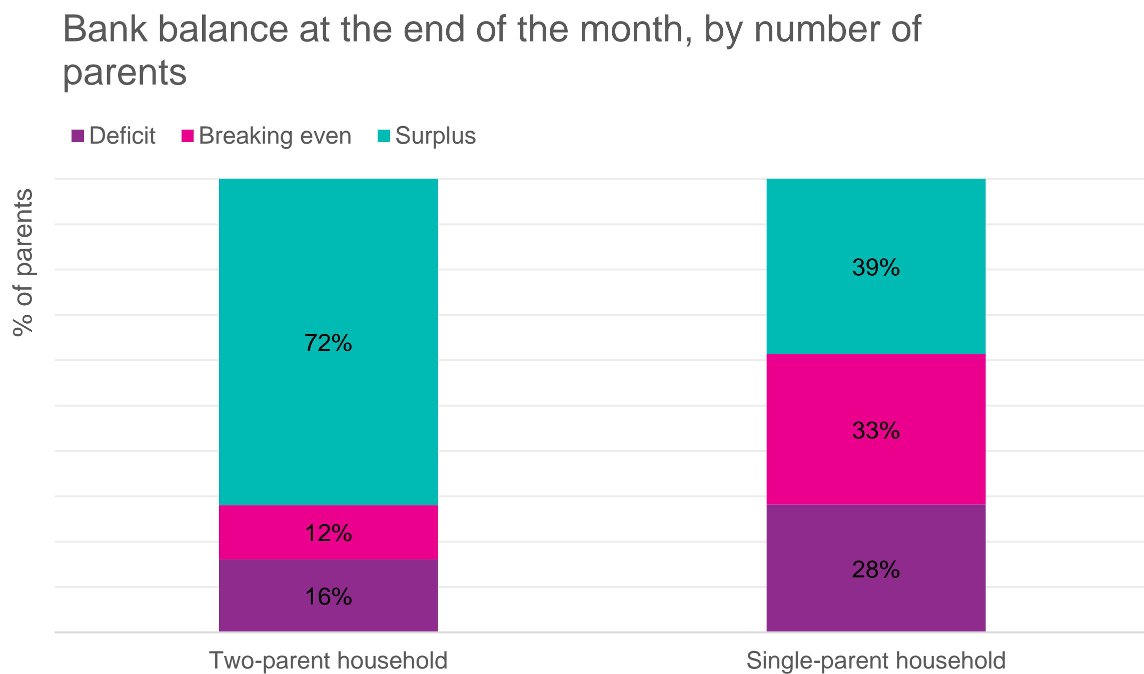
When looking at particular coping strategies that households have used since March, we can also see that families with three or more children are significantly more likely to be using behaviours that are debt-increasing or that will reduce their financial resilience. For instance,

23% of families with three or more children have used their credit cards since March, compared to just 11% of households with no children. The extent of these behaviours means that, given another unexpected financial shock, larger families are going to be much less able to cope. This lends evidence to the need for the welfare system to be changed, so that it no longer has a disproportionately adverse impact on larger families – by ending the Benefit Cap and by removing the Two-child Limit.

Single parents

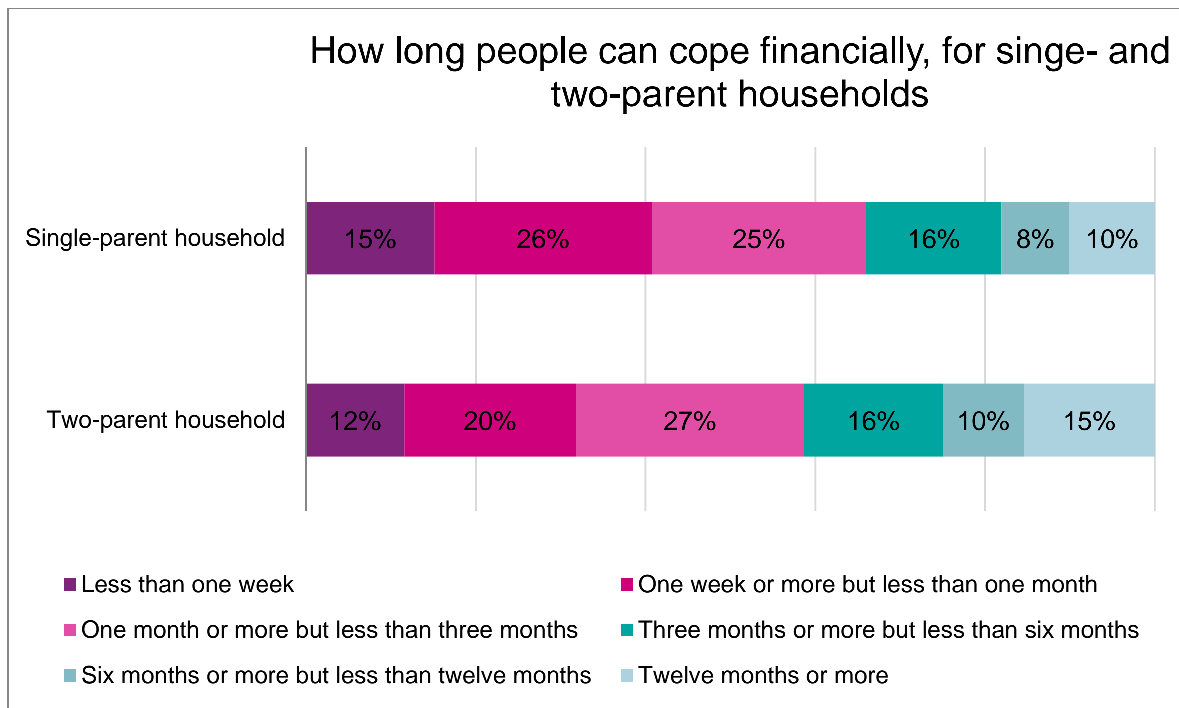
Finally, previous research by Turn2us in April 2020 has shown that single parents have seen their income disproportionately impacted by Covid-19. This final section explores the extent to which single parents' financial resilience has also been disproportionately affected since March.

Figure 46: Comparison of people's income and expenditure in September



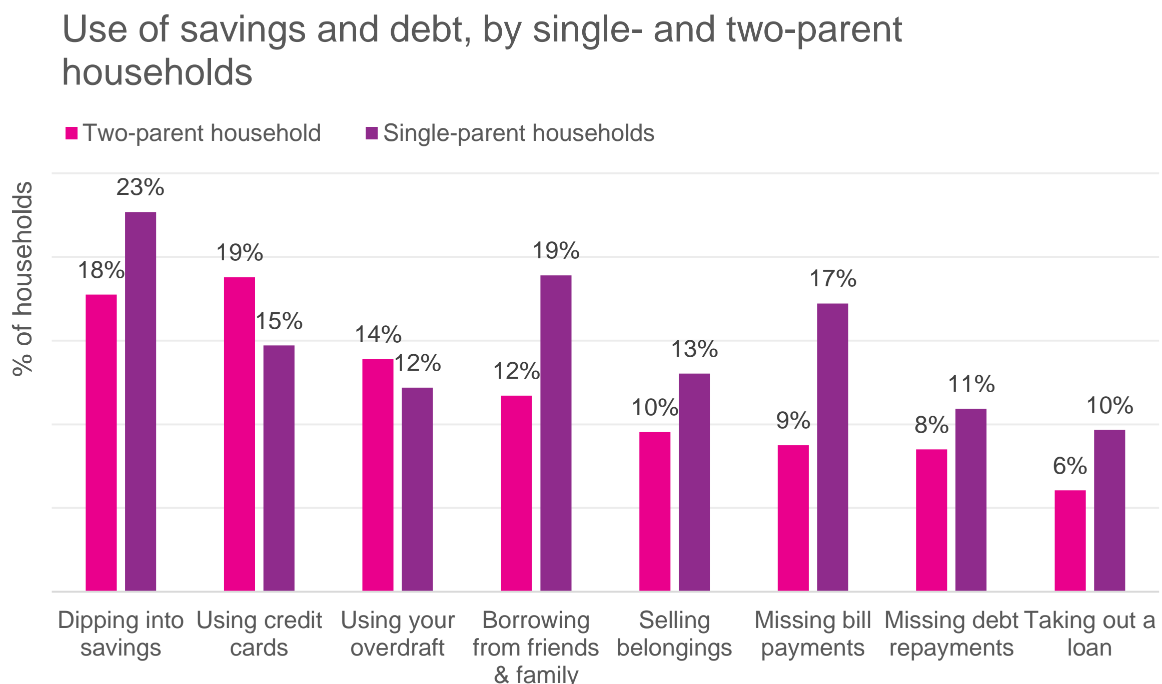
Firstly, we can see that in September, single parents were far less likely than two-parent households to have any surplus left over. While 72% of two-parent households are expecting a monthly surplus in September, only 39% of single-parent households are expecting the same.

Figure 47: How long people could make ends meet if they lost their main source of income



Similarly, single parents have less financial resilience, in how long they could cope, if they lost their main source of income. This is again unsurprising, given the fact that they will on average, earn less than the main earner in two-parent households and that their income will take a larger shock if they were to lose their job.

Figure 48: Use of savings and forms of debt between March and September 2020, for single- and two-parent households



Finally, we see the evidence of reduced financial resilience among single parents, in the financial behaviours that they have displayed since February. Single parents are significantly more likely to have needed to use coping strategies which will have reduced their financial resilience, such as using savings, borrowing from friends and missing bill payments, compared to two-parent households.

Single parents face many of the challenges two-parent households encounter but they also face additional or at least more acute challenges. Not only will their income tend to be naturally lower but they are also more likely to struggle with childcare. This is particularly significant at a time when the labour market is incredibly challenging and employment may be disrupted by school or nursery closures. It is more pressing than ever that our social security system adequately supports single parents.

Coping as a single parent

Before the pandemic, Seth was working full-time. He had no debt and about £5,000 in savings. He is a single parent to three children and was coping well with parenting. When the pandemic hit, Seth went on to Government's furlough scheme while looking after his children. When that support scheme ended, he then opted for unpaid leave, before his employer finally made him redundant. In the past six months, Seth has used up all his savings to make ends meet. He is now struggling to find another job with suitable hours, given his parenting responsibilities.

He has also been selling off his possessions to cope and has recently started receiving Universal Credit. UC is now his only source of income but only he only just makes ends meet. As a single parent looking for work in a competitive employment market, Seth is looking for any form of childcare support option that is available, to enable him to get back into a job and support his family. At present he is still searching.

OUR RECOMMENDATIONS

Maintain the £20 per week uplift to Universal Credit and apply to legacy benefits

The £20 per week uplift to Universal Credit standard allowance has offered a significant lifeline to many individuals and claimants who are struggling to weather the financial storm caused by coronavirus. The findings in this report have shown that even with this vital boost to their income many people's financial resilience is low. The removal of this support could easily push them over the cliff edge into a spiral of debt.

Modelling by the Joseph Rowntree Foundation[15] suggests that ending the uplift in April 2021 will overnight hit 16 million people with a loss of £1,040 to their already fragile finances. This will push more than 700,000 more people into poverty, including 300,000 children, and half a million people who are already in poverty will be plunged into deep poverty (more than 50% below the poverty line).

As the pandemic continues to harm businesses, the number of people who need support from Universal Credit will continue to grow. We can also anticipate that it may take some time for our economy and labour market to recover from this crisis meaning the availability of jobs will remain scarce for some time. Therefore, it is essential that we ensure Universal Credit provides people with an adequate income to safeguard them from a financial crisis while they look for work.

This important resilience-boosting support also needs to be extended to legacy benefit claimants, who are mostly people with disabilities, carers or families. Our research has shown that people from these groups have been particularly hard hit by the pandemic and tend to have lower financial resilience. By extending the £20 per week uplift to legacy benefits, we can better support 1.5 million people through this difficult time.

End the five-week wait for Universal Credit

The impact of the five-week wait for a claimant's first Universal Credit payment has already been well documented. The wait – regardless of whether a household does without income at all or takes out an Advanced Payment – has caused acute financial hardship for many claimants at the point when they first turn to Universal Credit for support. This situation has led to many families facing destitution, housing insecurity due to arrears or indebtedness.

Analysis by the Trussell Trust has shown that the rollout of Universal Credit correlated with an average increase in referrals to foodbanks of 30% 12 months after the benefit was introduced into a local authority[16]. The link between the five-week wait and rent arrears has also been well documented by housing providers[17] and the National Audit Office[18][19].

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[15] Joseph Rowntree Foundation (2020) Autumn Budget: keep doing the right thing and keep the £20 lifeline
[16] Trussell Trust (2019) 5 weeks too long: why we need to end the wait for Universal Credit
[17] Peabody (2019) The Impact of Universal Credit: Examining the risk of debt and hardship among social housing residents
[18] Work and Pensions Select Committee (2020) Universal Credit: the wait for a first payment

Our analysis has shown that the financial resilience of Universal Credit claimants is significantly lower than people who are not on benefits at all or are claiming legacy benefits such as Tax Credits. Nearly half of all Universal Credit claimants frequently run out of money compared to 37% of people claiming any income-related benefit. This difference could potentially be explained by the impact of the five-week wait. In addition, 17% of people who are not currently claiming benefits could last for less than a month if they lost their main source of income, meaning that the five-week wait for Universal Credit would automatically throw them into debt if they needed to claim.

It is also clear that Advanced Payments are currently not the solution to the five-week wait. As a loan, they lead to subsequent financial difficulties for the people that take them, often reducing an already meagre income to a level that is impossible to live on.

The pandemic has led to many new claims for Universal Credit. It has also increased the number of people who need support because the repayment of Advance Payments through Universal Credit deductions has tipped them into destitution. During the summer of 2020, the Trussell Trust found that three quarters of people on Universal Credit who needed to use their foodbanks were repaying Advanced Payments, an increase from less than half at the start of the year[20].

There are numerous approaches to tackling the five-week wait. The re-evaluation of the structure of assessment periods would probably provide the most extensive solution but can be anticipated to take a long time to implement. Fundamentally, as the pandemic continues to cause more people to claim Universal Credit, we need to see as immediate solution as possible. As a result, we endorse the Work and Pensions Select Committee's recommendation that claimants should be given an initial non-repayable starter payment when they claim Universal Credit[21]. This would offer a timely intervention at a time when people's financial resilience is at its most turbulent and give new claimants the money they need for basic living essentials like food and heating.

Increased funding and guidance for Local Welfare Assistance schemes

Local Welfare Assistance (LWA) schemes are a vital form of immediate crisis support to individuals and families that can check economic shocks before they get worse. This reactive form of support plays an essential role in responding to urgent needs beyond the support provided by longer term social security measures such as Universal Credit.

LWA schemes are also accessed by a lot of people as they try to get back on their feet, such as when they are leaving a refuge and starting a new life away from domestic abuse. It is only right that people are given their best chance and not immediately constrained by debt to pay for the household essentials they need.

Provision of local welfare in England has significantly declined in recent years. Research by the Children's Society shows that the number of people receiving crisis support has fallen by 75% since central government devolved responsibility to councils in 2013. In 2010/2011, £218m was spent on the equivalent parts of the Social Fund (equivalent to £283m in 2019/20 prices),

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[19] NAO (2020) Universal Credit: getting to first payment
[20] Trussell Trust (2020) Lockdown, Lifelines, and the Long Haul Ahead
[21] Work and Pensions Select Committee (2020) Universal Credit: the wait for a first payment

compared to less than £41 million spent on LWA schemes in 2018/2019[22]. The reasons for this decline are two-fold: central government funding for LWAs has been reduced and the funding is currently not ring-fenced, meaning many councils have allocated the funds to other services.

Our research shows that overall awareness of LWA provision is low with only 32% of people having heard of it - and the numbers of people who have received support is low. Awareness and access to this important resource for people facing crisis needs to be improved. The schemes need to be publicised as the first port of call for households in financial crisis.

We recommend that central government provides £242m additional funding for LWA in England plus an extra £20m to support local authorities in administering their schemes. This additional funding should be provided with a statutory duty placed on local authorities to run a LWA scheme with a framework and guidance on minimum standards for access, eligibility, and appeals.

Increased support for children

Families with children are amongst the hardest hit by the pandemic. Research by Child Poverty Action Group found that eight in ten low income families have seen a significant deterioration in their living standards[23]. Our analysis has also shown that families with children have a lower financial resilience. They have also faced additional challenges due to school and childcare closures which have created barriers to maintaining or finding work.

We recommend that additional financial support is provided to children through to Child Benefit or the child element of Universal Credit/Child Tax Credits. We also endorse the recommendations of the National Food Strategy[24] that free school meals provision should be extended to every child in a household that claims Universal Credit.

The Benefit Cap limits support to £20,000 a year outside London or £23,000 within London for households who are not working or not considered to be working sufficient hours. Department for Work and Pensions (DWP) figures show that the number of households affected by the Benefit Cap has increased from 79,000 in Feb 2020 to 154,000 in May 2020. 87% are families with children and three-quarters of capped households are single parent families.

This policy is trapping many families in dire financial straits at a time when it is particularly difficult to find more work. Prior to coronavirus, the cap only led to 5% of capped households being more likely to move into work, due to most capped households having substantial barriers to work because of disability, illness or caring responsibilities. Now that the labour market has changed, there is a likelihood this figure has dropped further.

The Benefit Cap is disproportionately likely to impact ethnic minorities, with 40% of people affected being people of colour. These are again groups that are already at a disadvantage within the labour market and this policy should not set them back further. We recommend that

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[22] The Children's Society (2020) Leave no family behind: Strengthening Local Welfare Assistance during Covid-19

[23] Child Poverty Action Group and the Church of England (2020) Poverty in the Pandemic: The impact of coronavirus on low-income families and children

[24] National Food Strategy (2020) Part One

it is suspended for the duration of the pandemic or at the very least raised by £1,040 to account for the £20 per week uplift.

Additionally, the two-child limit has also having a detrimental effect on many families needing to claim benefits for the first time. We recommend that this policy is suspended until the coronavirus pandemic is over.

Increased support for people with disabilities

The £20 per week uplift to Universal Credit has been an important lifeline for many people during the pandemic but the failure to extend this support to legacy benefits has meant that many disabled people have missed out. The Universal Credit increase needs to be matched with equitable rises to legacy benefits such as Employment Support Allowance (ESA) (N.B. the uplift has already been applied to Working Tax Credits).

As well as being more likely to affect families with children, the Benefit Cap has a greater impact on people with disabilities, who are more likely to need more support from benefits to help with additional costs they incur (such as for care or mobility needs). The Benefit Cap is having a detrimental effect on people with disabilities during the pandemic and undermining other measures the government has taken, such as the £20 uplift. We recommend that it is suspended for the duration of the pandemic or at the very least raised by £1,040 to account for the £20 per week uplift.

METHODOLOGY

Co-production has been a central focus on this research project. The aim has been to co-produce the research and the focus of our work, in partnership with people who have recent lived experiences of financial hardship.

Our initial starting point for this project, was to co-design the research topic with our group of External Affairs Collaborators. This is a team of seven paid collaborators, with lived experience of financial hardship, who we work with to design and disseminate our external affairs work.

As a group, we discussed potential research topics to focus on with this project, using qualitative data from our own online survey, to discuss key issues for people who use our services. The key themes that were debated included: financial resilience, the effect of Covid-19 on employment, the impact of Covid-19 on mental health and access to other forms of support. After debate, we decided as a group that the impact of Covid-19 on people's financial resilience was the most pressing issue to research, as we approached winter and the possibility of another wave of Covid-19.

After deciding on the topic, we then recruited a peer researcher, who has co-produced this research, helping to design the national survey, conduct all 16 user interviews and co-writing this report.

After the research area was decided, we then conducted a representative survey of 2,500 UK adults, aged 18 and above. This was conducted by Censuswide, between the 16th and 21st September 2020. This survey was conducted to gather data on people's level of financial resilience in September and how that has changed since February, before the first national lockdown.

Alongside this survey, we also conducted 16 semi-structured interviews with people who had experienced changes to their financial resilience since February. The interviewees were randomly selected from a list of previous users of the Turn2us Benefits Calculator between March and September 2020. Interviewees had a broad range of experiences and demographics, in terms of age, gender, employment status, disability and ethnicity. Interviews took place in October 2020.

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