WOMEN'S BUDGET GROUP

WINTER 2020/21

Policy briefings on coronavirus and inequalities

Household debt, Gender and Covid-19

Household Debt, Gender and Covid-19

A policy briefing from the UK Women's Budget Group

Key points:

- Before the coronavirus pandemic women, especially low-paid, disabled and Black, Asian and ethnic minority women, were more likely than men to be in debt: 61% of those getting into debt to purchase everyday necessities are women.
- Early warnings signs suggest that the lockdown, furlough scheme and inadequate social security system has caused widespread financial hardship, unemployment and debt:
- A third of households have reported a fall income, 6 million people have fallen behind on at least one household bill, 3.8 million have borrowed to make ends meet since the beginning of lockdown.
- Covid-debt interacts with gender inequality: 30% of women report being negatively affected financially by the pandemic compared with 26% of men.
- Mothers, lone parents, BAME women, young and disabled women are most at risk. For example, in April, a quarter of BAME mothers reported that they were struggling to feed their children and 32% of young women reported finding it hard to pay for essentials.
- The Government must take short term and long-term action to alleviate poverty and hardship by suspending restriction in the social security system, increasing hardship funding, exploring debt relief and, prioritising well-paid secure work.

Introduction

Before the Covid-19 pandemic, households were spending more and saving less while household debt increases year on year. Household debt levels were at an all-time high[1]. Now, the recession caused by the Covid-19 lockdown and consequent loss of earnings and employment is forcing many low income people into even deeper spirals of debt while those on higher incomes see a saving boost under lockdown.

This briefing unpicks the connections between the economic and social costs of debt in the context of Covid-19, particularly on those from lower-income households, the majority of whom are women.

Disproportionate impact: pre-pandemic

Household debt is unevenly distributed across income groups, and serves different purposes depending on socio-economic status and need, including gender[2]. Household debt is not always negative. It can be positive for richer people and families: households on higher and more stable incomes can often borrow more cheaply to fund consumption (e.g. holidays or luxury items) and asset

[1] Our 2019 Gender and Household debt briefing gives a full outline of why and by how much household debt is growing and, why different groups of women are especially vulnerable to debt.

[2] When it comes to gender-analysis of household debt, there is a tension between the understanding that resources are not shared equally among partners in heterosexual households especially and measuring debt within households. When it comes to gender equality, it is almost always better to look at individuals *and* households to ascertain what is happening with resources in the household.

accumulation (e.g. house). By contrast, low-income households and individuals who already face economic hardship may need to borrow for essentials (e.g. food, shelter) and yet are often also forced to pay the most in interest rates.

Women are over-represented in low-income households due to their lower incomes relative to men, as are those from a Black, Asian or minority ethnic background:

- In 2018, 1 in 6 individuals in the UK were over-indebted, approximately 8.2 million in total. Compared to the UK as a whole, the over-indebted population is younger and more likely to be female (55%), have children (58%) and live in private-rented accommodation[3].
- Women are also more likely to incur debt to pay for everyday necessities: 61% of those getting into debt to purchase everyday necessities are women.[4]
- Pre Covid-19, women were more likely to struggle with debt and bills. 39% of women and 34% of men reported it was a struggle to pay bills some or most of the time, and 29% of women and 23% of men said they would not be able to make ends meet for a month or less if they lost their main source of income. [5]
- Young people are significantly more likely to be indebted. Notably, the insolvency gender gap was particularly pronounced amongst young people; 25-34-year-old women are over a third more likely to become insolvent than their male counterparts. This is also the age bracket with the highest rate of over-indebtedness.[6]

Economic abuse and household debt

For some women, debt can also be the cause or consequence of economic abuse in a relationship. Coerced debt is defined as 'debt generated through financial transactions which the victim is told to make (or is aware of the abuser making in their name) in a context where there are negative consequences for non-compliance'.[7] It can have lasting impacts on the ability of victims to rebuild their lives by worsening not just their immediate financial position, but also their credit scores. This, in turn, can make it more difficult for those leaving abusive relationships to rent a home, make purchases on loan, or open certain types of utility accounts.

Coronavirus and household debt

The true shape and size of Covid-19 household debt will not become apparent until into 2021. However, as England enters a second national lockdown after varying periods of regional lockdown, and Scotland, Wales and Northern Ireland negotiate increased lockdown measures, early estimates suggest worrying trends:

- The number of people claiming social security is an early warning sign that people are struggling with financial hardship: figures from March – July 2020 already show a significant increase in claimants for Universal Credit[8]. There are currently about six million households on universal credit or tax credits, twice as many as before the pandemic[9].
- In October 2020, 12 million people in

[3] The Guardian (12 March 2020) More than 8m UK adults have 'problem debt' (https://bit.ly/35hsGgW)
[4] StepChange (2020) Women and debt (https://bit.ly/3phnnGb)
[5] ONS (2 April 2020) Early indicator estimates from the Wealth and Assets Survey: April 2018 to September 2019 (https://bit.ly/34fc1bK)
[6] FCA (2017) Financial Lives Survey 2017. (https://bit.ly/2xWsYdV)
[7] Surviving Economic Abuse (2017) *Responding to coerced debt: Consumer advocacy for survivors of economic abuse* (https://bit.ly/2CC5FHD)

[8] Department for Work and Pensions (2020) Universal credit statistics: 29 April 2013 to 9 July 2020 (https://bit.ly/36ql8HP)
[9] Ryan, F. (2020) Will Covid's mass unemployment force a change of attitude to our welfare system? The Guardian (https://bit.ly/3lpObSg); Department for Work and Pensions (2020) Universal credit statistics: 29 April 2013 to 9 July 2020 (https://bit.ly/36ql8HP)

the UK were struggling with bills or loan repayments. The data shows 2 million of those who are not financially resilient have become so since February 2020[10]. 31% of adults have experienced a decrease in household income since February 2020[11].

- By September 2020, **6 million UK adults have fallen behind on at least one household bill**[12]. In October 2020, they found that 40% of people they helped with debt had a negative budget, defined as the inability to meet living costs[13].
- By July 2020, around **1 in 3 people reported they were unable to save or pay for unexpected expense.**[14]
- By May, the number of households making mortgage, rental and council tax payments was, respectively, 14%, 11% and 9% below what would have been predicted based on pre-crisis trends.
- Since the beginning of the Covid-19 lockdown, **3.8 million people have borrowed to make ends meet**, most often using a credit card (1.7 million), an overdraft (1.6 million) or a high-cost credit product (980,000).[15]
- By the end of July**, a third (34%) of households reported a fall in income as a direct consequence of the pandemic** – that is a total of 9.7 million households across the UK. The same survey found that 19% (nearly 1 in 5) households borrowed money to meet essential needs (like food) in July[16].

Why is coronavirus increasing household debt?

Household debt interacts with employment, housing and social security policies especially. While the Government has been quick to act in some areas, there are a number of policy gaps which are driving the increase in household debt.

***Inability to work*/earn**

Lockdowns limit people's ability to earn a living, especially those who cannot work from home or working in sectors with the most severe restrictions. This varies across the UK.[17]. In addition, parents and those with caring responsibilities may be forced into debt as they are unable to work due to having children home from school or older/disabled dependents unable to access paid care services.

Gaps and problems with support

During the March – June 2020 lockdown, the Government intervened substantially to mitigate the worst economic effects of the pandemic by introducing the Coronavirus Job Retention Scheme (CJRS), the Self Employment Income Support Scheme (SEISS), payment holidays and making tweaks to social security and housing policy.

In the short term, these have prevented some debt increase although for those on low incomes, living on 80% of earnings could still be cause for debt and the CJRS does not account for overtime, which many rely on.

These schemes have since been belatedly extended into the November lockdown but, unemployment is still increasing substantially, especially among young people.[18] Payment holidays, extended in November 2020 until March 2021, will leave many people with accumulated debt and interest to be paid

[10] FCA (2020) FCA highlights continued support for consumers struggling with payments (https://bit.ly/35jKbNy)
[11] FCA (2020) FCA highlights continued support for consumers struggling with payments (https://bit.ly/35jKbNy)
[12] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm)
[13] Citizens Advice (2020) Life on less than zero (https://bit.ly/2IjaGKu)
[14] ONS (2020) Personal and economic well-being in Great Britain: September 2020 (https://bit.ly/3eZEB6p)
[15] StepChange (2020) Coronavirus and personal debt: a financial recovery strategy for households (https://bit.ly/2UtEgPX)
[16] Standard Life Foundation (2020) Emerging from lockdown (https://bit.ly/3pE7gmk)
[17] For example, higher numbers of workers in London are able to work from home than the rest of the UK: ONS (April 2020) Coronavirus and homeworking in the UK (https://bit.ly/2JWEBZk)
[18] WBG (2020) Response to the Winter Economic Plan (https://bit.ly/35ht92G)

once the moratoria is over.

Gaps in social security

More people are claiming social security as a result of the pandemic. This means that more people are having their incomes limited by the severe restriction in the social security system including the benefits cap, two child limit, five week wait and no recourse to public funds condition.

the rate of Statutory Sick Pay at just £95.85 a week is too low to stop people incurring debt. Over 4 in 10 workers told the TUC that they would have to go into debt or not pay bills if their income dropped down to £96 per week for two weeks.[19]

Disproportionate impact: coronavirus debt

There are several groups of women at particular risk of indebtedness and poverty:

Parents and carers

During the Spring lockdown, when schools and childcare was closed, women's responsibility for unpaid care increased, with mothers taking on the majority of home-schooling and childcare[20]. Prior to the pandemic women did 60% more unpaid care work than men[21]. With less time for paid work, this is already affecting parents' financial resilience:

- Parents were particularly affected by loss of earnings with **nearly half (47.5%) unable to pay for an unexpected expense** at the end of July. In addition, 44% of parents reported being unable to save for the year ahead at the end of July, up from 33.1% at the beginning of the month.[22]
- Meanwhile, **1 in 4 people with caring responsibilities** surveyed by Citizens Advice in September 2020 **had fallen behind on their bills**. This is particularly pronounced for people caring for someone older, with 1 in 3 (33%) having had to borrow money from a commercial lender.[23]
- Lone parents are especially at risk: mothers in coupled households earned almost twice as much per week than single mothers and nearly half (46%) of single parents worked in routine occupations more affected by the pandemic compared to coupled parents (26%). Single parents are twice as likely to have a zero hours contract as other family types which puts them at greater risk of job insecurity as a result of the crisis[24].

Insecure and low-paid workers

People on low incomes or in insecure, zero hours, part time and agency work have been particularly vulnerable to debt because they had fewer savings or assets before the pandemic. Low income, precarity and gender overlap:

- Women are **57% of those on zero-hour contracts** and **the majority (69%) of low paid workers** so more likely to be in these categories.[25]
- These women were also **less likely to be able to work from home increasing their risk of contracting the virus and claiming SSP for two weeks while they self-isolate**: only 9% of women in

[19] Ibid.

[20] FS (2020) How are mothers and fathers coping under lockdown? https://www.ifs.org.uk/publications/14860 FS (2020) How are mothers and fathers coping under lockdown? https://www.ifs.org.uk/publications/14860; ONS (2020) Parenting in lockdown (https://bit.ly/3ng9Kp4)

[21] WBG (2020) Spirals of inequality (https://bit.ly/2IvzDCg)

[22] ONS (2020) People and economic well-being in Great Britain: September 2020 (https://bit.ly/3eZEB6p)

[23] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm)

[24] Gingerbread (2020) Caring without sharing (https://bit.ly/32Fvjaq)

[25] WBG (2019) Gender, employment and earnings (https://bit.ly/2JXqGCh)

routine and semi-routine jobs were always working from home in June 2020, compared with 44% of women working in professional/managerial roles[26].

Those on lower incomes are bearing the brunt of the economic impact of the pandemic:

- 41% of people with a personal income of between £10,000 and £20,000 reported that they would be unable to pay an unexpected expense in September, up from 31% in July.[27]
- **44% of those with an income of less than £30,000 have fallen behind or borrowed to make ends meet** compared to 25% of those with an income of £50-60,000. Of those who have fallen behind on essentials, two-thirds (67%) have also borrowed to make ends meet[28].
- 84% of those working a zero-hours contract, and 71% of those with a temporary contract have been negatively affected compared to 40% of those with a fixed term contract. **30% of women report being negatively affected financially compared to 26% of men.**[29]

Black, Asian and ethnic minority women

Black, Asian and minority ethnic (BAME) women are also more likely to be in this low-income category due to intersections of structural racism, sexism and discrimination. For example, BAME[30] workers are a third more likely to be in insecure work.[31]

- **1 in 3 (31%) Black people are behind on their bills**, compared to 1 in 8 (12%) white people[32].
- **BAME women were more worried about being in more debt than white women** as a result of the coronavirus outbreak: 42.9% of BAME women said they believed they would be in more debt due to lockdown, compared to 37.1% of white women, and 34.2% of white men[33].
- A similar proportion, 42.9% of BAME women, said they would struggle to make ends meet over the Spring. **A quarter of BAME mothers reported that they were struggling to feed their children** (23.7%).
- People from a BAME background were **twice as likely as white people to expect to have difficulty paying their usual bills and expenses** in the next three months, and **more than twice as likely to have lost their jobs** or stopped paid working during the crisis[34].
- **37% of BAME people compared with 31% of the general population have seen their household income decrease** due to Covid-19[35].

Young women

Given their overrepresentation in locked down sectors,[36] as well as the impact on schools and universities, young women and

[26] Tracey Warren, University of Nottingham, and Clare Lyonette, Institute for Employment Research, University of Warwick (2020) Carrying the work burden of the COVID-19 pandemic: working class women in the UK (https://bit.ly/3phh8lG)

[27] ONS (2020) People and economic well-being in Great Britain: September 2020 (https://bit.ly/3eZEB6p)

[28] StepChange (2020) Coronavirus and personal debt: a financial recovery strategy for households (https://bit.ly/2IvGfA8)

[29] StepChange (2020) Coronavirus and personal debt: a financial recovery strategy for households (https://bit.ly/2IvGfA8)

[30] *It is very difficult to access data disaggregated by specific race and ethnicity groups and, data disaggregated by sex/gender and race/ethnicity. Here we use the term BAME whilst simultaneously acknowledging its shortcomings. WBG consistently calls for data to be disaggregated by sex/gender *and* specific race/ethnicity groups as well as other indices of disadvantage including disability.

[31] TUC (2017) BAME workers over a third more likely to be in insecure work, finds TUC (https://bit.ly/3kp952p)

[32] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm)

[33] WBG, The Fawcett Society, LSE Department of Health Policy and the Queen Mary University of London Mile End institute (2020) BAME women and Covid-19 (https://bit.ly/32RwZ0T)

[34] IPPR (2020) Black, Asian and minority ethnic groups at greater risk of problem debt since Covid-19 (https://bit.ly/3kmFLcS)

[35] FCA (2020) FCA highlights continued support for consumers struggling with payments (https://bit.ly/35jKbNy)

[36] IFS (2020) Sector shutdowns during the coronavirus crisis: which workers are most exposed? (https://bit.ly/3neCuya)

men have been one of the groups hardest hit by this economic crisis[37]. Early data estimates that young people are set to increase their debt while job and training opportunities decrease:

- 63% of those negatively affected by the pandemic – in relation to their finances – are between 18 and 49 years old. **18-24-year-olds are nearly twice as likely to have been affected** than those over the age of 65[38].
- **19% of those aged 25-34 say that they were more likely to seek debt advice** in the next 6 months compared to 2% of those aged 55-64.[39]
- **32% of the young women surveyed said they were finding it hard to afford essentials** like food. Around 1 in 10 said they have taken on debt to manage, such as borrowing from family and friends, taking on overdrafts or paying on credits cards.[40]

Disabled and shielding women

Disabled people and those required to shield have been particularly vulnerable to loss of earnings, income and Government support. Women are the majority of disabled people as well as those caring for disabled people.[41]

- **Over half (52%) of the 6 million people who have fallen behind on bills are disabled**.[42]
- Disabled people were most likely to say that they will come out of the coronavirus outbreak in more debt. **34.2% of disabled women said their household had already run out of money**, compared to 24.4% of non-disabled women.[43]

Key workers

Before the pandemic, many of the workers we now see as essential to fighting the virus were undervalued and underpaid, leaving them at higher risk of indebtedness. According to the Resolution Foundation, women are twice as likely to be key workers as men[44] while BAME women and migrant women are also over-represented.[45]

Although their value has been publicly championed, this has not yet translated into adequate remuneration and financial protection leaving many key workers at risk of debt:

- **1 in 5 key workers have fallen behind on their bills**, compared to fewer than 1 in 10 of non-key workers[46].

These categories are not distinct and, in most cases, intersect in one way or another leaving those with multiple disadvantage at serious risk of financial disrepair and indebtedness. There are other groups particularly vulnerable to Covid-debt including private renters[47].

Consequences of debt

Debts may stop people meeting their basic needs. This has ramifications for gender equality since research[48] shows that, it is often mothers who go without to feed,

[37] Again, it is very difficult to access data disaggregated by sex/gender and age.
[38] StepChange (2020) Coronavirus and personal debt: a financial recovery strategy for households (https://bit.ly/2IvGfA8)
[39] FCA (2020) FCA highlights continued support for consumers struggling with payments (https://bit.ly/35jKbNy)
[40] Young Women's Trust (2020) Ignored, undervalued and underpaid (https://bit.ly/3piwOFh)
[41] WBG (2020) Disabled women and austerity (https://bit.ly/3ln3yL5)
[42] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm)
[43] WBG, The Fawcett Society, LSE Department of Health Policy and the Queen Mary University of London Mile End institute (2020) Disabled women and Covid-19 – research evidence (https://bit.ly/3lmgVLB)
[44] The Resolution Foundation (2020) Risky business (https://bit.ly/3n5UYRA)
Additionally, 39% of working mothers are key workers compared with just 27% of the working population as a whole
[45] For example, BAME women and migrant women are also overrepresented in this work. For example, 1 in 4 care-workers is born outside the UK. 21% of the social care staff and 21% of NHS staff workforce identify as BAME compared with 14% of the UK population. Sources: Skills for care (2019) State of the adult social care sector (https://bit.ly/38vuGE6); Gov.uk (2020) NHS workforce (https://bit.ly/3kgTOAZ)
[46] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm)
[47] FCA (2020) FCA highlights continued support for consumers struggling with payments (https://bit.ly/35jKbNy)
[48] Young Women's Trust (2016) What matters to young mums? (https://bit.ly/2GVCVy8)

clothe, and warm their families. Financial hardship may limit parent's ability to pay for childcare and social care, keeping women especially away from the paid workplace and, limiting their ability to leave abusive contexts[49].

Household debt also has more far reaching implications including on mental health and wellbeing: research in England, Scotland and Wales has shown a correlation between mental health disorders and level of personal debt. For both women and men, lower socioeconomic groups have a higher incidence of poor mental health At every level of income distribution, women have a higher percentage of mental health disorders than men[50].

Recommendations:

Social security

In the short term, the Government should act to prevent further debt and hardship resulting from the coronavirus pandemic, by:

- **Lifting restrictions on benefits that are untenable during the outbreak:** including the two-child limit, under-occupancy penalty and benefit cap.
- **Making the £20 uplift permanent and proportional to household size.**
- **Get Universal Credit to claimants sooner by making advances non-repayable grants**.
- **Increase Employment and Support Allowance, JobSeekers Allowance** and other benefit payments in line with the rise in Universal Credit and Working Tax Credit.
- **Increase Child Benefit, to £50 per child**.
- **Lift the 'No Recourse to Public Funds' condition**.

More details about WBG's recommendations for longer term social security reform can be found in our Social Security and Gender briefing.

Debt relief

- The eviction and bailiff visit ban ought to be extended for the duration of the pandemic to limit the risk of eviction and homelessness.
- The Financial Conduct Authority (FCA) should extend payment holidays for the duration of the pandemic to help people manage household bills.

Hardship funds:

- The Government should increase the budgets of local authorities to make Local Hardship Funds more widely available.
- StepChange also recommends the introduction of a national hardship fund[51] to provide grants to households negatively affected by coronavirus to repay arrears and debt incurred to pay for essentials. WBG recommends these are delivered on the individual level to maximise economic independence.

Longer term recommendations

Overall, it is inefficient and counter-productive for the Government to encourage consumer spending yet do very little to ease financial hardship and indebtedness. Much Covid-debt will take years if not decades to pay off, limiting consumers and creditors ability to contribute to the economic recovery from Covid-19.

[49] WBG (2020) Benefits or barriers: making social security work for survivors of violence and abuse across the UKs four nations (https://bit.ly/36nP0oh)

[50] BMA (2018) Health inequalities and women- addressing unmet needs (https://bit.ly/3lKePG6)

[51] StepChange (2020) Coronavirus and personal debt: a financial recovery strategy for households (https://bit.ly/2IvGfA8) Pg. 4

In the longer term the Government should:

- Consider options for **Covid-related debt write off**. More detailed suggestions on debt relief, including different reliefs for different debts are available from Citizens Advice[52].
- **Prioritise, well-paid and secure work** and increases to the real living wage and living hours guarantees are another key component of reducing household debt and gender inequality.
- **Collect debt data** at the level of the individual and the level of the household and, that all individual data is disaggregated by sex/gender, race/ethnicity and disability.
- **Meaningfully and comprehensively equality impact assess** all debt policy and policies related to debt.

Written by: Jenna Norman, Public Affairs Officer, UK Women's Budget Group

Edited by:

UK Women's Budget Group, November 2020

Contact: jenna.norman@wbg.org.uk

[52] Citizens Advice (2020) Excess debt – who has fallen behind on their household bills due to coronavirus? (https://bit.ly/2IpLZMm) page 16.