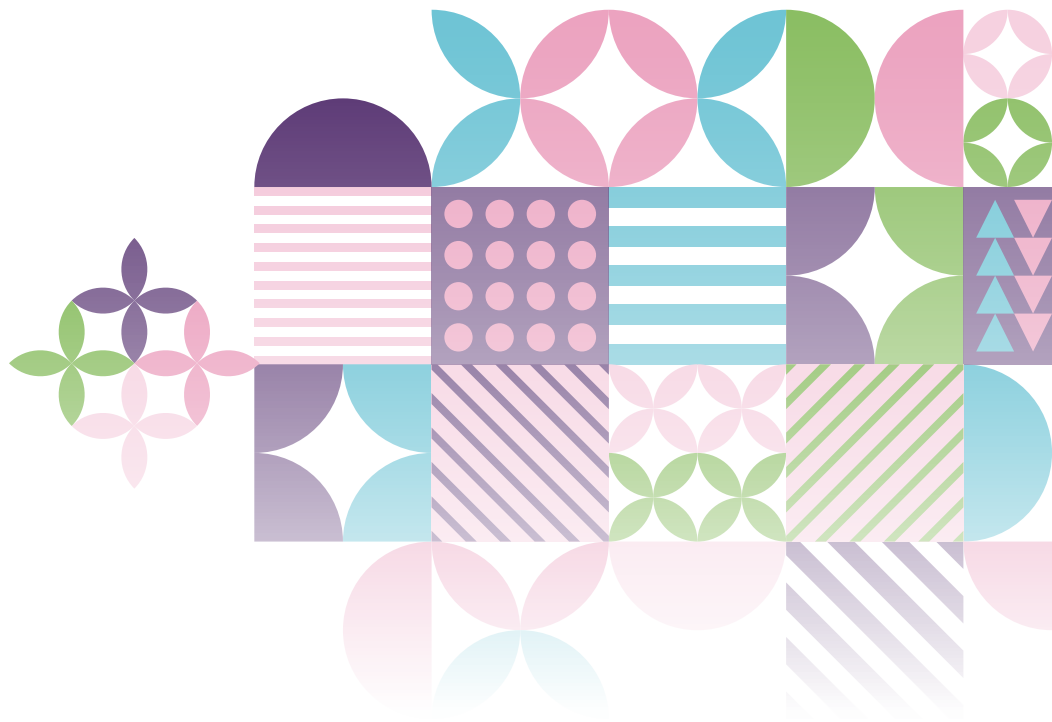




UK POVERTY

2020/21

The leading independent report



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Executive summary

This report is being published in the midst of the coronavirus storm – a turbulent time when all of us have felt insecurity and instability. But our analysis shows too many of us entered the pandemic already at risk of being cast adrift into poverty, while often lacking secure housing, a reliable income or adequate support. It also shows that those of us already struggling to keep our heads above water have often been hit the hardest. Our response to the pandemic should be measured by how just and compassionate it is to people in poverty, whether they were already experiencing hardship or have been swept into it.

The research

This is the 2020/21 edition of JRF's annual report on the nature and scale of poverty across the UK and how it affects people. It highlights early indications of how poverty has changed in our society since the start of the coronavirus outbreak, as well as the situation revealed by the latest poverty data, collected before the coronavirus outbreak. It examines overall changes to poverty, with sections looking at the impact of work, the social security system and housing. It also benefits from powerful insights from members of our Grassroots Poverty Action Group, who have direct experience of living on a low income.

Key findings

Before coronavirus, an unacceptable 14.5 million people in the UK were caught up in poverty, equating to more than one in five people. Child poverty and in-work poverty had been on the rise for several years and some groups were disproportionately likely to be pulled into poverty. Many of those groups already struggling most to stay afloat have also borne the brunt of the economic and health impacts of COVID-19. These include:

- part-time workers, low-paid workers and sectors where there are much higher rates of in-work poverty, such as accommodation and food services
- Black, Asian and minority ethnic households
- lone parents – mostly women, many of whom work in hard-hit sectors – who are more reliant on local jobs, and are more likely to have struggled with childcare during lockdown
- private renters, who have higher housing costs, and social renters, who tend to have lower incomes, both leading to higher poverty rates. Renters in work are also more likely to be in a sector more affected by coronavirus
- areas of the UK where there were already higher levels of unemployment, poverty and deprivation.

We cannot be sure what happened to overall poverty levels in the first phase of the coronavirus outbreak, when the furlough scheme and temporary benefit uplift were both in place. However, it is clear that poverty will increase if this government support is removed from April 2021, as we face much higher unemployment than pre-coronavirus, as well as the continuing uncertain impact of the end of the Brexit transition period.

Solutions

During the coronavirus outbreak, the Government has quickly – and rightly – implemented some radical policies to protect people from the huge economic forces unleashed by the coronavirus storm. The Government must continue to be bold and compassionate as it decides how to redesign policies on work, social security and housing so that they work better for everyone after coronavirus.

These policy solutions would help:

- 1. We need as many people as possible to be in good jobs.** Despite government support to protect jobs during the pandemic, unemployment is still expected to rise in the coming months. Government has implemented a series of employability programmes, such as Kickstart, Job Entry Targeted Support and Restart, but there has so far been less investment in skills and retraining to help adults find work in new jobs and sectors. We need to see further bold action to retrain workers and create good quality new jobs.
- 2. We need to improve earnings for low-income working families and ensure more people are in secure, good quality work.** Government must support people in the lowest-paid jobs, or people working part-time, to move into higher pay and access sufficient and secure working hours. Progress on the National Living Wage is positive. Government must now bring forward the Employment Bill to reduce insecurity for low-paid workers by extending employment rights and investing in strong and effective enforcement.
- 3. We need to strengthen the benefits system** so that it provides an anchor that we can all depend on in tough times. At a minimum, we need the temporary £20 per week increase to Universal Credit and Working Tax Credit to be made permanent, extending this same lifeline to people on legacy benefits such as Jobseeker's Allowance and Employment and Support Allowance. The Government will then need to consider further improvements to the current system, to ensure it gives adequate support and provides a better service for people using it. We also need to shift public thinking so that a poverty-reducing social security system is seen as an essential public service and receives sustainable investment.

4. We need to increase the amount of low-cost housing available for families on low incomes and increase support for households who have high housing costs. Now is the time to invest in social housing as part of a stimulus package, and to reverse the long-term trend of falling availability of social housing. This has meant more and more people are stuck in the expensive private rented sector. We also need – at a minimum – to keep housing affordable for people whose income is already low or has fallen, by maintaining the link between benefits for housing and local rents.

“We need to hold the Government to account. You never engage with the benefits system when you are in a good place – I’m here because things have gone pear-shaped, I’m here because I need help’ – it [the system of claiming social security] needs to be more compassionate.”

Background

Stalling progress on solving poverty pre-coronavirus

In our strategy *We can solve poverty in the UK* (JRF, 2016), we used three measures to judge progress towards ending poverty by 2030:

- a poverty rate of less than 10% – it’s currently stuck at 22%, with little change in recent years
- no one should experience destitution – new data for 2019 shows a worsening picture: 2.4 million people, including more than half a million children, were destitute at some point in the year, which is an increase of around half compared with 2017
- no one should be in poverty for more than two years – this has been stuck at either 8% or 9% of individuals in poverty for more than two years.

There has been little change in overall poverty levels for more than 15 years.

In 2018/19, 14.5 million people were in poverty in the UK (more than one in five of the population), made up of:

- 8.4 million working-age adults
- 4.2 million children
- 1.9 million pensioners.

Most worryingly, even before coronavirus, incomes were falling – and falling fastest – for people with the lowest incomes. Average income After Housing Costs (AHC) was slightly lower in 2018/19 than in 2016/17 after taking account of inflation. There was a bigger fall in incomes for people in the fifth of the population with the lowest AHC income. This reduction is being predominantly driven by reductions in people’s income from benefits, due to the freeze in benefits rates between 2016 and 2020.

The impact of coronavirus

The effect of the outbreak on poverty is uncertain, but this will depend critically on how the outbreak affects five economic factors – employment, earnings, benefits, housing costs and inflation, as well as UK and devolved governments' responses in each of these areas.

It is clear that the coronavirus storm has battered the labour market, with increasing unemployment and falling earnings. The Government has rightly responded with an unprecedented range of labour market support and benefits changes. Our assessment is that in the early stages of the coronavirus outbreak, relative poverty may have fallen, due to two complementary forces. The relative poverty line would have fallen, as average incomes fell due to the labour market effects. At the same time, the income provided for some by the benefits system will have risen. People benefitting from temporary increases in benefits will be counterbalanced by people being pulled into poverty by losing their income from employment.

Any reduction in relative poverty is likely to be reversed over the next few months and years, and while the temporary support measures are very welcome, families on low incomes have still been hit very hard. JRF polling in May 2020 showed that most families with children in receipt of Universal Credit or Child Tax Credits had to go without essentials, were building up debt and falling behind with their bills or rent.

The period since July 2020 has been marked by a gradual reduction of government support through the labour market and benefit system, with much of the support planned to be withdrawn by April 2021. This means relative poverty is likely to be higher than before the coronavirus outbreak, with families who are already struggling to stay afloat becoming even worse off financially. These increases in poverty will be mainly among working-age families as they will be affected by the negative labour market changes. The Government needs to do the right thing and keep supporting people on low incomes. If it takes the lifeline away, people will be cut adrift and pulled deeper into poverty.

Living through the coronavirus outbreak on a low income

Poverty levels and severity are largely driven by changes to the labour market, the social security system or different types of housing tenures. This report therefore examines the pre-coronavirus situation and how it has been affected by the pandemic in each of these areas. But people's lives are not so easily compartmentalised: someone losing their job may then claim Universal Credit from the social security system, struggle with a five-week wait for payments and rely on Universal Credit to pay something towards their rent. The picture painted by our Grassroots Poverty Action Group brought this home – their experiences of furlough, reductions in working hours and the interaction with Universal Credit had caused even greater uncertainty around finances, making financial planning very difficult.

“Universal Credit is not enough and the five-week wait causes poverty. To survive the five-week wait people borrow money – this can take up to 15 months to repay. Furlough has made it worse as uncertainty in income increased.”

In-work poverty was rising pre-coronavirus

In-work poverty (defined here as the proportion of workers who are in poverty) has risen in recent years and stood at almost 13% in 2018/19. There are some groups who are more likely to experience in-work poverty and have a harder time escaping poverty. The sector, number of hours and hourly pay, location, someone's gender, ethnicity and age, and barriers such as availability of childcare and transport all determine whether someone is in poverty, and whether they are able to escape it through work.

Coronavirus has put even greater pressure on workers in groups already at higher risk of poverty

Low-pay sectors

There were already high rates of in-work poverty in certain sectors long before the pandemic. Accommodation and food services has one of the lowest hourly pay rates of all sectors, and people work fewer hours on average. Workers in that sector are more likely to be women, from Black, Asian and minority ethnic groups, and younger workers. This is also a sector where the coronavirus has hit very hard, including among hotels, and restaurant and bar staff. Some people who were already at the financial brink and in in-work poverty have been put under even greater pressure by this loss of income, especially when compounded by the other factors that can pull people into poverty.

Minority ethnic groups

In-work poverty is also higher for people from some minority ethnic backgrounds. In-work poverty is higher for Black, Asian and minority ethnic workers than White workers, and is highest for Pakistani and Bangladeshi workers, at about 34%. This is partly due to the type of sector they work in and the fact they are more likely to work part-time. There is also a higher prevalence of self-employment in these communities. According to the Runnymede Trust, a third of Bangladeshi men work in catering, restaurants and related businesses, while one in seven Pakistani men work in taxi, chauffeuring and related businesses. These employment patterns make these groups more at risk of losing earnings or employment during the coronavirus outbreak. Because their businesses are more heavily impacted by public health restrictions, they are less likely to be able to work from home and they have less job security.

Lone parents

Lone parents continue to have the highest in-work poverty level of all family types. Single parents are disproportionately affected by barriers that prevent them escaping in-work poverty. They are more likely to be women, working in a low-wage sector, working fewer hours, and restricted by childcare and transport. Again, coronavirus is likely to have a big impact on people in this group because of the sectors they work in, and their ability to work depends on childcare, which may have been unavailable during the national coronavirus lockdown.

People who lose their jobs may find it very difficult to find another

People who lose their jobs may find it difficult to find another. The Institute for Employment Studies analysed vacancy data on the classified advertisements website Adzuna. Their analysis showed that at the height of the lockdown, the number of vacancies was down almost 70% from the same week the previous year. The job market remains very depressed compared with the same period last year, especially in areas that started out with weaker local economies, with much of London and Northern Ireland having more than 20 claimants per vacancy.

“I haven’t got a computer, I haven’t got a laptop, I can’t job search. Since I am in security work, it’s part-time at public stadiums when there’s work on. There has not been any work for ages. So right now, with the second lockdown incoming, I am going to have more months with no work which is obviously very, very stressful.”

Rates of benefit were falling pre-coronavirus

Three years of increases that were limited to 1% (which was below inflation as measured by the Consumer Price Index), followed by a four-year benefit freeze, have eroded the value of many working-age benefits. Until April 2020, these benefits had last been increased in line with prices in April 2012. They didn't increase at all between April 2015 and March 2020.

Over half of those who live within families who receive Universal Credit, Housing Benefit or any of Employment Support Allowance, Jobseeker's Allowance or Income Support were in poverty even before coronavirus, as were almost half of people who received tax credits. The social security system isn't protecting people sufficiently, leaving many families at greater risk of being pulled deeper into poverty. People who receive income-related benefits tend to have higher levels of debt, lower levels of savings and are more likely to rely on borrowing more money to cover any unexpected bills or a financial shortfall.

Some benefits rates have risen during the outbreak, and a lot more people are claiming benefits

The Government made a range of benefit changes in response to the coronavirus outbreak. The biggest changes were a temporary rise of £20 a week for 2020/21 in the standard allowance (the basic rate) of Universal Credit and basic element of Working Tax Credit, and the Local Housing Allowance being reset to the 30th percentile of local rents.

This was hugely welcome. However, people still receiving the benefits that Universal Credit replaced, such as Jobseeker's Allowance or Employment and Support Allowance, have been left behind, despite being primarily disabled people and carers who are particularly exposed to the effects of the pandemic. While many people receive a higher income from Universal Credit than previous benefits, there are also large numbers who face large income drops, outweighing the gain from the temporary £20 increase.

Some families who receive temporarily-increased benefits have only seen part of their benefit increased. For instance, the child elements of these benefits have not been temporarily increased. Rules capping the maximum amount of benefits paid, such as the benefit cap and 'two-child limit', add to the pressures that people on low incomes are facing and mean that some miss out on the additional support the Government had promised.

By August 2020, almost 4.6 million households were receiving Universal Credit, a startling increase of nearly 90% from the start of the year. Most of these newly claiming households will have seen their incomes fall as they moved onto Universal Credit. The rate of couples, both with and without dependent children, receiving Universal Credit has more than doubled, with huge increases of 108% and 204% respectively. Families with children continue to account for four in ten households on Universal Credit. Many of the large increases are in areas that have had high furlough rates, indicating a high risk that the increases in Universal Credit claims could grow even larger as job retention schemes become less generous.

“I can summarise experiences of social security in three words: FEAR, FIGHT (it feels like everything is a fight) and FREELoader (we are made to feel like this).”

Pre-coronavirus, an increasing number of households were privately renting, and struggling to keep up with the cost

The proportion of households in the UK’s private rented sector has increased dramatically in the past 20 years, from 10% in 1998/99 to 19% in 2018/19, and more than a third of these households were in poverty. Fewer households are renting social housing as this option is often unavailable, and fewer people are buying with a mortgage, because they can’t afford to.

Lack of social housebuilding over the past decade has meant that fewer of those who need it can access an affordable secure home in the social rented sector. Between 2010/11 and 2018/19, the number of homes built for social rent in England as a proportion of new homes fell from 33% to 3%, with just 7% of the number of social rents needed in a year built. In combination with house price increases, this means many households that may have been in a more secure tenure 20 years ago are now stuck in insecure, expensive homes in the private rented sector.

The combination of high housing costs in the private rented sector and falling support from Housing Benefit has created a strong current pulling low-income families into poverty. Many households are under pressure every month to somehow pay rents far higher than they can afford, because the level of Housing Benefit they receive falls well short. This leads to daily hardship and having to cut back on other essentials and has contributed to the rise in homelessness.

Renters are among the worst hit by the impact of coronavirus

Before coronavirus, around 35% of private renters and 42% of social renters worked in the hardest-hit sectors (manufacturing, retail, accommodation and food, and arts, entertainment and recreation). Between April and June, around 32% of private-renting employees and 34% of social-renting employees were furloughed by their employers.

The Government has put additional support in place, including increasing Local Housing Allowance (LHA) to the 30th percentile of rents in a given area, and differing eviction freezes across each country of the UK. Ultimately, though welcome, these measures do not address the causes of unaffordable housing or the conditions that lead to renters falling into arrears because they are struggling to meet their housing costs.

“Because of supply and demand house prices are going up and up and just becoming unmanageable, so everyone’s worried about not paying the rent because that means being tossed out onto the street. It’s hard to actually come by accommodation, even though the laws have changed allowing people on benefits to rent it’s been slow coming through, and we’re reliant on local authorities for where they’re going to place you, and in some situations the problem of being housed where your support network is often isn’t considered.”

What do we want a post-coronavirus future to look like?

Even before coronavirus, millions of people in our society were living precarious and insecure lives. In many instances, coronavirus will have swept them deeper into poverty, as well as pulling others into hardship, many of whom will have not experienced this situation before.

The Government has put many temporary policies in place to help people who are worst affected to weather the storm. It is right that the immediate emphasis was on dealing with people’s circumstances now. But this is not sufficient for the longer term. We need to build up the public will for action on poverty and design policies that are built around our society’s values of compassion and justice. We know that after the coronavirus outbreak, many aspects of our lives will be different, but if we are to ‘build back better’ for everyone, we need a comprehensive package of policies spanning the labour market, social security and the housing market to support people to get out of poverty once and for all.

Introduction

This year's *UK poverty* report is published at the end of the most turbulent year in the lives of most of us. Around the world, coronavirus has unleashed colossal forces, buffeting everyone's daily life, meaning activities and habits we had taken for granted were suddenly simply not possible. We will all have personal stories of what impact this year has had on us, whether it has had a direct or indirect effect on our health, whether it has cost us our livelihood or radically changed our way of working, or what sacrifices we made to protect the health and wellbeing of others.

But while we have all been in the same storm, we haven't all been in the same boat. You will see by reading this report that some of the groups most caught up financially in this tempest are those of us whose daily lives were already a struggle – people who before coronavirus were in low-paid, insecure work, who were struggling to live on benefit levels that had fallen further and further behind the cost of living over the last seven years, or who were seeing more and more of their income eaten up by expensive private rents. You will also see how the UK and devolved governments have rightly responded by taking a series of unprecedented steps to support jobs, incomes or housing security, but also that many of us still need a lifeline to keep us afloat.

Within the broad groups most affected, we see larger impacts on some people at most risk of poverty before coronavirus, including many Black, Asian and minority ethnic (BAME) households, areas scoring highly on the Index of Multiple Deprivation, or families with children (many of whom will have seen costs rise during the lockdown). Many households who were just getting by before coronavirus will have found their lives capsized by the storm brought on by coronavirus.

It is much too soon to say what the long-term effects of the coronavirus will be on living standards. Indeed, it will take years to get definitive data on what precisely has happened to incomes and poverty levels just in 2020. The latest poverty data, which would normally form the bedrock of this report, covers April 2018 to March 2019, a very different world from now, when Gross Domestic Product (GDP), employment and earnings were all increasing, when interest rates were starting to rise, and many benefits were still frozen.

This 2018/19 poverty data is helpful in setting out the pre-coronavirus baseline and telling us which groups in our society were already struggling to keep their heads above water. Our approach to each section in this report is to start by giving a basic update of what the 2018/19 data tells us. But this is certainly not sufficient to tell us about poverty now. To bring the analysis up to date, we will be using lots of different datasets. These will vary by quality or what they cover, but we will be clear on what we feel are the emerging trends and their impacts on poverty. There is always some uncertainty as to how these trends will play out in eventual poverty statistics but the logic in terms of the impacts on poverty should still be valid.

We at JRF believe that the UK and devolved governments' decisions and actions on poverty should be one of the key ways in which their success in tackling coronavirus is judged. It would certainly not be right if the harshest forces hit those of us who are least able to weather the storm. It also would not be just to low-paid key workers who played such a pivotal role during the lockdown if their jobs remain undervalued. We also need actions from others including businesses, employers, service providers and the wider community. It is simply not possible for individuals to insure themselves against a global pandemic.

The negative effects of poverty haven't gone away, and many may be made worse by the after-effects of coronavirus. As described below, we expect a lot more people to have lower incomes, to be more reliant on our public services – particularly social security – and to struggle to meet essential costs including housing. The longer someone is buffeted by this storm, the worse the negative effects on them, in terms of the effects on mental health, the increased difficulty of getting a job or the increased risk of falling deeper into poverty. This is despite often-inspiring stories of how people have sought to make ends meet.

Overview of poverty trends before and during coronavirus

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The situation before coronavirus

This section starts by looking at the economic context to poverty levels before the coronavirus outbreak, moving on to describe the main poverty measures, before summarising how poverty levels compare across groups and over time. It is clear that before the coronavirus storm hit, there had been very little change in overall poverty levels over at least the last 15 years. Action was already overdue to help those who had been swept into poverty even before the coronavirus outbreak.

Poverty levels depend critically on five key economic factors: employment, net earnings, benefits, housing costs and inflation¹, driven in part by the UK and devolved governments' actions in each of these areas, and the general economic health of the nation, including how well businesses are performing.

Looking at key economic indicators in 2018/19:

- GDP (i.e. the size of the economy) grew by 1.6%. This was the equal lowest rate (with 2017/18) since 2012/13
- the inflation rate (measured using the Consumer Price Index) was 2.3%, which was lower than 2017/18 but higher than 2014/15 –2016/17
- male employment (80.3%) was at its highest rate since 1990/91 and female employment (71.4%) was at its highest level since records began in 1972
- total pay had been growing at a slow rate since 2014/15 but after accounting for inflation still had to get to its previous peak of 2007/08.

At a broad economic level, the period covered by the latest poverty data was one of modest economic growth, high inflation relative to the recent past (although not in historic terms), very high employment and growing earnings.

Thinking about the situation for lower-income households, the start of the survey year in April 2018 marked the sixth April in a row where many benefits had failed to rise by at least the cost of living, so had fallen in their real value, and the third year of the four-year benefit freeze for most working-age benefits. Rates of low hourly pay for employees had fallen dramatically since 2014 because of increases in the National Living Wage (NLW), although reductions in low weekly pay were much more modest, because lower-paid employees were working fewer hours despite very often wanting to work more. At the same time there has been increasing work insecurity, with, for instance, a growing number of workers on zero-hours contracts.

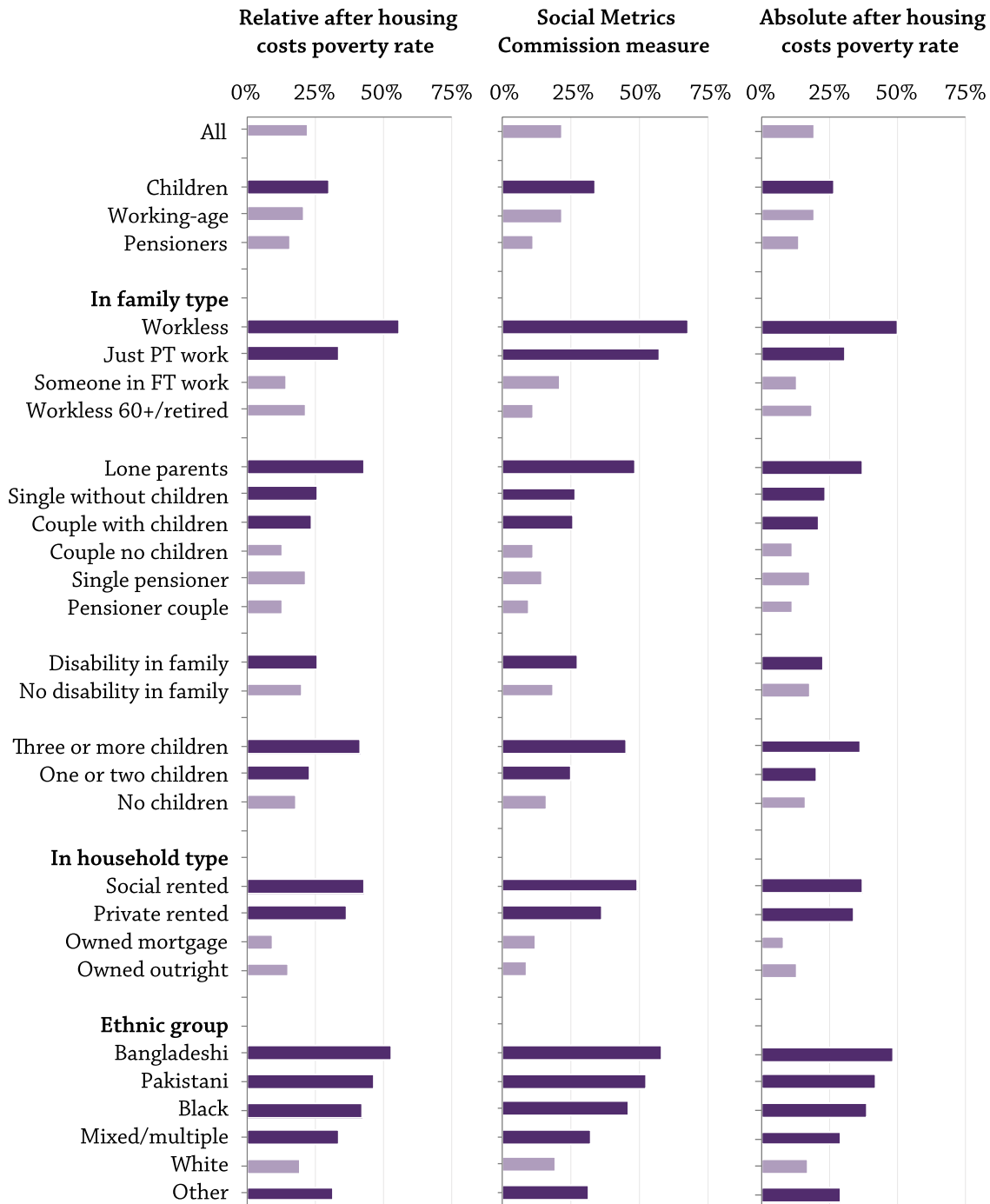
How did these effects translate to changes in average income or incomes of poorer households? The answer is an extremely disappointing picture indeed. Average (median) income After Housing Costs (AHC) was slightly lower in 2018/19 than in 2016/17 after taking account of inflation. There was a bigger fall in incomes for the fifth of the population with the lowest AHC income, with this reduction being predominantly driven by reductions in income from benefits, due to the freeze in benefits rates. **This means despite the relatively benign economic picture, pre-coronavirus incomes were falling and falling fastest for those with the lowest incomes.**

Being in poverty is when your resources are well below what is enough to meet your minimum needs, including taking part in society. There are a range of ways of measuring this. Headline measures include:

- Relative poverty AHC, i.e. where someone's household income is below 60% of the middle household's income, adjusted for family size and composition. This looks at whether the incomes of poorer households are catching up with average incomes.
- The Social Metrics Commission's core measure of poverty, which is low material resources compared with inescapable costs including housing costs. This looks beyond income at all material resources, assesses extra costs, including those due to disability and childcare, and includes people sleeping rough. It also uses a smoothed poverty line to avoid potentially misleading year-on-year changes.
- Absolute poverty AHC, i.e. where someone's household income is below a fixed line based on an inflation-adjusted 2010/11 poverty line (set at 60% of median AHC income in 2010/11). This looks at whether the incomes of poorer households are increasing faster than inflation.

The chart below shows that measures agree on some of the key groups who have higher rates of poverty, including children, people in families not containing full-time workers, people in lone parent families, people in families containing a disabled person, people in families with three or more children, people in rented accommodation, and people in households headed by someone of non-White ethnicity (particularly those of Pakistani, Bangladeshi or Black ethnicity). Data also shows that households with no savings or no formal qualifications also have higher rates of poverty.

Poverty rates vary a lot by characteristics, with many of the same groups having higher risks over time



Note: The dark purple bars represent those groups who have higher risks. 2018/19 figures, except ethnic group which covers 2016/17 to 2018/19.

Source: Family Resources Survey

All measures agree that the proportion of people in poverty in 2018/19 was broadly flat compared with 2017/18, with a small increase in numbers of people in poverty partly driven by population increases.

In our strategy *We can solve poverty in the UK* (JRF, 2016), we used three measures to indicate progress towards solving poverty by 2030:

- a relative poverty rate AHC of less than 10% – it's currently stuck at 22%, with little change in recent years
- no one should experience destitution – new data for 2019 shows a worsening picture: 2.4 million people, including more than half a million children were destitute at some point in the year, which is an increase of around half compared with 2017
- no one should be in poverty for more than two years – this has been stuck at either 8% or 9% of individuals in poverty for more than two years.²

In the remainder of this report, when we use the term poverty, we will be using the relative poverty rate AHC to measure poverty unless otherwise stated.

Looking at poverty rates by country in each of the four nations there is a different pattern. Using a three-year average to overcome survey volatility, we see in:

- England: higher levels of poverty (currently 22.3%) worsening (it was 21.3% in 2011/12 to 2013/14). Within England, London has the highest poverty rate but it is broadly stable over time. All other regions show a flat or worsening position except the East Midlands.
- Wales: higher levels of poverty (currently 22.8%) with no change (it was 22.7% in 2011/12 to 2013/14).
- Scotland: lower levels of poverty (currently 19.2%) worsening (it was 17.8% in 2011/12 to 2013/14).
- Northern Ireland: lower levels of poverty (currently 19.0%) improving (it was 20.8% in 2011/12 to 2013/14).

Whichever measurement is used, changes at the UK level have been very muted for more than 15 years. For instance, in 2004/05, all three measures showed that between 21% and 22% of the population were in poverty. In 2018/19, the relative poverty AHC measure and the Social Metrics Commission's core measure showed that 22% of the population were in poverty, while absolute poverty AHC had only fallen to 20%, which is a very small reduction in historic terms over such a long period. Worryingly, we also see between 2016/17 and 2018/19 incomes falling for people already in poverty and more people in deep poverty according to the Social Metrics Commission's measure. Trends since 2012/13 seem broadly worsening for children and pensioners.

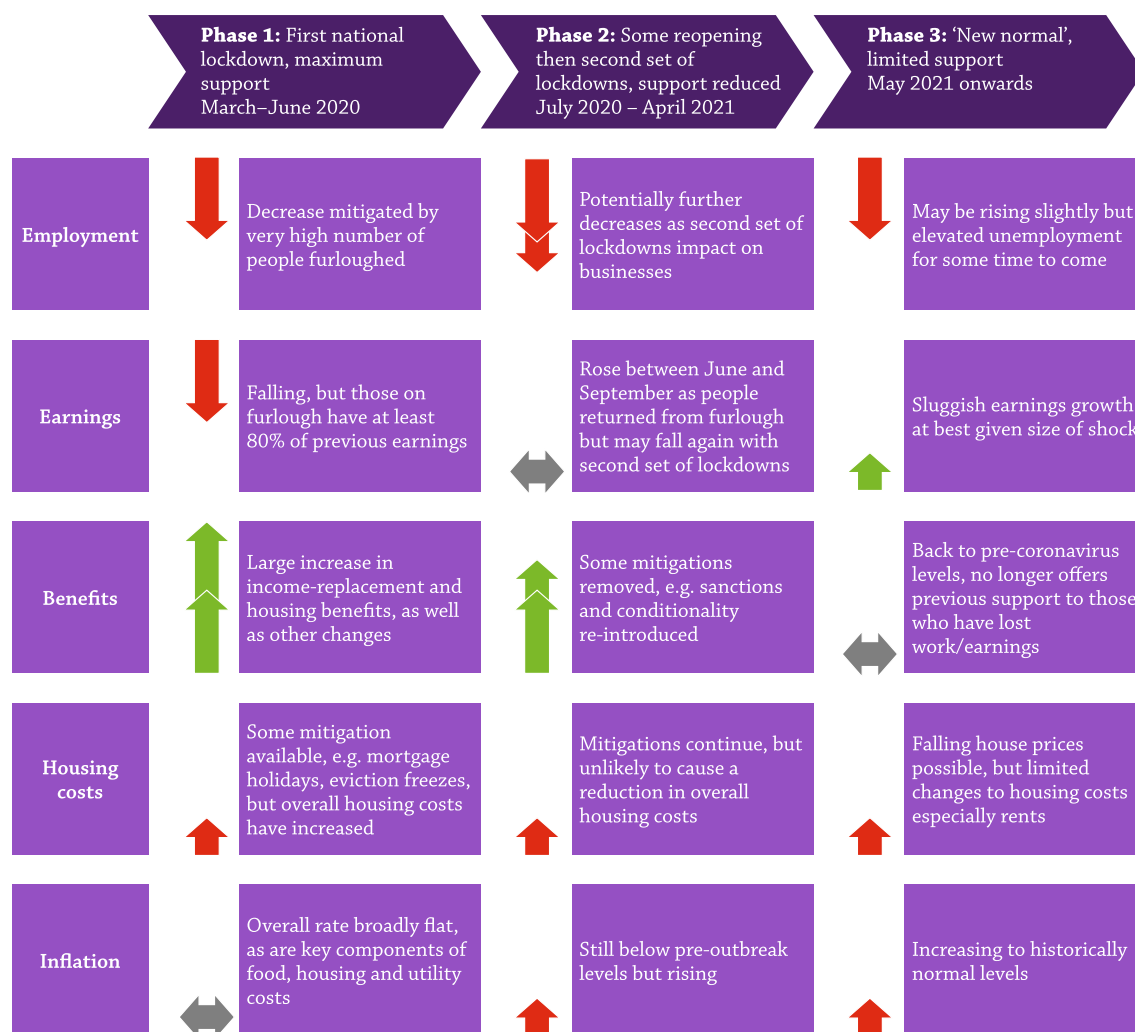
This lack of progress isn't inevitable: relative poverty fell by 5 percentage points between 1996/97 and 2004/05, reducing the proportion of the population in relative poverty by around a fifth. This was a period where the drivers of employment, earnings, benefits and other income, and housing costs were all pushing to reduce poverty, showing that progress is possible. For a sustained fall in poverty across these measures, they will need to do the same again.

The situation during the coronavirus outbreak

The coronavirus outbreak has had a profound impact on our society. Pre-coronavirus, the British Social Attitudes Survey suggested people thought poverty was increasing and more unacceptable than in the past. About two-thirds of the public thought there was 'quite a lot' of poverty in Britain and a similar proportion believed that poverty had increased over the past decade, with three in five anticipating a further increase over the next decade.

In a YouGov poll for the Social Metrics Commission published in August 2020, four in ten people thought the impact of the coronavirus would unify society, with around a quarter of people thinking it would divide society, a further quarter thinking it would do neither and the remaining 1 in 10 saying they didn't know. It remains to be seen how lasting these attitudinal changes will be.

The effect of the outbreak on poverty is also uncertain, but this will again depend critically on how the outbreak affects the five economic factors – employment, earnings, benefits, housing costs and inflation – set out above, as well as UK and devolved governments' actions in each of these areas. As it currently stands, we can think of the impacts of the coronavirus in three phases, with the impact on each of these factors illustrated below:



Key:
 Arrows show the direction and scale of changes for the left hand category compared with its level pre-coronavirus, with the colour of the arrow indicating whether this is positive or negative for overall income. Taking employment, we have seen falling employment in phase 1 and this reduces incomes, so we see a red downwards arrow. We expect this to worsen in phase 2, so the arrow is longer. We expect a gradual increase in employment in phase 3 but still to be higher than pre-coronavirus so this is a slightly shorter arrow than phase 2. See below for an explanation of how we have decided the direction and length of the arrow.

This clearly shows that the coronavirus storm has battered the labour market, with increasing unemployment and reducing earnings. The Government has responded with an unprecedented range of labour market support and benefits changes. Our assessment is that in Phase 1 of maximum support, the proportion of people in relative poverty may have fallen. This is due to two complementary forces.

The relative poverty line will be falling, as average incomes fall due to the labour market effects. At the same time, the incomes floor provided by the benefits system will be rising, with those benefitting from temporary increases in benefits somewhat counterbalanced by those falling into poverty through loss of income from employment.

Any reduction in relative poverty is likely to be reversed if the temporary benefit increases are withdrawn and unemployment continues to worsen, and while the temporary benefit measures are very welcome, families on low incomes have still been hit very hard. JRF polling in May 2020 showed that most families with children in receipt of Universal Credit or Child Tax Credits had to go without essentials and were building up debt and falling behind with the bills or rent. Phases 2 and 3 of government support are marked by a lessening of labour market support (Phase 2) as well as the very uncertain impact of the end of the Brexit transition period, which could increase inflation, and of reduced support through the benefits system (Phase 3). By Phase 3, without further government action, relative poverty is likely to be higher than before the coronavirus outbreak, with poorer families becoming worse off financially. These increases in poverty will be mainly among working-age families. This shows that the Government needs to do the right thing and keep supporting people on low incomes. If it takes the lifeline away, people will be pulled deeper into poverty.

Before moving to sections looking at how work, social security and housing interact with poverty, it is worth thinking about the relationship between the direct health impact of having coronavirus and its economic effects. In some cases, these effects are reinforcing. For instance, the number of cases and the health outcomes are worse for many BAME groups, people in deprived areas and people in some low-paid employment sectors – the same groups that have higher poverty rates. Poorer households are much more likely to be living in overcrowded, damp, insecure and unhealthy homes. Workers in poverty are at the bottom end of the labour market and so either in jobs which could not be done from home, putting them at higher risk of catching coronavirus, or of losing their jobs or earnings, compared with better-paid workers who are more likely to be able to continue to work and do it safely from home.

Sometimes the relationship is not direct: we see above that pensioners tend to have a lower poverty rate but are much more likely to suffer a more profound health impact from the coronavirus. Similarly, furloughed individuals are protected from catching the virus at work but are vulnerable to the economic after-effects.

Fundamentally, though, there is a clear relationship between health inequalities and income inequalities, with people in poorer households tending to have poorer health and people with poorer health tending to be more likely to have lower incomes. We show in the section on social security that (when not counting benefits designed to pay the extra costs of disability), it remains the case that half of all people in poverty either have a disability themselves or live with someone who does, compared with just a third of people in households not in poverty.

This, combined with what we know about the groups worst affected, suggests that the health and economic effects of the coronavirus will be felt most by poorer households, and while we are all in the same storm, poorer households will face far greater headwinds.

Insights from the JRF Grassroots Poverty Action Group (GPAG)

This year JRF worked alongside a diverse group of people with direct experience of living on a low income when doing the analysis for this report. They shared experiences of the effect that COVID-19 was having on low-income households and communities ‘as it happened’ over five sessions, allowing us to have a much-improved insight of the analysis we needed to look at. All the quotes in this report are drawn from our GPAG discussions, and are reproduced here with their permission.

Alongside discussing the practical issues, the GPAG members spoke about what it really feels like to live in poverty. They talked about the never-ending struggle and how constant uncertainty took its toll on health, family and friendships. It was clear that specific groups (including BAME people, carers, disabled people, single parents and young adults) were more likely than others to be pulled under by poverty. Something that came up every session was the effect of poverty on mental health (be it the cause or effect of poverty) and how the debilitating reality of severe mental health issues can make it impossible to navigate the help they need, fill in the forms they need and get themselves and their family the support they need.

COVID-19 has had a catastrophic effect on those already struggling. Many people are experienced and skilled in tightening their belts and budgeting on limited resources; however right now in such uncertainty, planning is especially challenging. Costs of food and medicines have been rising, income has been lost, and many parents and guardians have not only had the challenge of caring for their children at home for months on end due to schools and nurseries closing, but they also lost their family support networks because of lockdown. GPAG members said it felt impossible to move out of poverty, as although the additional Universal Credit was welcome, it was outstripped for many by the combination of higher costs and a loss of earnings. What does feel possible is falling deeper into poverty. They spoke about the need for compassion, the need to build trust with people, the need for support and care, the need for hope and the need for people to be brought together not set against each other.

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The coronavirus pandemic has refocused efforts to understand how work can provide the route out of poverty that it should. While the pandemic has had detrimental effects on jobs and financial security, people on a low wage or in poverty have felt the effects differently. We may be in the same storm, but we are not in the same boat.

In-work poverty before coronavirus

It cannot be right that people are in work and yet experience poverty. In-work poverty (defined here as the proportion of workers who are in poverty) has largely continued on an upward trend and stood at almost 13% in 2018/19.

“The problem we’ve got is lack of money. That is what poverty is, the lack of money. There is no way of improving that situation because there’s no jobs with a living wage. And the living wage, actually, is not enough to live on. It’s survival.”

The rise in the rate of in-work poverty in recent years has happened despite a rising employment rate and minimum wage. Part of the cause lies outside of the labour market: wage growth for low-income working families has been undercut by benefit cuts and rising housing costs. Within the labour market, many households’ ability to earn more was held back by an inability to find enough hours of work and a lack of opportunities to progress out of low pay. Looking at mean hours worked by income quintile further proves the importance of hours worked, with higher-income workers working almost 10 hours more, on average, than workers in the lowest quintile. Our previous work has highlighted that an important factor driving in-work poverty is workers not being able to work as many hours as they would like to – known as underemployment (JRF, 2020a).

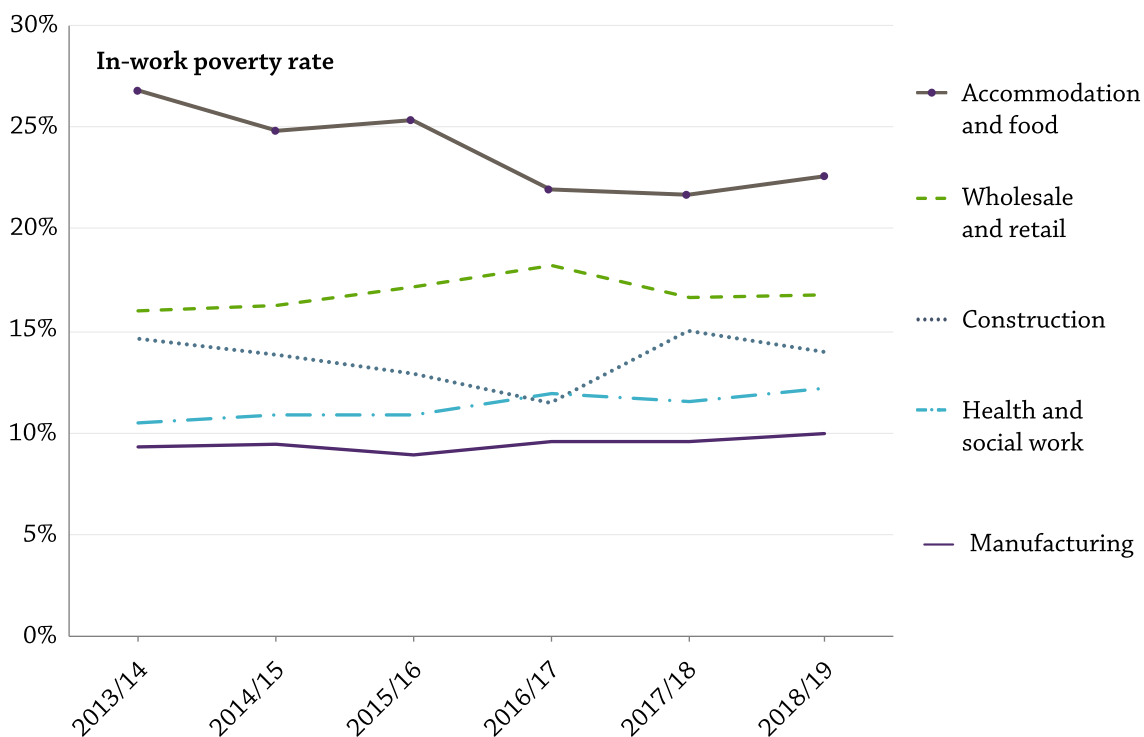
The risk of people in work being trapped in poverty depends on the sector they work in, their hourly pay and number of hours they work, where they live and their age, gender and ethnicity.

“The importance of going back to work is a positive role, and a point of pride.”

Workers in the hospitality and retail sectors face some of the highest risks of in-work poverty, reflecting that these sectors have a high incidence of low pay and lower average working hours than other sectors. People were in a very vulnerable position in these sectors even pre-Covid. In 2018/19, 23% of workers in accommodation and food services were in poverty, the highest among all the sectors, representing more than 402,000 workers in poverty. Workers in the accommodation and food services industry are more likely to be women, from minority ethnic groups, and younger workers.

UK poverty 2019/20 (JRF, 2020a) described the difficulty in progressing out of poverty for people in this sector, with increasing hours and pay being an important step in doing so.

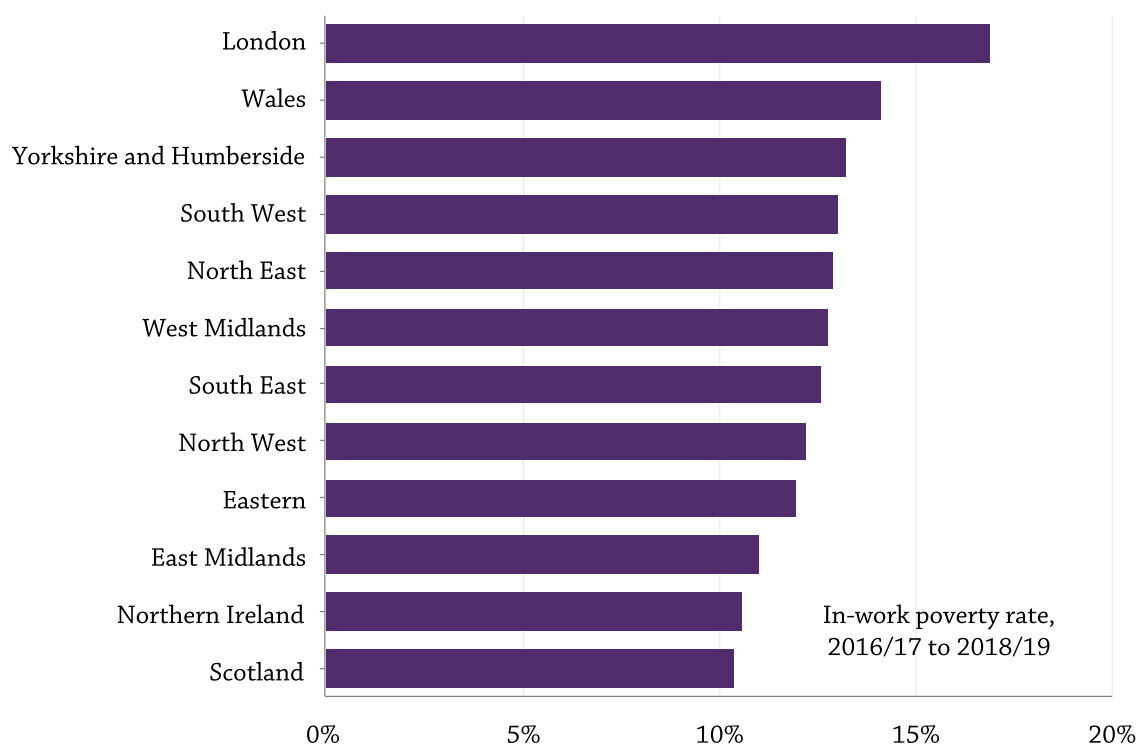
In-work poverty is highest for people working in accommodation and food services



Source: Family Resources Survey 2018/19

There are important regional and national differences in in-work poverty, with workers in London experiencing the highest level of in-work poverty (17%) and Scotland having the lowest level of in-work poverty (10%) in the United Kingdom. These differences reflect both local labour market conditions, such as hourly pay, and that some of the causes of in-work poverty lie outside of the labour market, with high housing costs in London pulling many people and families into poverty.

London has the highest rate of in-work poverty and Scotland the lowest

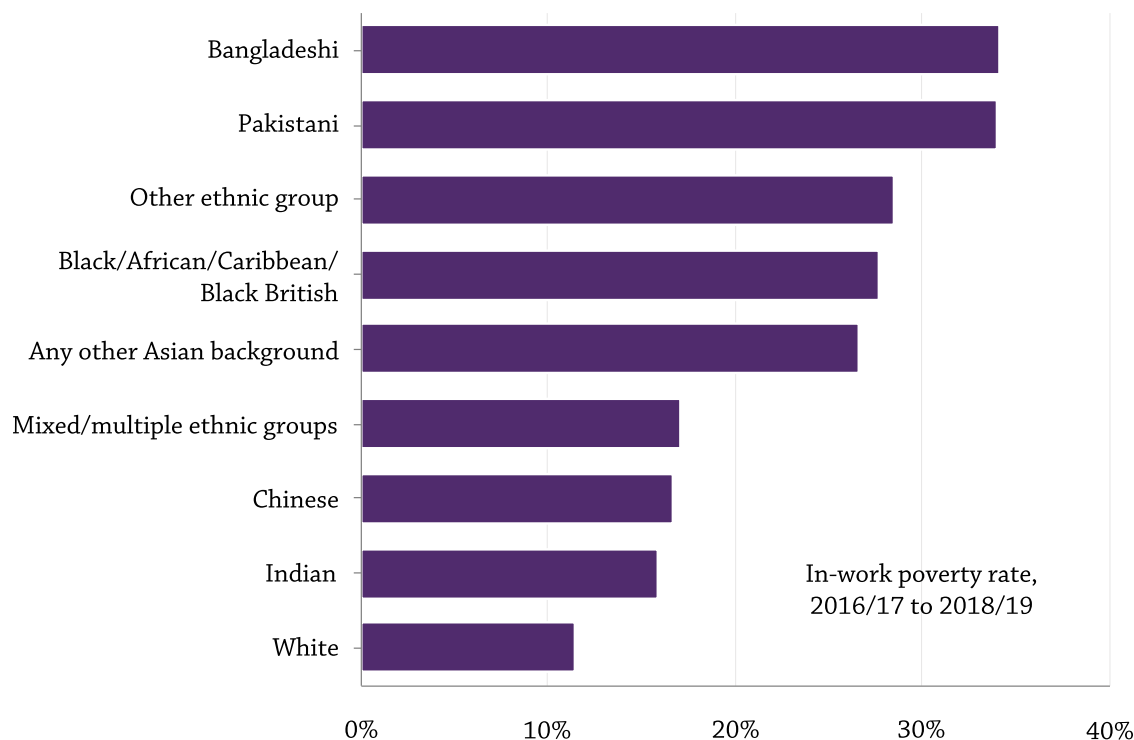


Source: Family Resources Survey 2018/19

Ethnicity and poverty before coronavirus

The risk of in-work poverty is higher for Black, Asian and minority ethnic workers than White workers. Within the Black, Asian and minority ethnic community the in-work poverty rate is highest for Pakistani and Bangladeshi workers at about 34%. Although poverty among Bangladeshi or Pakistani households has fallen sharply over the last 20 years, the chart below shows they still face very high rates of in-work poverty and that White households continue to have the lowest in-work poverty rate (12%) of all ethnic groups. This is a deep injustice, where workers from different minority ethnic backgrounds face an even steeper barrier to escaping in-work poverty.

In-work poverty is highest for Bangladeshi and Pakistani workers



Source: Family Resources Survey 2018/19

High rates of in-work poverty for Black, Asian and minority ethnic workers reflect the significant barriers they face in escaping in-work poverty. First, higher rates of poverty for Black, Asian and minority ethnic groups reflect that they are more likely to be low-paid. This partly reflects that they are more likely to work in low-wage sectors, but even within the same low-pay sector, Black, Asian and minority ethnic workers are more likely to be low-paid than White British workers. According to the Runnymede Trust (Khan, 2020), a third of Bangladeshi men work in catering, restaurants and related businesses, compared with around 1 in 100 White British men. 1 in 1,000 White British men work in taxi, chauffeuring and related businesses, compared with 1 in 7 Pakistani men. Bangladeshi and Pakistani men and women also have particularly high underemployment rates.

Unsurprisingly, as Black, Asian and minority ethnic groups are more likely to work in low-paid sectors, they have lower average pay than White workers. The Bangladeshi group has the lowest proportion of employees in the highest quartile of median hourly pay (ONS, 2020). The average hourly pay for a White British person (£12.49) is higher than the pay for a Black/African person (£11.50) and a Bangladeshi person (£10.58) but lower than that of a Chinese person (£15.38). Earning higher pay plays a key role in progressing out of poverty and is shaped by factors including qualifications and occupation. Geographically, in 2019 London had the largest ethnicity pay gap, with minority ethnic groups earning 23.8% less than White employees, which is worse than 2018 when the gap was 21.7%. This is particularly important as there is a disproportionate number of Black workers living in London compared with other parts of the country.

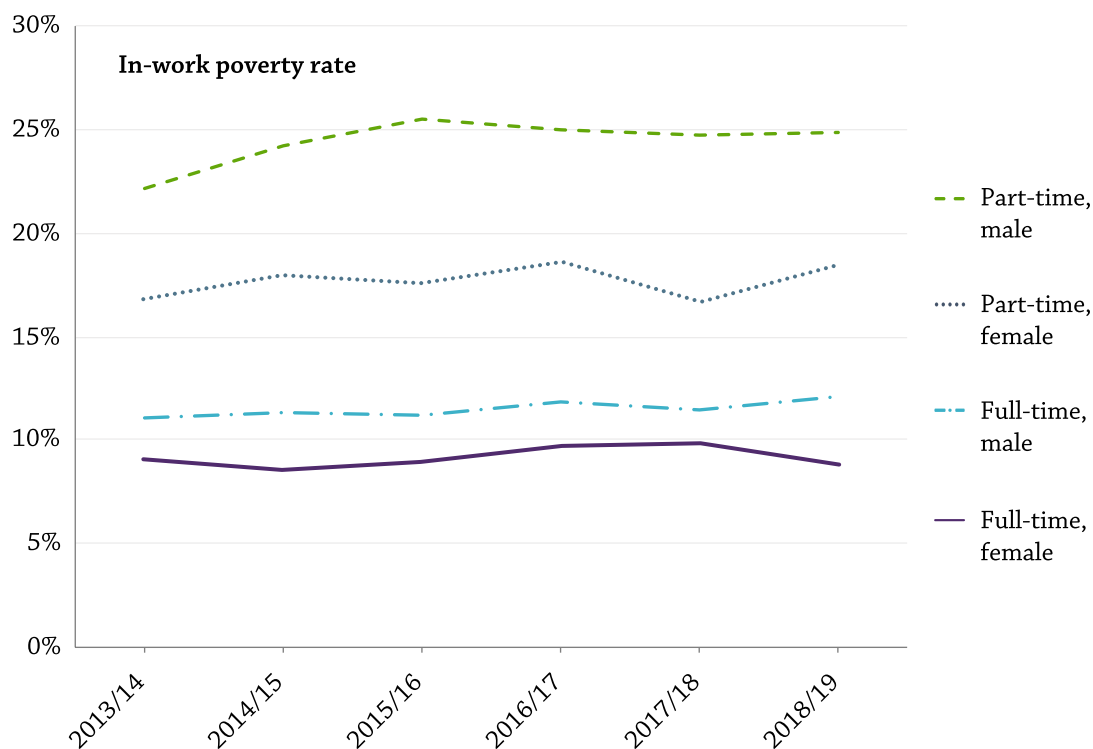
However, differences between White and Black, Asian and minority ethnic workers cannot solely be explained by their jobs. When comparing two graduate men, one Black and the other White, working in the same job in the same region with the same education, the Black worker earns 17% less than the White worker (Runnymede Trust, 2020). A substantial pay gap holds back Black, Asian and minority ethnic workers trying to progress out of poverty through good jobs. Furthermore, as Black workers are more likely to live in London, with higher housing costs, this pay gap is even more likely to keep them in poverty. It is essential that Black, Asian and minority ethnic workers have access to good jobs with higher pay and the ability to progress. In addition to this, barriers relating to gender and family type must be removed to loosen the grip of in-work poverty.

Gender and family type

Lone parents continue to have the highest in-work poverty rate, while a couple without children have the lowest. The factors trapping people in in-work poverty disproportionately affect single parents, as they are more likely to be women, working in a low-wage sector, underemployed, and restricted by childcare and transport. As most lone parents are women, they are especially more likely to have to work fewer hours and closer to home to manage childcare. This restricts them to lower-paid jobs as well as fewer hours, key factors in escaping in-work poverty. Lone parents working in retail had one of the highest in-work poverty rates in 2018/19, with more than 25% of those workers in poverty. Lone parents working in accommodation and food services have an even higher in-work poverty rate, at almost 35%.

The gender split by sector and occupation shows that women are more likely to work in retail and hospitality, which have relatively high rates of in-work poverty, whereas men are over-represented in manufacturing, construction and transport, which have relatively low rates of in-work poverty. However, it is important to note that while women are over-represented in education, public administration, and human and social work, which have lower in-work poverty rates overall, they are also over-represented in elementary (lower-paid) positions within those sectors.

In-work poverty is much higher for people working part-time



Source: Family Resources Survey 2018/19

Men have a slightly higher in-work poverty rate than women. However, because poverty is defined by household, this does not imply that work is providing a better route out of poverty for women. In fact, women are more likely to be low-paid, and face more barriers to progressing out of low-paid work (JRF, 2020).

Childcare is a significant issue for many workers, as only 56% of councils in England report having enough childcare for parents working full-time. But the inability to find sufficient childcare has a particularly large impact on women's ability to work and to increase their earnings, compared with fathers. This contributes to preventing women on a low wage being able to escape in-work poverty. According to the TUC (2020), over half of mothers (56.2%) said they had made a change in their employment for childcare reasons, compared with 22.4% of fathers. Three in 10 mums of young children said they have reduced their working hours because of childcare reasons compared with 1 in 20 fathers. It is simply not right that women continue to be so significantly held back from moving into and staying in paid work, and from increasing their earnings by progressing to better-paid work or increasing their hours.

Another barrier is the unavailability of childcare for parents working atypical hours, an issue often highlighted by parents trying to escape poverty. Quite simply, parents working atypical hours cannot find sufficient childcare during their shifts. According to the Family and Childcare Trust survey, only 18% of local authorities report sufficient childcare availability in all areas for parents working atypical hours, with 44% reporting sufficiency in some areas. On the other hand, around 12% of local authorities report insufficient childcare for these parents, while 26% of local authorities were unable to provide information. Insufficient childcare means there is not enough childcare available. Parents working atypical hours are one of the groups with the least provision available, even compared with families living in rural areas or with disabled children. If parents working atypical hours, who are more likely to be on a low wage, are unable to find sufficient hours of childcare, it will be more difficult to stay in work, increase hours or escape in-work poverty.

Help with childcare costs is more generous under Universal Credit than the previous system, as low-income parents can claim 85% of childcare costs (capped at £646 a month). However, the cost of childcare can still exceed the support that is available and must be paid for in advance and claimed back. Many low-income families cannot afford to make these large payments upfront. This increases barriers to work and the risk of debt. In addition, the total amount that parents can claim back from Universal Credit for childcare costs has been frozen since 2016 and is far below costs in many places, especially those with particularly high costs like London. This can mean these families would be paying more in childcare costs than they are earning (Bush et al, 2019). According to the Family and Childcare Trust, in a survey of local authorities about Universal Credit and the ability to access childcare for low- and middle-income parents, 21% of respondents said Universal Credit was making paying for childcare more difficult, but the majority of respondents (61%) said they did not know whether it was making it more difficult (Coleman et al, 2020). They noted that the barrier of needing to pay in advance meant they were unable to take advantage of the offer. Only 6% of local authorities surveyed thought that Universal Credit was making it easier for families to access childcare. Claimants simply did not think that working more hours would lead to a significant enough improvement to their standard of living (Bush et al, 2019). This is partly because the additional costs of extra work (like childcare and travel) would take a large bite out of the extra income. For these parents, the per-hour cost of childcare is often higher than their hourly rate of pay (Bush et al, 2019). This is simply not right, and urgent policy changes are needed to remove the initial financial barrier for workers on a low income.

The impact of coronavirus on making work a better route out of poverty

After the Prime Minister announced a nationwide lockdown in March 2020, all non-essential shops, and other public spaces, including pubs, restaurants and gyms, were ordered to close. This restriction on people's movements led to unprecedented falls in economic output. The Government introduced a range of policies, including the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) to support jobs.

The CJRS was enormously successful at preventing an immediate rise in the official unemployment rate; around eight million or 25% of all employee jobs were placed on the scheme at its peak, including 73% of eligible workers in accommodation and food services. Had the Government not acted so quickly to put this in place a huge number of people would have lost their jobs and been pulled into financial hardship during lockdown.

However, despite these measures to support incomes and jobs during this period of enforced social distancing, many workers have already slipped through the cracks in government's support. As stated above, we are all in the same storm, but not in the same boat. Coronavirus has highlighted the currents pulling many low-paid workers into poverty. The pandemic has been a significant economic shock to most workers in the UK, but especially to workers in poverty.

Due to the type of crisis and the design of the CJRS, there has been a loss of hours and income for some workers, but the particularly hard hit are low-income workers. Those employed before the coronavirus pandemic and already in poverty have been the most heavily affected by the economic changes (SMC, 2020).

At the beginning of the first lockdown, the Government urged workers to work from home if they could. However, for many low-paid workers, this was simply not possible. Workers who are unable to work from home tend to be paid less than those who can. By occupation, 98% of elementary workers have never worked from home. These workers include cleaners, retail sales assistants, lower-skilled warehousing roles, bus drivers, carers and delivery drivers. These workers are more likely to be on the lowest average hourly earnings by occupation (£7.70) and more likely to be in poverty. This crisis has affected workers able to work from home and those who cannot work from home very differently. The infectiousness of coronavirus and the need to avoid contact as far as possible to avoid getting infected have meant those unable to work from home are also more at risk of catching the disease.

As the crisis and lockdown shut mostly industries with high rates of in-work poverty, such as non-food retail and hospitality, workers in poverty were most affected by the lockdown. According to a Social Metrics Commission report (SMC, 2020), 81% of those working in hospitality and leisure have been negatively financially impacted, compared with just 16% of those in financial services. Low-paid workers were more likely to have experienced a cut to their income and hours, as well as an increase in costs associated from being at home. Workers in the lowest income quintile had the largest drop in mean hours worked at the start of the pandemic while workers in the highest income quintile had the smallest decrease in mean hours worked. Furthermore, the insecurity faced by many workers previously has been made more acute. For those working in insecure work, in sectors most affected by coronavirus, the fluctuating income and increased costs has caused stress and hardship.

The Government has put in place a successor to the CJRS – the Job Support Scheme – which includes the Government continuing to subsidise the wages of workers brought back full-time and an expanded scheme covering two-thirds of the wages of workers unable to work in businesses temporarily shut due to local or national restrictions. However, the design of the Job Support Scheme means that it would cost businesses considerably more to bring back two workers part-time than one full-time, meaning that it is unlikely to be as effective at protecting jobs as the CJRS (Resolution Foundation, 2020).

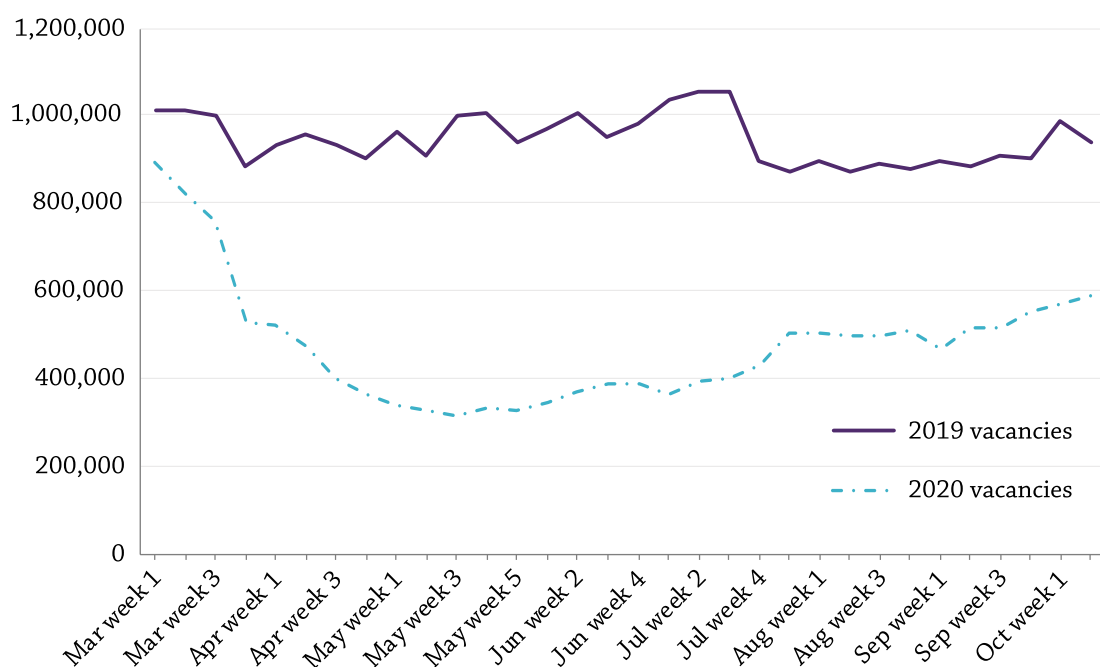
While the unemployment rate has already risen from 3.9% in March to 4.9% in the three months up to October, we are still only at the foot of an oncoming wave of unemployment. The only uncertainty is how many people will lose their jobs. At the time of writing the most recent forecasts from the Bank of England and the Office for Budget Responsibility predicted that unemployment will peak in early 2021 at 7.5% and 11.9% respectively.

What is most worrying about the coming wave of unemployment is it is workers who were at greatest risk of poverty before the pandemic who are most at risk of losing their jobs now. Using a Pre-Vaccine Job Risk Index, it is possible to estimate the direct and indirect risk of job loss from social distancing regulations, unless government policy sufficiently protects jobs. This shows that the workers most at risk of being made unemployed are in jobs that require close physical proximity to others, including the public. There could be big job losses in sectors such as hospitality and leisure, which have high in-work poverty rates (JRF, 2020a). Four in ten workers on the minimum wage face a high or very high risk of losing their jobs, compared with 1% of workers paid more than £41,500 a year.

“There’s a lot of anxiety around the kind of work people have and the possibilities of looking for new work. People are still unsure about job security. A major concern is an increase in unemployment.”

People who have lost their jobs so far are facing a very difficult challenge in getting back to work. The initial labour market shock resulted in a substantial drop in vacancies, as shown in the chart below. The Institute for Employment Studies' analysis of vacancy data on the classified advertisements website Adzuna showed the initial drop of vacancies began before lockdown was announced, beginning to fall in the first week of March. By the third week of March (the last week in the data pre-lockdown), vacancies had dropped by almost 25%. At the height of the lockdown, the vacancies were down almost 70% from the same week the previous year.

Vacancies in 2020 were much lower than 2019 since the start of March



Source: Adzuna vacancy data

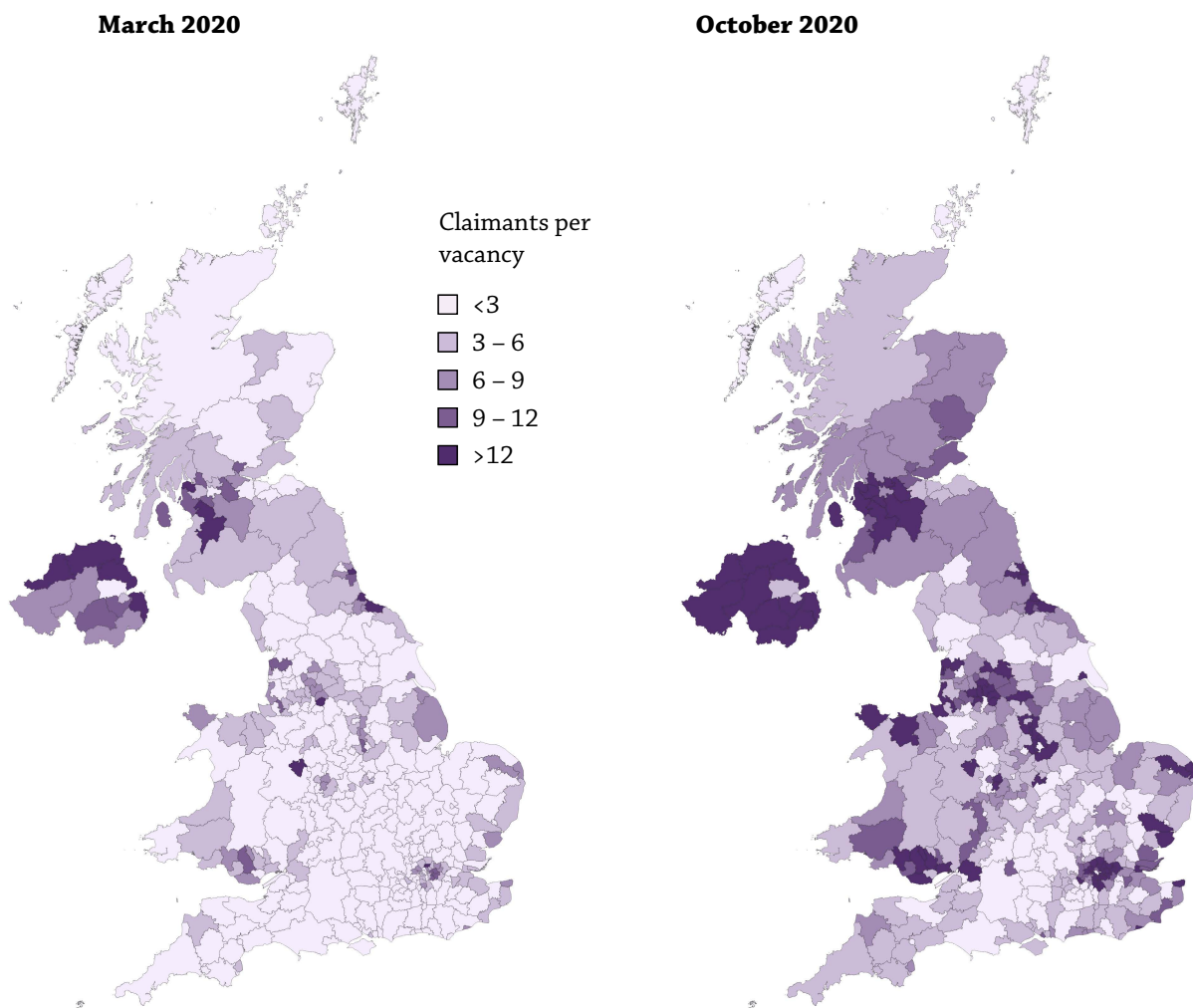
There are big differences across the country and newly unemployed people will face a challenge to get back to work. In places with already high unemployment pre-Covid, unemployment has risen even more and there are few vacancies. Big cities and most strikingly outer London boroughs have seen the biggest increase in the claimant count.

The areas with the highest number of vacancies per capita before the crisis began were Thames Valley Berkshire, Oxfordshire and Buckinghamshire. This persisted in the middle of the lockdown. The areas with the lowest monthly average vacancy per 100 working-age residents before coronavirus were Tees Valley, Humber, London, and the North Eastern Local Enterprise Partnership. This persisted during the crisis.

Currently, claimant count data provides the best comparison of unemployment across different places. The top five local authorities with more than 30 claimants unemployed per vacancy are all in London: Brent, Haringey, Barking and Dagenham, Lambeth and Greenwich.³ Brent and Haringey have a high population of BAME households, so they face a very competitive jobs market as the country recovers. Below is the ratio of claimants to vacancies by local authority. Compared with March, there is an overall increase in the ratio of claimants to vacancies, as vacancies are lower than the year before. The map on the left represents the second week in March, before lockdown started. The map on the right is October 2020. The darker colours represent higher claimant-vacancy ratios. The highest ratios are in Northern Ireland, coastal areas, central parts of cities, parts of Wales and the South of Scotland. However, this represents a slight improvement in claimant-vacancy ratios in the South West and East Midlands from July 2020, but it is still worse than before the crisis. Workers already at a higher risk of in-work poverty and insecurity will need targeted support to weather the storm.

“Certainly, the volumes of work available out there are much less than as in the past. The spread of work and type of work is not as diverse as it has been in the past. The jobs that are available are not attractive because of the potential risk.”

The ratio of claimants to vacancies varies greatly across the country, March versus October 2020



Source: JRF analysis of Adzuna vacancy data and ONS claimant data. Contains OS data © Crown copyright 2020

Differential impact of coronavirus on age and ethnicity

Because of the impact on different industries and regions of coronavirus, older and young workers are most affected by this crisis. As younger workers are more likely to work in accommodation and food and retail (with high in-work poverty rates) at the beginning of their career, they are more likely to have been furloughed or made redundant. The proportion of workers starting their careers in accommodation and food increased by about 50% from 2007 to 2019. According to the Institute for Fiscal Studies (IFS), employees aged under 25 were about two-and-a-half times more likely to work in a sector that was now shut down as other employees (Costa Dias et al, 2020). The sectors that were shut down because of social distancing, and most at risk for future redundancies, employed nearly a third of all employees under the age of 25. Women aged 65 and over were also more likely to work in these sectors than men aged 65 and over, as well as more likely than women in any other age group except 25 and younger.

The Pre-Vaccine Job Risk Index suggests that women, Pakistani and Bangladeshi workers, disabled workers and young workers are most at risk of job loss in the coming wave of unemployment. These groups are more likely to work closely with others and the public. The less someone earns, the more likely they are to be at high risk of losing their job. Low-wage jobs in close-contact sectors include waiters, bar staff and sports and leisure assistants. Other close-contact sectors include hospitality, retail and personal services. Worryingly, those at greatest risk of having their job swept away may also be the least likely to be able to find alternative employment (JRF, 2020a).

“There doesn’t seem to be much optimism about new work. People are trying different things, trying different career breaks, trying different roles and new businesses. But of course, it’s a challenging environment.”

Large numbers of redundancies and decreases in vacancies in shut-down sectors will make it harder for young people to take their first step onto the career ladder and could trap them in in-work poverty throughout their career. It will also be harder for them to progress into higher-paid occupations as the pandemic reduces job opportunities. As stated above, progression is a key factor in the ability to escape in-work poverty, and this threatens a prolonged negative economic change for young people.

The UK government has announced the Kickstart Scheme to help the under-25s claiming Universal Credit and who are at risk of long-term unemployment, targeting the young people who are most vulnerable. However, the structure of the subsidy means that incentives to offer these placements are greatest for low-paid, part-time, temporary work. This may help while the labour market continues to bounce back.

Resolution Foundation research suggested that younger and older workers are also bearing the burden of a hit in pay, with younger workers more likely to be furloughed or made redundant (Gustafsson, 2020). One in three of 18 to 24-year-old employees have lost work or are furloughed, compared with one in six older adults. Just over one-third (35%) of non-full-time student employees aged 18–24 are earning less than they did before the outbreak. However, 30% of workers in their early 60s are earning less, compared with 23% of 25 to 49-year-olds. Young workers who have recently left education are more susceptible to long-term unemployment and negative future labour market experiences.

Black, Asian and minority ethnic groups have been disproportionately affected by the coronavirus crisis. According to Understanding Society, Black, Asian and minority ethnic households were more likely to say they expect to be worse off next month compared with White households (25% and 19% respectively) (Benzeval et al, 2020). At the beginning of the crisis, Black, Asian and minority ethnic workers were 13% less likely to be furloughed but 14% more likely to be made unemployed. As Black, Asian and minority ethnic workers, like some of the other worst-affected groups, are less likely to be able to work from home than White British workers, they have also been worse hit by redundancies.

Before coronavirus, Black, Asian and minority ethnic people were more likely to be in in-work poverty, and over-represented in lower-paid positions in low-paid sectors. The coronavirus pandemic has exacerbated this inequality and laid bare the detrimental impact of the coronavirus pandemic for those at most risk of poverty. It is simply unacceptable that they bear the brunt of the crisis. However, like other groups worst affected by the crisis, they face significant barriers to return to work or loosen poverty's grip during this crisis; barriers that were affecting them pre-coronavirus are now felt more severely due to the crisis.

The coronavirus pandemic may cause more people to be trapped in in-work poverty in the long run

The coronavirus pandemic has exacerbated the pre-existing barriers to work as a route out of poverty, making it harder for groups who were already held back to enter and progress in the labour market. As discussed above, three of the key factors constraining low-income families' options in the labour market include wanting to work more hours but being unable to find the work (underemployment), a lack of affordable and flexible childcare, and inadequate transport. Below we discuss the intersection of longstanding barriers and how the coronavirus pandemic has exacerbated these issues for low-paid families and workers attempting to escape in-work poverty.

Risk of long-term underemployment and an increase in in-work poverty

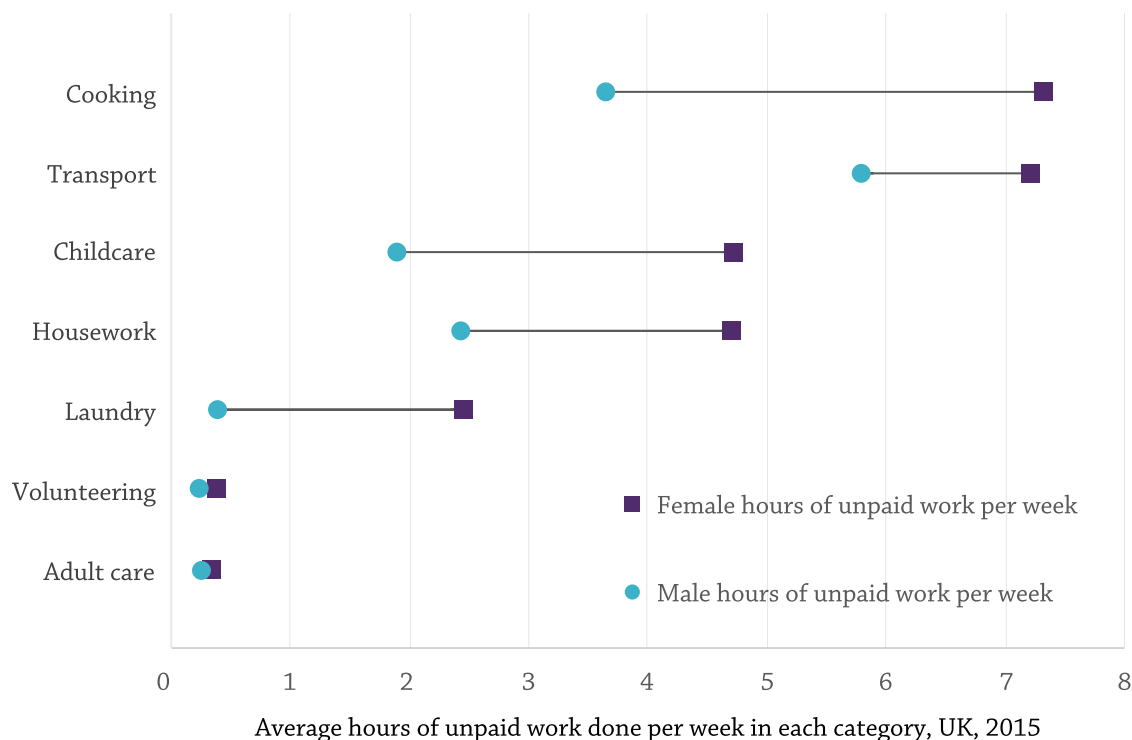
A long-term effect of the coronavirus outbreak is the possibility of an increase in underemployment. Underemployment and job insecurity structurally rose after the last recession. We need to make sure the same does not happen again as it will leave us in a worse place. Evidence from the previous economic recession (2009–11) shows that certain groups are more likely to experience a rise in underemployment during a recession. Underemployment rates increased sharply for Pakistani/Bangladeshi women as well as Black Caribbean/African women, with a less-drastic increase for White British women (Rafferty, 2014). This marked increase was similar for Pakistani/Bangladeshi men, but not Black Caribbean/African and Indian men. This is simply not right, and it is vital to prevent a deepening of underemployment and in-work poverty among these groups.

Old barriers, new challenges

Before the coronavirus pandemic, childcare and transport were significant barriers that kept people trapped in poverty. Workers may be unable to increase their hours due to the cost and availability of childcare, but also because they cannot get to jobs that may provide higher pay and better hours. The closures of childcare options to most families during the pandemic highlights the importance of, and difficulty in, accessing childcare for some families. Workers in poverty have less flexibility to cope with the lack of childcare.

However, it also highlights the unequal share of childcare responsibilities that affect a woman's ability to progress out of in-work poverty. During the pandemic, the changes in responsibilities by gender show that women were more likely to increase their hours doing childcare, cooking and housework, compared with men. Furthermore, they were more likely to be made redundant due to childcare responsibilities.

Women carry out an average of 60% more unpaid work than men



Source: UK Harmonised European Time Use Survey, 2015

Our previous work (Crisp et al, 2019) shows that poor public transport can be a significant barrier to accessing jobs for workers in deprived neighbourhoods. Lower-income workers are more likely to use the bus or walk to work, compared with other workers. Workers in poverty are more reliant on the public transport system, which had very limited capacity during the lockdown. This is exacerbated by the fact that people on a low wage are more likely to work atypical hours, when there is a particular lack of appropriate public transport. Low-paid workers reliant on public transport find themselves shut out of better-paid work because it is too difficult to reach or because the cost is too high to manage on a low wage. Low wages can limit commuting choices. During the pandemic, low-paid essential workers face increased risks of catching coronavirus from using public transport as well as from the work they did and living in overcrowded homes. Transport will continue to be a barrier to finding work or working more hours unless public transport services improve to enable people in low pay to travel further from home for work.

The need for action now

Workers already at most risk of poverty are also being most affected by the labour market impacts of coronavirus. Workers in low-income households are more likely to have lost their job or have reduced hours. Most worryingly we are only just beginning to see the full scale of job losses, and future job losses are likely to further affect low-income households disproportionately.

The task ahead of the Government now is first to minimise the rise in unemployment, to protect people from being pulled into poverty or greater hardship. Second, the Government needs to make sure our recovery sees us create more good jobs – with less underemployment, greater security and stability of hours, and progression opportunities – so that the labour market recovery from COVID-19 creates an economy with less in-work poverty than we had before the pandemic.

Insights from the JRF Grassroots Poverty Action Group about issues around work

The precariousness and uncertainty connected to the coronavirus pandemic had exacerbated already difficult situations. Despite welcome intervention from the Government there hadn't been enough done to help those already finding it difficult to make ends meet. The uncertainty was taking its toll on those furloughed with no guarantee that their job would still be there post-pandemic. The interaction between being paid while on furlough and claiming Universal Credit has been difficult because of the uncertainty of levels of earned income.

There was a consensus across the whole group that if you are physically and mentally well enough to work then there is no doubt that work has a positive effect on your wellbeing. There is also a stigma about worklessness that most people want to leave behind.

GPAG members also talked about how the issue of childcare availability and cost is one of the biggest hurdles for getting work and how the coronavirus pandemic has made this hurdle higher. Not only were people worried about whether schools would remain open and what would happen if they got a job and another lockdown happens, but also that as there are fewer childcare options available now than ever there were also worries about whether informal childcare settings available to them would be safe.

Social security and poverty before and during coronavirus

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In our previous *UK poverty* report (JRF, 2020a) we looked at the purpose of our social security system and the function of the range of different benefits within it. Most benefits exist partly as a lifeline to prevent people being pulled into destitution and poverty, and partly to level out some of the financial disadvantage people face from their life circumstances. In recent years, the value of many working-age benefits has been eroded by three years of increases limited to 1% (which was below inflation as measured by the Consumer Price Index) followed by four years of a benefit freeze. These benefits were last increased in line with prices in April 2012 and didn't increase at all between April 2015 and March 2020. This erosion of their value has significantly weakened their ability to fulfil the role for which they were created.

Social security and poverty before coronavirus

Among its other roles, the social security system is designed to provide a lifeline to prevent people being pulled into poverty. However, for many it is not working, with around 6.7 million people in poverty – nearly half of all people in poverty – living in a family in receipt of income-related benefits. By contrast, just 16% of those not living in poverty are in receipt of income-related benefits. Compounding this, the continued benefit freeze and below-inflation increases into 2018/19 mean that social security has increasingly fallen short in preventing low-income families falling into poverty.

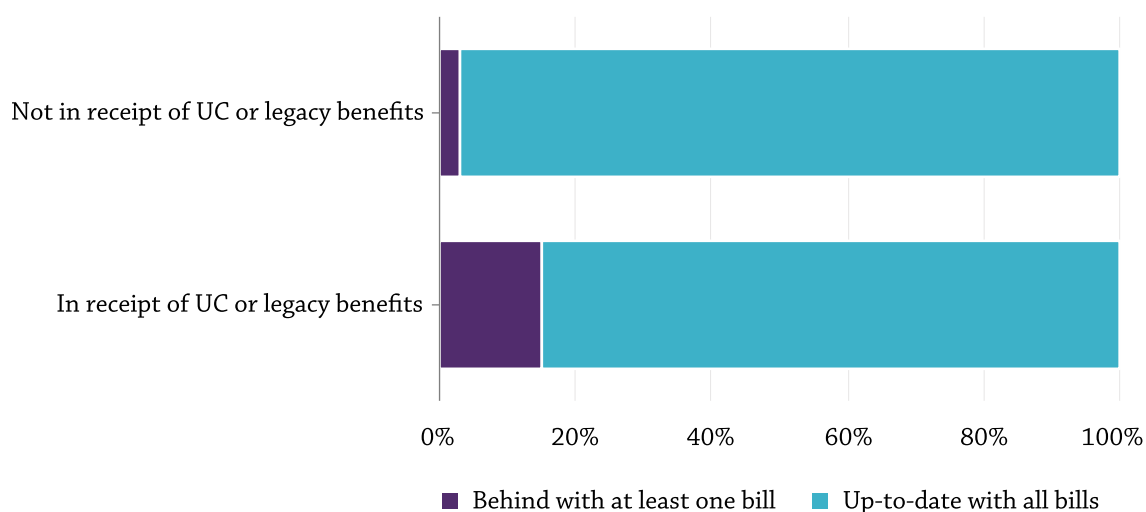
Almost eight million working-age families in Great Britain were in receipt of income-related benefits in 2018/19 (i.e. benefits where low income is used to determine eligibility such as Universal Credit, Housing Benefit, Jobseeker's Allowance, Employment and Support Allowance, and child and working tax credits among others). Significantly, a third of people in families with children are in receipt of low-income benefits. In 2018/19, the poverty rate among Universal Credit recipients was higher than among those who were in receipt of the benefits that Universal Credit replaced. This reflects the prioritisation during the early stages of Universal Credit rollout of groups (e.g. single claimants, those out of work) more likely to have higher poverty rates.

Poverty is particularly high among those in receipt of Universal Credit

Benefit	Poverty rate (%)	Number in poverty (to the nearest 100,000)
Universal Credit	58	800,000
ESA, IS or JSA	53	2,200,000
Housing Benefit	56	3,900,000
Tax credits (WTC and/or CTC)	47	4,200,000
Pension Credit	23	300,000

The social security system isn't protecting people sufficiently, leaving many families financially vulnerable, with those in receipt of income-related benefits tending to have higher levels of debt, lower levels of savings and being more likely to rely on additional borrowing for any unexpected bills or financial shortfall. Immediately before the coronavirus outbreak, households in receipt of income-related benefits were more than twice as likely to have been in arrears on a household bill in the last 12 months than those not receiving these benefits, and one-and-a-half times more likely to be behind with their rent (or three times more likely to be behind with mortgage payments).

Families in receipt of income-related benefits are more likely to be behind on bills



Source: Understanding Society, April 2020

As well as being more likely to be behind with bills, rent and mortgage payments, in 2018, only half of working-age families in receipt of income-related benefits had a credit card or were making a loan or a hire purchase payment compared with 6 in every 10 working-age families who were not in receipt of these benefits. Having less access to credit can mean having fewer outlets available to help smooth out income peaks and troughs.

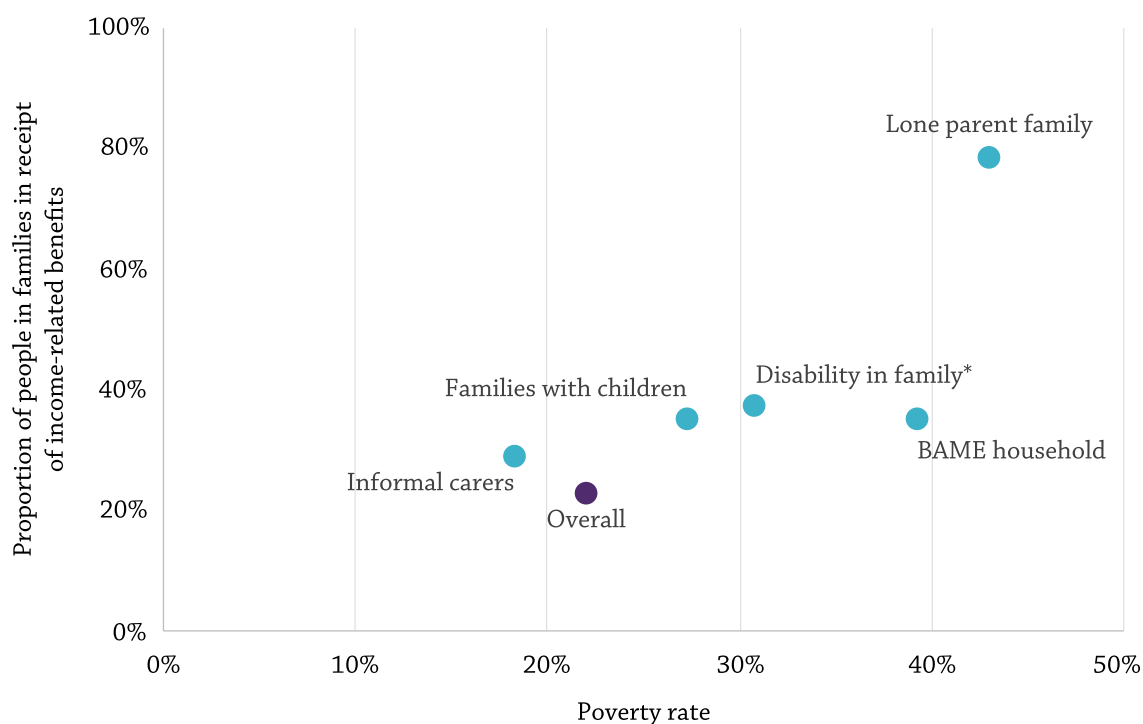
Families in receipt of income-related benefits are also much more likely to be suffering from some form of material deprivation. They are twice as likely to be unable to afford the ingredients for a healthy diet and three times as likely to be unable to afford to keep their homes warm. They are less likely to be able to have a week's annual holiday away from home or to be able to afford a car, making them more likely to have to rely on public transport to get to schools, childcare and jobs.⁴

This additional financial stress means that low-income families are less likely to be able to weather any financial storms, as seen during the coronavirus outbreak.

As previously presented, some groups face especially high poverty rates. This is because they are held back to a greater extent than the general population by barriers to getting into and keeping jobs, low pay, lack of opportunity to progress, worse access to services and weak local economies. That means that they are more likely to have to turn to the lifeline of social security. It's clear that these lifelines aren't doing enough to counteract the factors locking them in poverty, since such a high proportion are still in poverty even with the support of social security. Lone parent families have consistently high levels of poverty and four in five people living in lone parent families are in receipt of income-related benefits. BAME families are 14 percentage points more likely to be in receipt of income-related benefits than White families. Compounding this, around six in ten people living in BAME families in receipt of income-related benefits live in poverty, compared with around four in ten people in White families.

There were an estimated 4.4 million informal carers in the UK in 2018/19; six in ten of them were women and nearly four in ten of them were in the age group 50 to 64. Carers are more likely to be on low incomes as their capacity to work is squeezed by caring responsibilities and at the same time they face higher costs. Informal carers are entitled to receive Carer's Allowance, but only if they are caring for at least 35 hours a week; this isn't adequately protecting carers from poverty. Around 700,000 carers received Carer's Allowance, with a poverty rate of 26%, notably higher than the overall poverty rate.

Some of the groups with high poverty rates have high proportions of people in families in receipt of income-related benefits



* Analysis is based on incomes excluding disability benefits as income

Source: Family Resources Survey 2018/19

Over half (57%) of the people in receipt of income-related benefits live in families where one or more members is disabled. Together with low-income benefits, social security plays a key role in covering additional costs that disability can bring. In recent years, a large group of disability benefit claimants have moved from Disability Living Allowance to Personal Independence Payments, with claimants being required to be reassessed in order to receive the payment. This is a stressful process for claimants (Disability Benefits Consortium, 2017), and there has been a striking increase in the number of appeals that claimants have won when challenging Department for Work and Pensions (DWP) decisions.⁵

Disability benefits are paid because life tends to be more expensive when you are disabled. They are distinct from the benefits that aim to enhance the income of those unable to work for health reasons, so can be claimed whether you are in employment or not and as such should not be considered when assessing household income.

If the specific benefits designed to pay the extra costs of disability are not included as part of household income, half of all people in poverty either have a disability themselves or live with someone who does, compared with just a third of people in non-poor households. Families containing a disabled person are disproportionately affected by poverty.

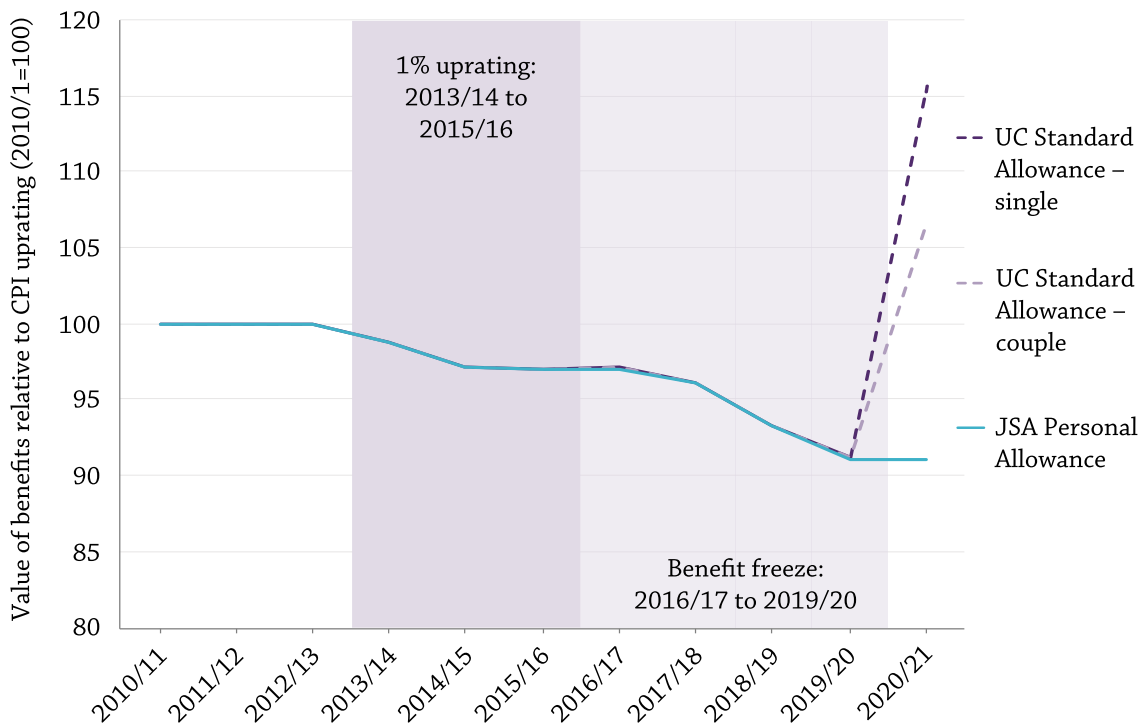
The impact of coronavirus on social security

Notwithstanding the coronavirus outbreak, the four-year benefit freeze was due to end in April 2020, with the DWP confirming in November 2019 that it expected a range of benefits, including Child Benefit, Universal Credit and the corresponding former benefits, to rise by 1.7% in April, in line with the Consumer Price Index of the previous September. Alongside this, a 3.9% increase to the state pension was announced as a result of the triple lock.

These changes were confirmed in the Budget of 11 March 2020, accompanied by some small changes to help people who might be unable to work due to coronavirus. Over the days immediately following the Budget, the scale of the impact of coronavirus became clearer and on 20 March further measures were announced to support people, jobs and businesses. These went beyond social security, including the furlough scheme, but also increased some benefit levels from April 2020. This included a temporary rise of £20 a week (£1,040 a year) for 2020/21 in the standard allowance (the basic rate) of Universal Credit and basic element of Working Tax Credit, while the Local Housing Allowance was reset to the 30th percentile of local rents, increasing the amount of Housing Benefit or Universal Credit housing element many claimants received.

The temporary increases in Universal Credit and Working Tax Credit have been enough to reverse the fall in the value of that part of these benefits seen since 2012/13, with the basic rate now 7% higher than in 2012/13 in real terms for couples and 16% higher for singles. The chart below shows, however, how people still in receipt of the benefits that Universal Credit replaced, such as Jobseeker’s Allowance or Employment and Support Allowance, have been left behind. Recipients of those benefits have not seen the temporary uplift. Their benefits have lost around 9% of their value in eight years and at the same time they are facing increased difficulty in getting a job in a very depressed labour market and potential extra costs of the coronavirus such as home schooling. If the lifeline of the temporary increase in Universal Credit and Working Tax Credit is not continued, they will also be 9% lower in real terms in 2021/22 than they were in 2012/13.

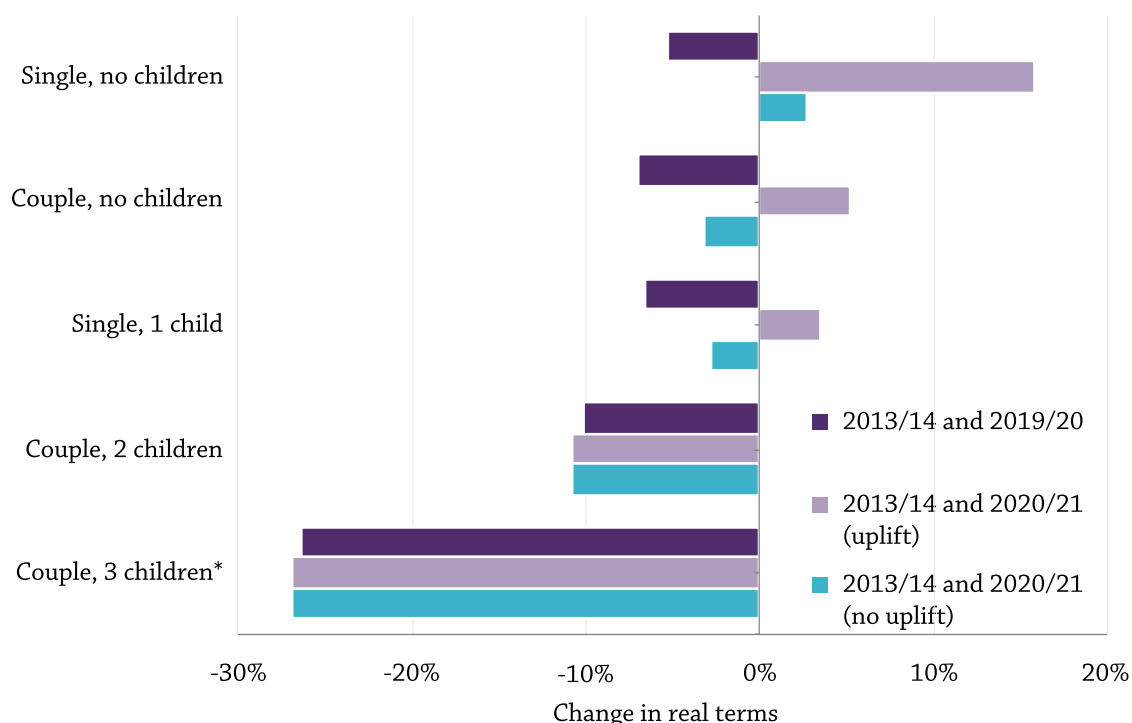
The temporary uplift of some benefits has more than reversed the recent erosion of their value due to inflation



Source: DWP Annual Abstract of Statistics; DWP benefit and pension rates 2020 to 2021; ONS Consumer Price Index statistics

When other elements of the benefits system that have not been temporarily increased are taken into account, the picture becomes a lot less positive, especially once rules capping the maximum amount of benefits paid such as the benefit cap and ‘two-child limit’ are considered. The chart below illustrates the changes in the amount of Universal Credit and Child Benefit that privately renting out-of-work families would receive. For smaller families it is clear that the temporary uplift has more than reversed recent erosions. Even without the temporary uplift the levels of benefits in 2020/21 are an improvement on 2019/20 for smaller families because of the increase in the Local Housing Allowance. However, the two larger families fail to see any benefit from the uplift because of the benefit cap and the ‘two-child limit’ in the case of the largest family.

The benefit cap and ‘two-child limit’ prevent some families from seeing the benefit of the temporary uplift



Source: JRF calculations

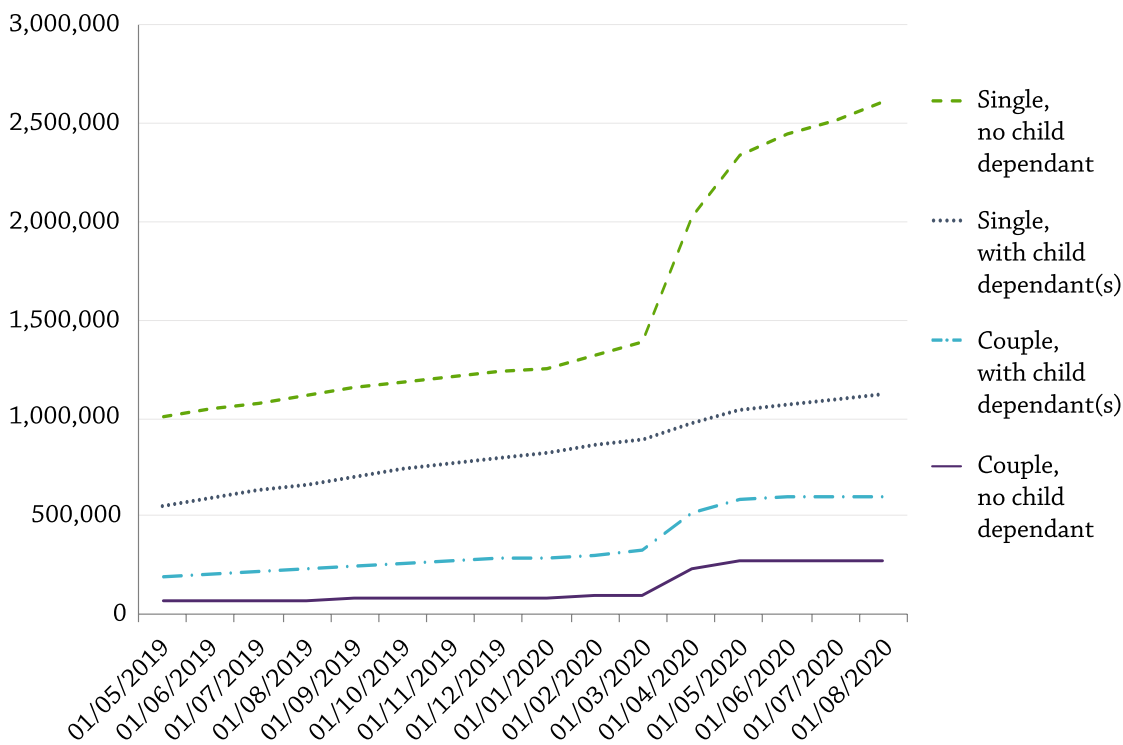
* Assume youngest child is affected by ‘two-child limit’. The bottom two family types have had their benefits capped. The family is assumed to live in a private rental property in the Kernow West broad rental market area and claim the maximum Local Housing Allowance (LHA) available for their family type. Kernow West was selected because it is approximately the median rental market area in England based on 2020/21 LHA rates.

What does it feel like on the ground?

In response to coronavirus, the Government implemented a phase of ‘stabilisation and rescue’, bringing in a range of emergency measures to support incomes as many parts of the economy were shut down. As part of this, many people turned to Universal Credit to help keep them afloat, resulting in a significant increase to the number of claims, particularly in the early stages post-lockdown before the implementation of the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS).

By August 2020, almost 4.6 million households were in receipt of Universal Credit, an increase of nearly 90% from the start of the year. Most of these households will have seen their incomes fall, putting them at risk of falling below the poverty line. The increase in claimant numbers varies by family type, with the highest rates of increase seen among couples, both with and without dependent children (an increase of 108% and 204% respectively). Families with children continue to account for nearly four in ten households on Universal Credit, exposing large additional numbers of children to the risk of falling into poverty.

All family types have seen an acceleration in the growth in numbers in receipt of Universal Credit, with the biggest rate of growth for couples without children



Source: DWP Universal Credit statistics

In addition to this, the characteristics of people claiming Universal Credit has changed. By October 2020, younger people (aged 16 to 29) made up more than four in ten of new Universal Credit claimants, and by November 2020 men comprised just under half of all claimants; in recent history, women have made up the majority of Universal Credit claimants but as the employment landscape has changed, so too has the Universal Credit landscape.

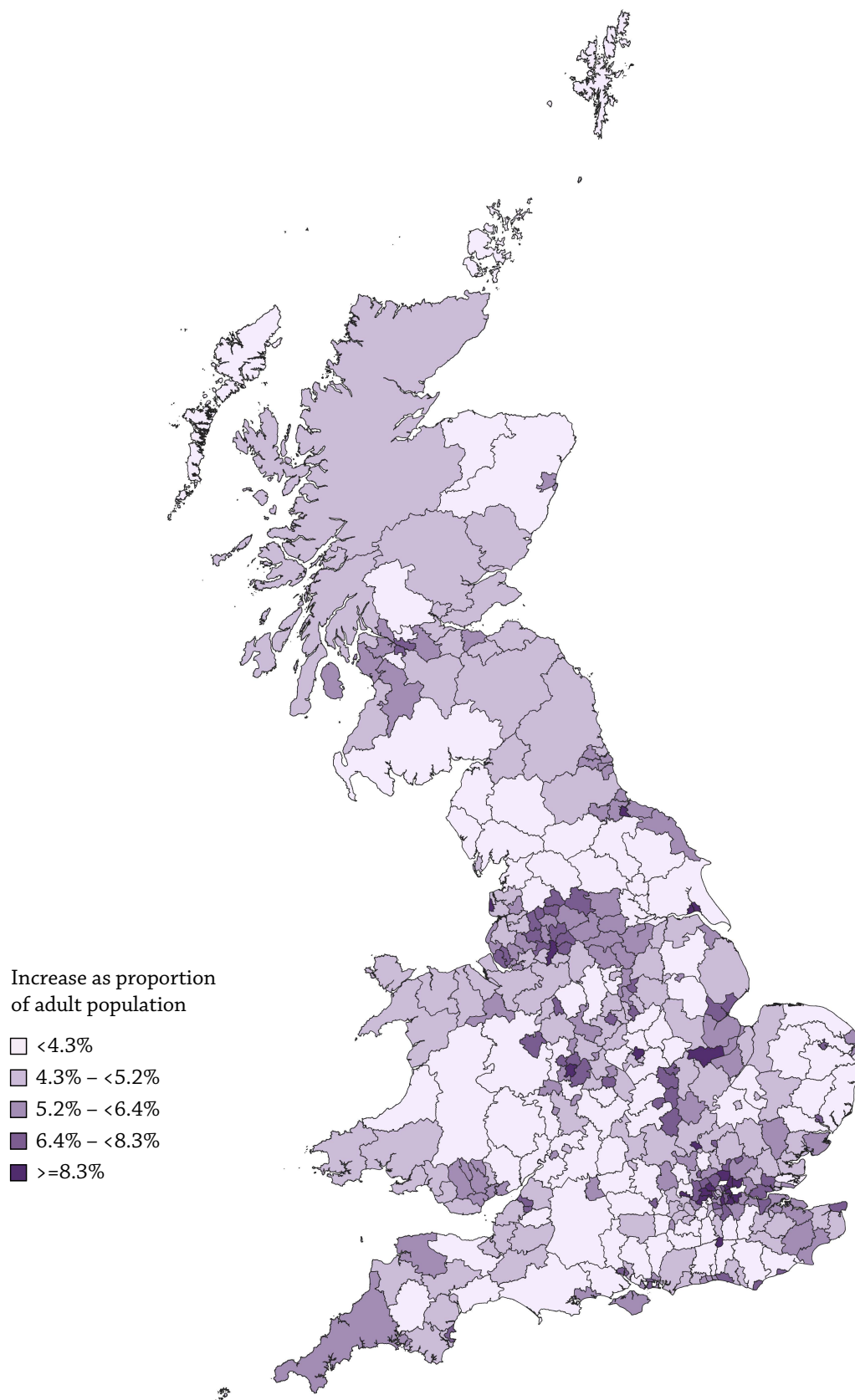
Alongside the increase in the number of Universal Credit claims there has been a marked increase in the proportion of claimants either working or searching for work. By November 2020, they accounted for more than eight in ten claimants, with a corresponding fall in the proportion of claimants who had no work requirements. It was estimated that if the CJRS was withdrawn at the end of October, without replacement support, around one million jobs could be permanently lost (McNeil et al, 2020). The later five-month extension of the CJRS in response to the second wave of the virus will mitigate this to a degree, but despite and beyond this, there will inevitably be job losses, leading to many more people having to turn to the social security system for a financial lifeline.

There are some notable differences in the socio-demographic profile of the new group of Universal Credit claimants. New claimants are more likely to be younger, BAME, male, a university graduate and from a higher 'social grade' (Edmiston et al, 2020). The uneven impact of coronavirus is partly reflected here and raises questions about those inequalities and how they can be managed through the social security system.

As well as the increase in the number of households in receipt of Universal Credit, there was a notable increase in the average award amount in the first few months after the initial outbreak, driven by several factors: the £20 weekly uplift to core Universal Credit payments, the increase in Local Housing Allowance, the cessation of repayment of social security debts, and the significant increase in the number of advances made in April.

The new Universal Credit landscape hides some notable variations by region/country. The largest increase in the number of households receiving Universal Credit was seen in England (89% increase from the start of the year), with slightly lower increases in Scotland and Wales (79% and 75% respectively). Within England, London and the South East saw the largest increases (114% and 104% respectively), while the lowest increase was seen in the North East, with an increase of just under six in ten. Many of the large increases were seen in areas that have had high furlough rates.

The greatest increases in Universal Credit claims are in areas with high furlough rates



Source: DWP Universal Credit data and ONS mid-year population estimates. Contains OS data © Crown copyright 2020

Managing the financial hit

The pandemic has highlighted the precarious nature of many people's finances. This is particularly true of those who are in receipt of income-related benefits, who before the outbreak were already more likely to be under financial pressure.

“For a good couple of years I've not been able to put anything aside for a rainy day, as soon as you do something else whams you and you're stuck with no money.”

As shown earlier, those whose income is in the lowest quintile (and who are therefore more likely to rely on income-related benefits) saw the largest fall in average hours worked, as they were more likely to work in industries that were shut down during lockdown.

By the middle of the year, four in ten people who were working at the start of the year reported being in a household with no earnings. For many of these, the CJRS and/or Universal Credit provided financial support to ease the difficulties that this caused. Among people who were still earning, 45% reported a fall; by June, those reporting a fall were in receipt of just 78% of their baseline earning level. Looking at all households reporting a fall in earnings, including people who say they now have zero incomes, there was a fall of incomes of around a quarter for all such households whether or not they were in receipt of benefits. However, the households in receipt of income-related benefits had lower incomes to start with, so may well feel the reduction more keenly. For low-income families, losing nearly a quarter of their earnings could lead to profound financial difficulties.

This is reflected in the fact that both before and after the outbreak, people in receipt of income-related benefits were more than twice as likely to report finding their financial situation difficult or 'only just about getting by'.

“Universal Credit is not enough and the five-week wait causes poverty. To survive the five-week wait people borrow money, this can take up to 15 months to repay. Furlough has made it worse as uncertainty in income increased – furlough and zero hours contract has affected Universal Credit.”

Low-income families frequently lack a financial buffer (no savings, limited access to credit) to provide a cushion in times of financial stress. At the same time, needing to spend a higher proportion of income pre-Covid on essentials has meant that a large drop in income has led to hardship and falling behind with bills. By May, those in receipt of income-related benefits were more than four times more likely to be behind with at least one bill, and more than three times as likely to not be up-to-date with housing payments, with 14% of those in receipt of income-related benefits reporting they were behind with housing costs by May.

The proportion of households behind with at least one bill has increased since January 2020, with a quarter of households in receipt of income-related benefits behind by May 2020

Household type	Baseline: behind with at least one bill	May 2020: behind with at least one bill
In receipt of income-related benefits at baseline (Jan/Feb 2020)	15%	24%
Not in receipt of income-related benefits at baseline (Jan/Feb 2020)	3%	5%

Source: Understanding Society: the UK Household Longitudinal Study (UKHLS), Covid survey, May 2020

The methods used by families to fill the income gap vary: reducing spending, using savings or pension funds, finding new work, accessing additional borrowing or receiving further benefits. Many have dealt with loss of earnings by reducing spending, with around four in ten of all households reporting doing so. Nearly one in five of those in receipt of income-related benefits have used savings, slightly higher than those not in receipt of income-related benefits.

However, a large proportion of people who have lost earnings report no way of compensating for this. Overall, 45% of those reporting a loss of earnings state that none of these ways of filling the income gap apply, and the rate is even higher – more than 50% – among those who were in receipt of income-related benefits.

As income fell, many families found themselves having to rely on foodbanks to see them through. Families who were in receipt of income-related benefits were five times more likely to make use of foodbanks. While the temporary increase to Universal Credit has provided a financial lifeline for many, research carried out by The Trussell Trust reveals that removal of this uplift could increase use of foodbanks across their network by 10% (Weekes et al, 2020).

“How are we in a place where in 2020 I get a phone call asking if a family member could have ‘pickings’ (leftovers) as this person was hungry.”

Vulnerable groups and social security

Before the outbreak, particular groups in society were more likely to have low incomes and find themselves relying on social security to support themselves. Many of these groups have been hit hardest by the outbreak and have lacked the resources to prevent themselves falling into further financial difficulties. The removal of the temporary £20 a week uplift in April 2021 will have a disproportionate effect on many people in these groups.

Low-income families with children have been particularly affected. Research carried out on behalf of JRF and Save the Children (Maddison, 2020) found that six in ten families with children in receipt of either Universal Credit or Child Tax Credit have had to borrow money since the beginning of the outbreak, with many relying on payday loans or formal lending (credit cards, loans or overdrafts). Furthermore, those in receipt of benefits are twice as likely to have borrowed money from family and friends. Of those potentially affected by the loss of the temporary benefit uplift, around 70% live in families with children, and families with children are more likely to lose out than those without (Porter, 2020).

About 56% of disabled people who were employed at the start of the year reported a loss of earnings by the middle of the year, 2 percentage points higher than non-disabled people, and they were more likely to report now being in receipt of zero earnings compared with those without a disability (45% and 41% respectively). In May, disabled people were more likely to report finding things difficult or be just about getting by. The loss of the temporary uplifts will be particularly felt by families where there is a disability; half of those losing out will be households where there is someone with a disability (Porter, 2020).

BAME families have also been hit hard. Compared with White families, they are more likely to have experienced an income loss and be more likely to have cut back on essential spending (86% compared with 69%), be behind with bills (65% compared with 48%) and have had to resort to borrowing (74% compared with 57%) (Maddison, 2020). Almost a quarter of people losing out from the withdrawal of the temporary benefit uplift will be from BAME families (Porter, 2020).

The additional social security support provided during the outbreak was intended to support families dealing with income loss, additional costs and lockdown limitations. The temporary £20 a week uplift has been a vital lifeline, but despite it, many low-income families have faced financial hardship during the outbreak. Losing this support as planned in April 2021 would create even greater financial difficulties, with 6.2 million families losing £1,040 in 2021/22 and around 500,000 more people being pulled into poverty as a result (JRF, 2020d). It is now more vital than ever that the social security system is strengthened, offering protection as the economy and job market recover.

“We need to hold the Government to account. You never engage with the benefits system when you are in a good place – I’m here because things have gone pear shaped, I’m here because I need help – it [the system of claiming social security] needs to be more compassionate.”

Insights from the JRF Grassroots Poverty Action Group about issues around social security

Discussions within the JRF Grassroots Poverty Action Group highlighted many of the known problems within the social security system, as well as problems that those interacting with the system for the first time, as a result of coronavirus, were facing. The themes of fear, frustration and difficulties were repeated throughout the conversation. Participants reported finding the system difficult to navigate, over-reliant on digital technology and lacking in personal support, something that has been exacerbated by the limitations that coronavirus has put on face-to-face meetings.

For those who have lost their jobs or experienced significant income loss due to coronavirus, having to navigate the social security system for the first time can add another level of fear and stress at an already worrying time, and this was enhanced by the negative stories that abounded in the media.

Participants repeatedly cited the role of the five-week wait for the first Universal Credit payment in forcing many into debt. Furlough, reductions of working hours and other changes in circumstances will affect Universal Credit payments and raise uncertainty around finances, making financial planning very difficult.

Housing and poverty before and during coronavirus

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Housing is a major factor in determining whether people are pulled into poverty or whether they stay afloat. Not only is affordability crucial; the importance of a safe, healthy and stable home that enables people to connect to work, education, training, services and their community is vital.

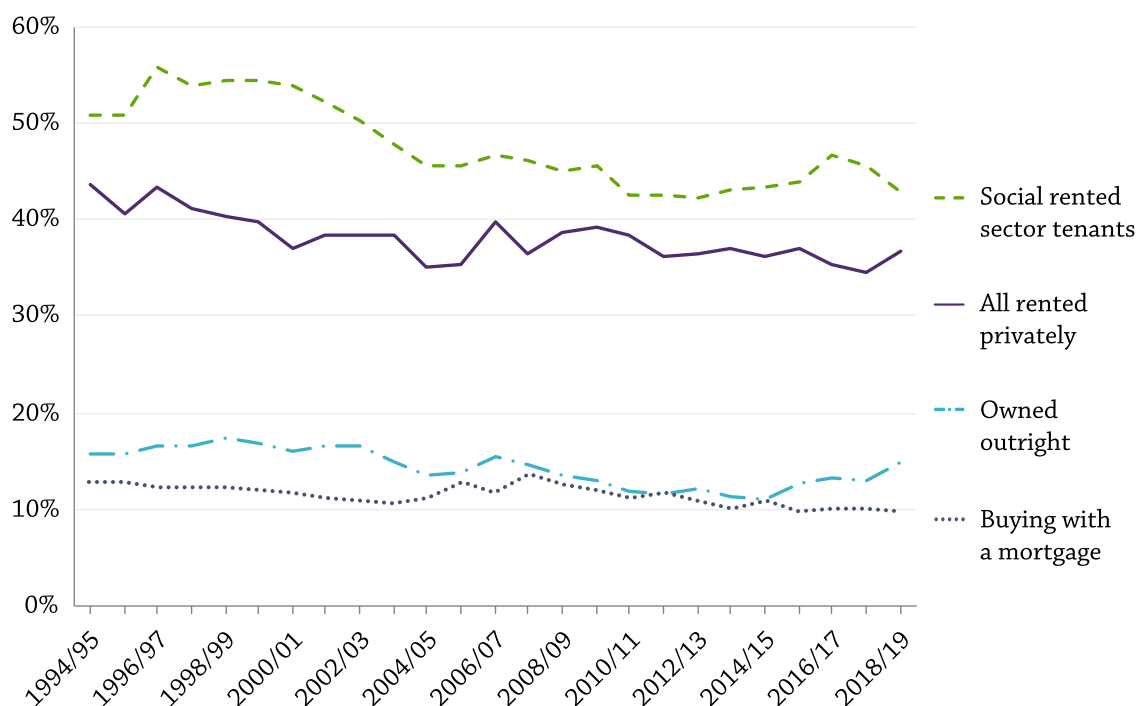
The pattern of housing tenure in the UK has changed considerably over the last 20 years, and this has affected housing costs for households in poverty. This section looks at how trends in tenure and housing costs are related to poverty, focusing on households on low incomes who rent in the private and social rented sectors, two tenures where housing costs have risen significantly compared with 2000/01. It will also examine how housing costs and tenure affect households' ability to weather the economic storm created by the coronavirus crisis, and the extent to which government policy has protected households or put them at risk.

Private renters and poverty pre-coronavirus

The proportion of households in the private rented sector in the UK has increased dramatically in the past 20 years, from 10% in 1998/99 to 19% in 2018/19. Much of this change has been at the expense of social renting and buying with a mortgage, which have both seen significant drops over the same period. As a result, many of those households that may have previously been in a more secure tenure 20 years ago are now faced with insecurity and affordability issues in the private rented sector.

In 2018/19, more than a third of private rented households (37%) were in poverty, increasing from 35% a year before. Much of this change is down to rents increasing faster than incomes. Increases in private rental costs have slowed significantly since 2016, but for many households rents still outstrip incomes, and as a result, after housing costs income fell by 6% in real terms between 2016/17 and 2018/19. Poverty rates in the private rented sector have consistently been lower than in the social rented sector, but this tends to be because social rents are used to provide secure, affordable homes for people who can't afford market rents. Tenants in the social rented sector therefore tend to have much lower incomes than those in other tenures, and this results in high poverty rates. However, increasingly poor social housing provision means that lower-income households, who may have previously been able to rely on social rented accommodation, have been pushed into the private rented sector where costs are far higher than they can afford.

People in rented accommodation have higher rates of poverty than those who own their own homes



Source: JRF analysis of Households Below Average Income

High housing costs in the private rented sector, combined with falling support from Housing Benefit, have been strong currents pulling low-income families into poverty. This is particularly the case in London and the South East, but also in many other areas of the UK where rents have become unaffordable. Many households are faced with rents far higher than they can afford, but the level of Housing Benefit they receive does not cover the shortfall. This problem has got worse, with more people having to use more of their income to pay rent, leaving many having to cut back on other essentials. While the proportion of income the average private renting household spends on rent was marginally lower in 2018/19 (32.6%) than it was in 2013/14 (33.2%), it has begun to climb back up again in recent years. Increases in income spent on rent have predominantly hit London and the South East (although remains an issue around the UK) and has significantly affected some of the poorest households.

The biggest increases for low-income households have occurred in London where households in the bottom half of the income distribution paid on average 51% of their income (excluding any Housing Benefit) on rent in 2016/17 to 2018/19 (compared with 47% in 2012/13 to 2014/15). While the cost of private renting tends to be lower outside London and the south east of the UK, private renting is becoming more common for poorer households in areas of the UK where home-owning and social rents previously accounted for a large proportion of households. In Yorkshire and the Humber, the proportion of those in the bottom half of the income distribution living in the private rented sector increased from 19% in 2014/15 to 23% in 2018/19. In the North East, it increased from 17% to 24% over the same period.

For some private renters, earnings through work will have been enough to meet the costs of their housing costs despite high rents. The majority (74%) of working-age adults in the private rented sector were in employment in 2018/19, and private renting households tend to earn significantly more than social renters through work. In 2018/19, private rented households with one or more members in work earned on average £552 a week, compared with £414 a week for social renting households. However, being in work does not always protect private renters from poverty, and many working private renters find themselves in a position where much of their earnings needs to be spent on rent. This leaves little left over for other expenses and pushes many working families into poverty. While private renters were less likely to be in poverty than social renters, 1 in 4 (25%) private renting households in work were already in poverty in 2018/19 (compared with 7% of those buying with a mortgage) and many more faced significant risks in the event of an income shock.

Families who face barriers in their ability to work due to disability, childcare and other reasons face additional risks in the private rented sector as they may be unable to meet their high rents through earnings. Last year's *UK poverty* report (JRF, 2020a), and data from this year's report, have shown that those with disability in the family, or with children, are much more likely to be in poverty than those without, and their risk of poverty has increased since 2015/16, in part due to significant changes to the benefit system. When households facing barriers to work also have to deal with expensive private rents, their risk of poverty increases. In 2018/19, 59% of private renting households where no adults were in work were in poverty, while 56% of private renting households with at least one adult in work, and one adult not in work, were in poverty.

Private renters and poverty during coronavirus

As lockdown hit and the furlough scheme came into effect, private renters on low incomes bore much of the brunt of the economic impact. Before coronavirus, around 2.9 million (35%) private renters worked in the hardest-hit sectors (manufacturing, retail, accommodation and food, and arts, entertainment and recreation). Between April and June, around 32% of private renting employees reported being furloughed by their employer. For many of these private renters, a 20% drop in earnings or greater represented a significant drop in income, particularly for households hovering just above the poverty line and for households who were already spending a large proportion of their income on housing costs.

Workers in social rented and private rented accommodation are more likely to work in industries at risk of furlough, job loss or loss of hours than those buying with a mortgage



Source: JRF analysis of Households Below Average Income and Family Resources Survey 2018/19

As the crisis deepened, changes to the support and protections available for private renters were brought in to help people struggling with housing costs.

First, Local Housing Allowance (LHA) was increased to the 30th percentile of rents in a given area, having had that link to local rent levels broken in 2013 and been frozen since April 2016. This meant levels of support were again linked to the actual housing costs in an area.

For a family living in a two-bedroom property in outer north-east London, the uplift would have been equivalent to an extra £60 a week available through Universal Credit or Housing Benefit. This will have made a real difference to the finances of households who were newly reliant on the benefits system due to loss of earnings, as well as those who were already having to fill the gap between benefit income and housing costs before the crisis. As household finances worsened due to the crisis, these uplifts will have become a vital lifeline for many private renters who needed urgent help from the benefits system to meet their rents.

Data on the social security system shows that between February and August 2020, an additional 560,000 private renting households were receiving help with their housing costs through Universal Credit or Housing Benefit, an increase of 36%. The increase was largest in London, where the number of private renting households receiving help with their housing costs increased by 52%, from 280,000 households in February to 420,000 households in August. Despite the substantial rise in claimants in London, private renters in the North East and North West of England remained most likely to need help with their housing costs, with more than half of all private renting households claiming some form of housing benefit (54% and 52% respectively) compared with around 4 in 10 households across Great Britain.

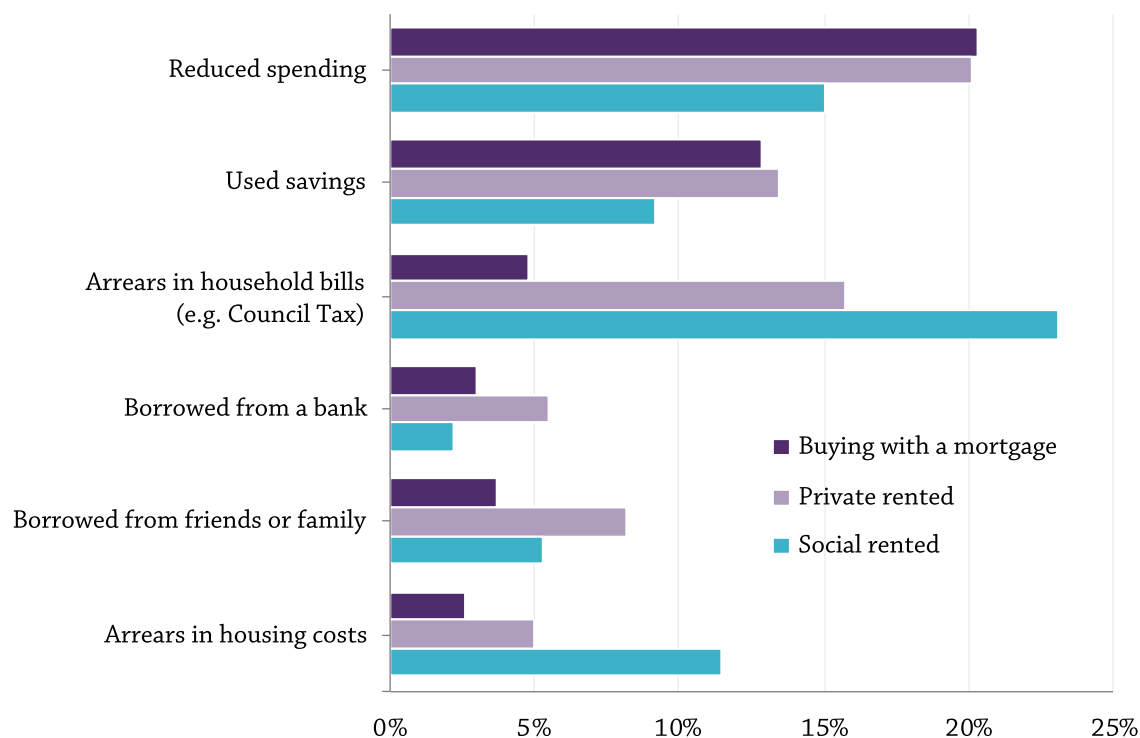
Second, court hearings on evictions were halted in England and Wales until 20 September 2020. This meant that even if renters fell behind on their rent, they were protected from eviction for the first six months of the crisis. In early May 2020, the UK Government announced that renters would be further protected from eviction by a 'pre-action protocol' encouraging landlords to work with their tenants to agree a reasonable repayment plan. The UK Government also extended the notice period to six months for notices served after 29 August (7 April in Scotland and 29 September in Wales) and this currently remains in place until the end of March 2021. This means that tenants issued an eviction notice in September would not be required to vacate the property until March barring cases of anti-social behaviour or where tenants are more than six months behind on rent. It also announced that possession orders would not be enforced by bailiffs across England until at least 21 February 2021, providing additional security for renters in the face of a third lockdown.

This will have prevented many struggling renters from being forced out of their homes over a tough winter period. However, unlike the eviction ban in the first national lockdown, this pause does not put a stop to proceedings and cases will still be heard in court. There is a risk that households receiving an eviction notice may be unaware of the moratorium on enforcement and do not wait until the court date or until the spring but move regardless. These measures will also only delay eviction for renters who have already been served an eviction notice, and without action to support those who have accrued rent arrears, we may see a wave of evictions once enforcement begins again. Evictions can also still be enforced where tenants are more than six months behind on rent, potentially forcing some of the hardest-hit families out of their homes during lockdown.

Scotland and Wales also recently extended their ban on evictions and they will now not be enforced. This will last until at least the end of March and applies to all of Wales and any area of Scotland that is in tier 3 or 4 restrictions (currently all of Scotland) with reviews every three weeks. Ultimately, though welcome, these measures do not address the causes of unaffordable housing and the conditions leading to renters falling behind on their housing costs.

Additional help and protections will have been welcome for many private renters, but, for some private renters, keeping up with housing costs right from the start of the crisis was impossible. Polling by YouGov for JRF in October showed that around 200,000 private renting households (5%) had fallen behind on their rent and 700,000 (15%) had fallen behind on bills such as Council Tax and utilities (Baxter et al, 2020). Many of those who fell into arrears early in the crisis may struggle to find their way back out of debt, as household finances struggle to recover. Around 40% of private renters in arrears were at least £1,000 behind on rent payments, and 7% were more than £3,000 behind. Without significant help to pay off these arrears, many of these families will face the prospect of eviction. An estimated 200,000 (5%) private renting households had already been issued an eviction notice by October or had been contacted by their landlord about possible eviction. It is not right that families face losing their homes as a result of a national crisis, and urgent action will be needed to ensure that those unable to pay their rents due to the crisis are fully supported.

As of October, social renters have been most likely to fall behind on rent and household bills, while private renters have been most likely to use savings and borrow to make ends meet



Notes: Figures for Reduced spending, Used savings, Borrowed from a bank and Borrowed from family or friends represent all respondents who reported a net decrease in household income since March, and used this method to deal with this loss of income. Figures for Arrears in housing costs and Arrears in household bills represent the proportion of all households in arrears.

Source: JRF analysis of YouGov polling, October 2020

Faced with significant financial pressure, many more private renters needed to find ways to pay their rent, and households in arrears represented just a small proportion of private renters struggling with their housing costs. Struggling private renters were far less likely to be granted a break in housing cost payments than those who owned their own home. As of August, Less than 1 in 20 (4%) private renters who had said they were finding their financial situation difficult or just about getting by had been granted a rent holiday by their landlord, compared with around a quarter (26%) of struggling mortgage holders being granted a mortgage holiday. This meant that regardless of the impact on their incomes, private renters needed to find a way to pay rent or face eviction, and this consistent pressure put a great deal of strain on many households. Our poll suggested that as of October, around 1.5 million (33%) private renting households had seen a drop in their income since March, while 1.3 million (30%) said they were worried about paying their rent between the end of October 2020 and end of January 2021.

To make ends meet, many private renters made cutbacks in spending, or turned to other forms of finance. As of October 2020, more than a quarter (27%) of all private renting households had reduced their spending, used savings and/or borrowed money from a bank, friend or family member to make up shortfalls in income since March. Private renters were far more likely than other tenures to use savings to cover costs, with around 41% of those who had seen a drop in income since March using savings to make up shortfalls in income by October. But not all private renters have savings to dip into in times of crisis. One in ten (11%) private renting households had no savings available before the crisis, while a further 1 in 4 (23%) had less than £500. For those in the bottom half of the income distribution, levels of savings were even less.

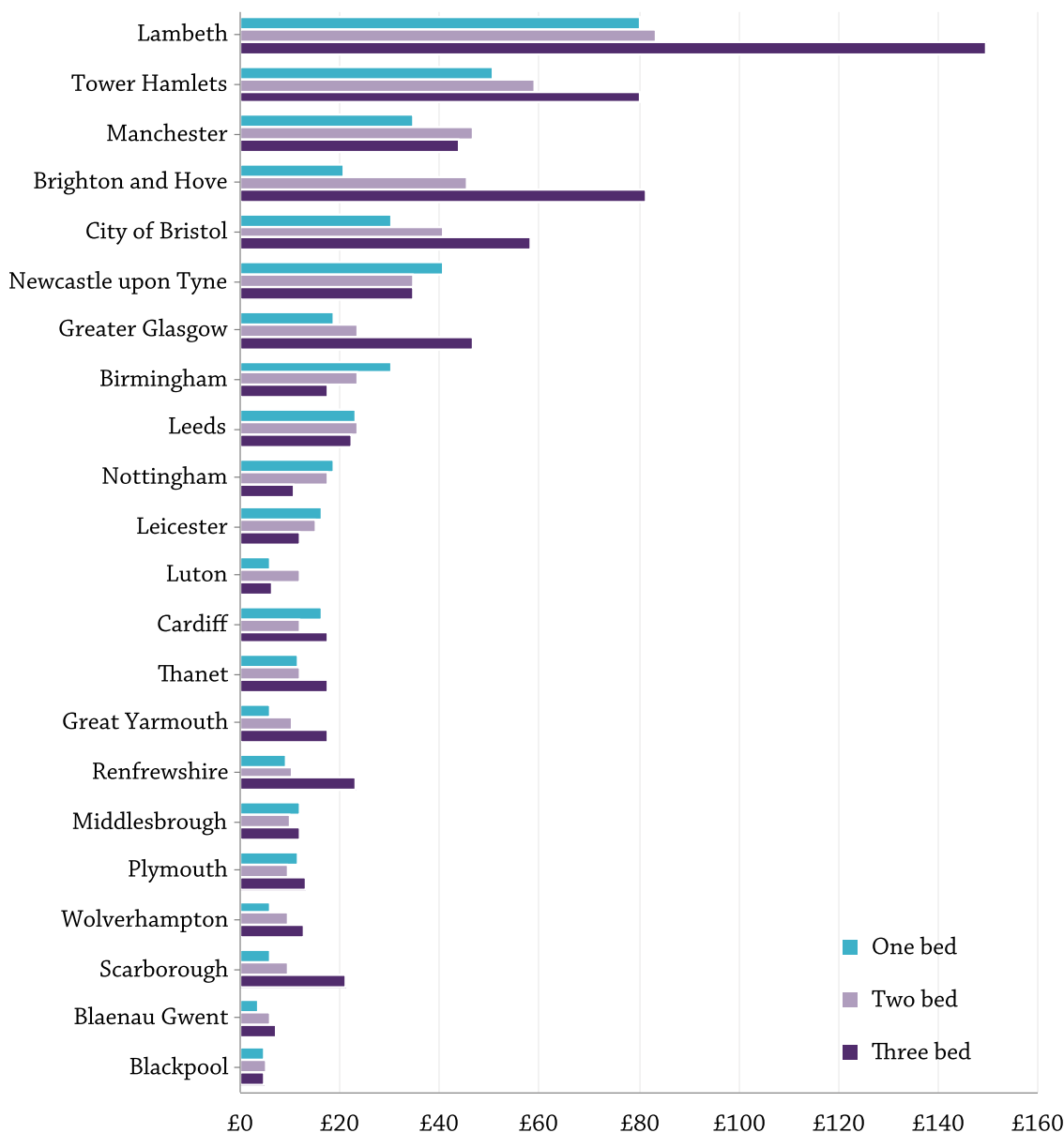
“Because of supply and demand, house prices are going up and up and just becoming unmanageable, so everyone’s worried about not paying the rent because that means being tossed out onto the street. It’s hard to actually come by accommodation; even though the laws have changed allowing people on benefits to rent, it’s been slow coming through, and we’re reliant on local authorities for where they’re going to place you, and in some situations the problem of being housed where your support network is often isn’t considered.”

For some private renters, savings provided a short-term solution to a gap between incomes and rents in the early stages of the crisis, but for households who saw a long-term income shock, savings were likely to run out quickly. Over the first six months of the crisis, reliance on borrowing from banks or payday lenders remained low among all tenures, although it was highest among private renters (7% in October 2020). But as savings dwindle and financial pressure builds, it is possible that renters may start to borrow more to avoid eviction. While it is difficult to establish the specific impact on renters so far, we do know that debt has been building among poorer households while wealthier households have been able to pay off debts. Between July and August, 11% of those in the bottom fifth of incomes (AHC) pre-crisis had seen their levels of debt increase compared with just 4% of those in the top fifth of incomes. It is likely that these trends will continue, and poorer private renters could be hit particularly hard where they have little savings and unaffordable private rents to pay.

The impact on private renters is also unlikely to be felt evenly across the country. While all areas of the UK are likely to feel the financial impacts of this crisis, households living in areas with high rents and an over-reliance on private renting are likely to face severe difficulties because of their housing situation.

While the LHA increase will have undoubtedly helped many households to meet their housing costs, the gap between LHA and average rents remains large in some parts of the country. A family living in a median-rent two-bedroom property in Lambeth in south London will receive £83 a week less than the cost of their rent. For the average couple in the bottom 20% of incomes, this shortfall is equivalent to 27% of all weekly expenditure (excluding housing costs), or 1.7 times the cost of their weekly food bill (ONS, 2018). Over a six-month period, this shortfall would add up to around £2,158. By comparison, a family in a median-rent two-bedroom property in Rochdale will receive £6 less in LHA a week than the cost of their rent, resulting in a shortfall of £156 after six months. Any shortfall between rent and benefits has the potential to cause financial difficulty where family finances are already stretched thin, but these difficulties will be acutely felt by those facing very large gaps in support. Many households in London, Manchester, Bristol and other cities around the UK will face shortfalls that have the potential to spiral into unmanageable debt very quickly. Over time, these shortfalls are likely to increase further. From April 2021, LHA will be frozen at its current levels, re-breaking the link between rents and Housing Benefit once again. In high-demand areas where rents increase quickly, the gap between the benefits a family can receive and the rents they need to pay will widen, pulling more and more struggling families into poverty as they try to recover from the financial impacts of the crisis.

Despite the recent uplift to Local Housing Allowance (LHA), there remains a large gap between average rents and LHAs in some UK cities including London, Manchester and Brighton



Note: Only selected areas shown. Local authorities included in the chart must have had at least 20% of households claiming support for their housing costs through Housing Benefit or Universal Credit by May 2020. Two areas selected per government region.

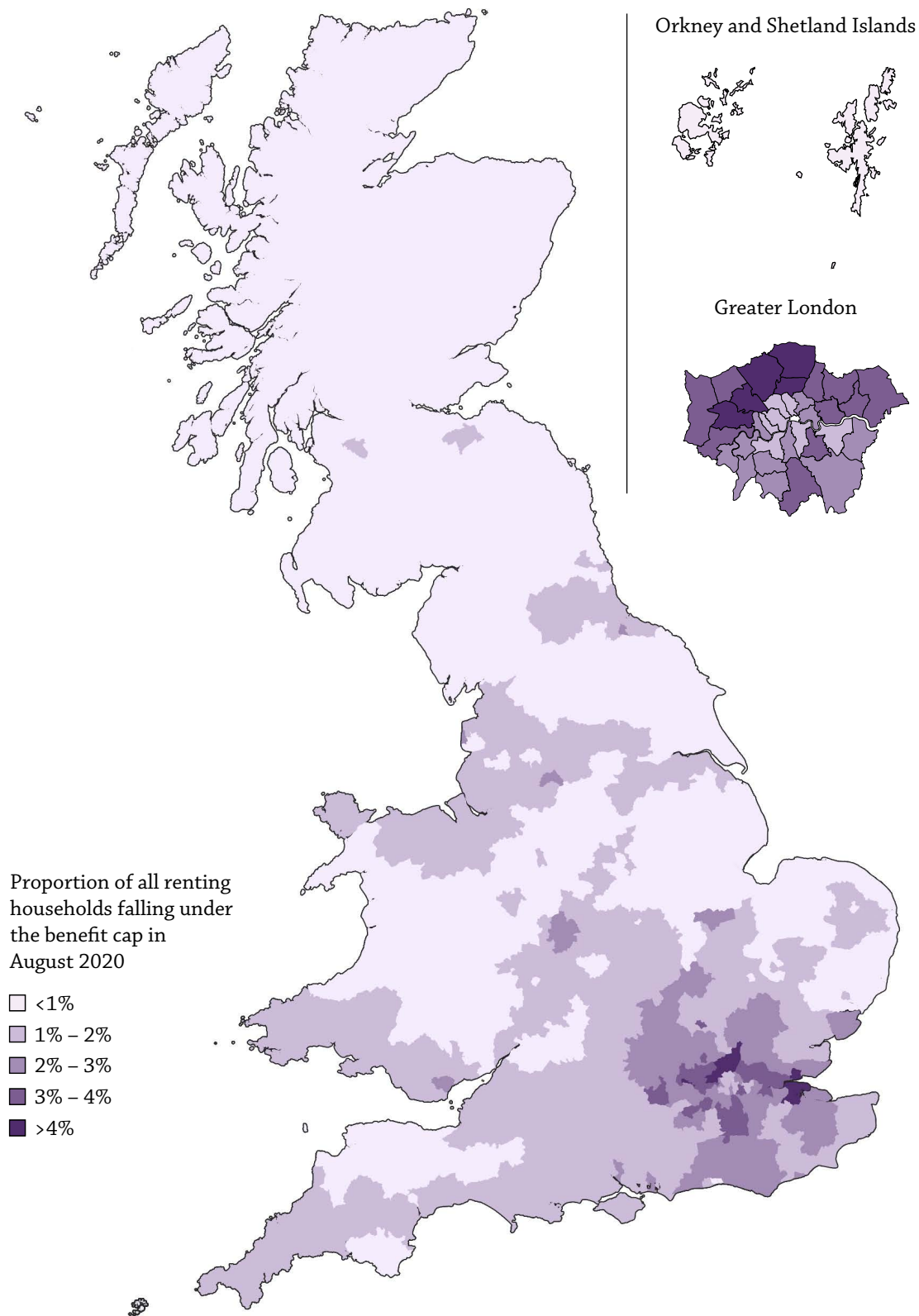
Source: JRF analysis of ONS private rental market statistics and VOA Local Housing Allowance rates

In addition to the gaps in LHA, the impact of the benefit cap creates significant shortfalls between the support struggling families can access, and the costs they need to meet. It also undermines many of the uplifts to the social security brought in as a response to the coronavirus crisis by capping the amount of additional benefits many families can access. As a result, these uplifts never reach many of those families most in need of additional support.

As of April 2020, couples or families with children are eligible for a maximum of £385 a week (£442 a week in Greater London). Single people without children are eligible for a maximum of £258 a week (£296 a week in Greater London). If their benefits total more than this, the housing element is reduced until the cap is met. Generally, this cap does not apply to working families, because the cap is lifted for single people working more than 30 hours a week, couples working more than 24 hours a week and single parents working 16 hours a week. Those with a disability are also often exempt if they claim the Disability Living Allowance (DLA). However, it can severely affect those who are out of work, underemployed, cannot work enough hours for reasons such as childcare, or face barriers to work due to disability but are deemed eligible to work.

The various increases in benefits, combined with the increased reliance on Universal Credit, has meant that more and more households are being capped, with some of the biggest rises occurring in London. Between February 2020 and August 2020, an additional 89,000 households (an increase of 112%) had their benefit income reduced by the cap, 33,000 of which were in London (an increase of 160%) where the average reduction totalled £64 a week (an increase of 19% since February). As of August 2020, 53,000 households in London receiving benefits had had their benefit income reduced by the benefit cap. This equated to around 3% of all renting households in London (up from 1.1% in February), and was among local authorities in the north and north west of London. In Enfield, around 7.3% of renting households had fallen under the benefit cap by August (up from 2.7% in February), the highest proportion of any local authority in the UK

Renting households in London and the South East are more likely to fall under the benefit cap than elsewhere in the UK



Source: DWP benefit cap statistics, ONS sub-national dwelling stock estimates, MHCLG, StatWales and Scottish Government

Contains OS data © Crown copyright 2020

This single policy is responsible for pulling many struggling families into poverty, hitting private renters in poorer areas of London particularly hard due to high housing costs. It is also a policy that disproportionately affects single parents, particularly those in London and the South East. As of August 2020, 10.2% of all single parents (26,000 households) in London had fallen under the benefit cap, an increase of 5.2 percentage points since February 2020. As mentioned in the section on work and poverty, these families will find it increasingly difficult to get back into work after the crisis due to barriers such as childcare availability and affordability.

Many of those who have lost work since March will have been exempt from this policy for much of the crisis due to a nine-month grace period where the cap is not imposed for adults previously in regular work for the 12 months before becoming unemployed. However, this policy will not have helped those in more precarious forms of employment before the crisis, while those who lost work early in the crisis and have been unable to find other employment may have recently fallen under the cap, or face falling under the cap over the coming months. A claimant who lost work in April 2020 would have been subject to the cap from November, and this will have cut off vital support needed to pay their rent and bills over the winter period.

It is not right that families are forced into choosing between staying in their homes and paying essential costs such as food, especially given the emotional and financial costs involved in moving home, particularly in the midst of a pandemic. For many families, the gap between rent and the support they are entitled to through the social security system will have to be filled from elsewhere, leaving them more reliant on borrowing, increasing debt, and cutbacks on other expenditure (such as food, heating and other bills). For many of these families, some costs such as heating and fuel bills will have increased as a result of having to spend more time at home. Other costs such as access to the internet have become even more essential due to the crisis. This makes options for cutting back on spending harder, and forces families into difficult decisions about cutting back on essentials. Our polling in October found that 44% of private renters who saw a drop in income since March had needed to cut back on spending on food for the family. Despite making cutbacks, many families aren't able to borrow, cannot rely on savings or cannot cut back enough to fill shortfalls. As a result, many private renters will risk falling into rent arrears, and facing the prospect of eviction and homelessness.

“There’s an increased cost of isolation because of bills we might not have put such high priority on in the past, internet and stuff like that. Whereas now to keep communication in isolation with family, friends and home-working the internet has become a bill that we’re all going to have to pay for.”

Social renters and poverty pre-coronavirus

Access to more affordable homes is an important way that we, as a society, have protected people on low incomes, who could not afford to buy or privately rent good-quality homes, from being forced into poor-quality and unaffordable homes. Higher poverty rates in the social rented sector are therefore expected and show effective targeting of support.

While poverty in the social rented sector has always been higher than other tenures, 2018/19 saw poverty rates decline for a second consecutive year from 47% in 2016/17 to 43% in 2018/19. Much of this change has been down to increasing employment rates, a significant drop in unemployment among working-age social renters (a continued trend since 2009/10) and falling social rents. As explored in our *Poverty in Wales* (JRF, 2020b) and *Poverty in Scotland* (JRF, 2020c) reports, approaches to social rent setting have differed among UK nations over the past five years, and increasing social rents have driven a rise in poverty in both Scotland and Wales. However, increased employment among social renters combined with a 1% annual drop in social rents in England (between April 2016 and April 2020) has started to bring down high poverty rates in the social rented sector.

Alongside increased employment rates, earnings among working social renters have been increasing over the past five years. Since 2014/15, social renters in work have increased their net earnings by an average of £29 a week in real terms, an increase of 7.5%. Much of these gains has been largely cancelled out by cuts to benefits – these families also saw a real-terms reduction in benefits of £38 a week over the same period (a 27.5% decrease, some but not all of which was as a result of increased earnings) – but increased earnings significantly lessened the impact of benefit drops over this period. However, it is important to note that there is a lot of variation in social renters' experiences over the past four years. Due to ways in which social rented homes are allocated, households most in need of income support (such as those unable to work) are more likely to live in social rented accommodation and the proportion of families out of work in this sector tends to reflect this. As explored in last year's *UK poverty* report (JRF, 2020a), families with a disabled adult in the household were one of the hardest-hit groups from recent changes to the benefit system. They also make up a large proportion of social renters. As of 2018/19, 22% of working-age social renters were not in employment due to sickness or disability.

Lack of social housebuilding over the past decade has meant that the demands on the social rented sector have increased, particularly in England. Between 2010/11 and 2018/19, the number of homes built for social rent in England as a proportion of new homes fell from 33% to 3%. In 2018/19, 6,287 new social rents were completed, just 7% of the 90,000 new social rents needed a year (Bramley, 2018). As a result, local authorities must often prioritise social rents for those most at risk of poverty and least able to work, while many of those lower-income working families who may have previously benefitted from social housing must now negotiate an insecure and often unaffordable private rental market.

For those who have managed to remain in social housing and find work, finding employment can have many positives. But social renters have tended to find work in lower-paid industries with high levels of insecurity and in-work poverty, and the most recent increase in employment for social renters has largely continued this trend. As of 2018/19, social renters were more likely to be working in retail, manufacturing and accommodation and food than employees in other tenures. Between 2016/17 and 2018/19, the number of working-age adults in the social rented sector who were employed in the accommodation and food industry increased by 70,000 – more than any other industry. They were also more likely to be employed in part-time or insecure work with 7% of those in work reporting working in a zero-hours contract in 2017/18 (compared with 3% of private renters).

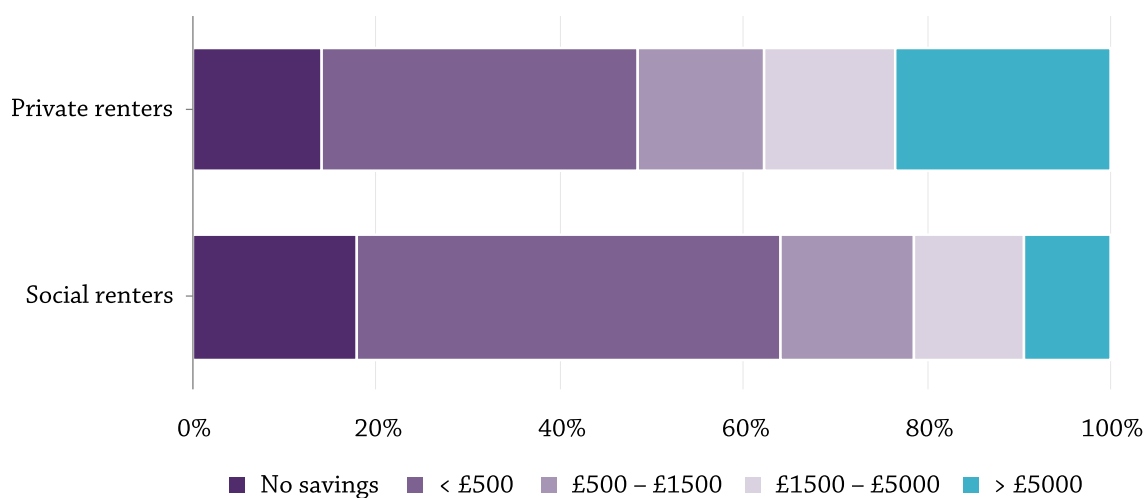
When compared with other tenures, social renters' earnings remained comparatively low. In 2018/19, full-time social renters on average earned £85 a week (23%) less than private renters, while part-time social renters earned £23 a week (15%) less than part-time private renters. In-work poverty was also higher among working-age adults in the social rented sector (28%) than in the private rented sector (22%) and social renters in employment remained reliant on benefits for top-ups to any earnings, with 62% of families claiming an income-related benefit. However, increases in employment among tenants in the social sector meant that average household earnings increased while cheaper housing costs kept living costs low. This drove a fall in poverty, but many households remained on the cusp of poverty. In 2018/19, in addition to the 43% of social renters in poverty, a further 14% had between 60% and 70% of the UK after housing cost median income. While some social renters were beginning to find their way out of poverty, many were still in a precarious position where a small income shock might pull them back under.

Social renters and poverty during coronavirus

Like private renters, social renters were also hit hard by the economic impact of the coronavirus crisis. As mentioned earlier, industries such as accommodation and food, retail and manufacturing reported high rates of furlough in the early stages of the first lockdown. The impact of this represented a significant income loss for many social renting households. Between April and June, 34% of all social renters who were previously in work had been furloughed.

The result of this economic shock was that many of those households who were just about managing pre-Covid were probably pulled into poverty by falling earnings. By October, 1.2 million social renting households (27%) said they were worried about paying their rent over the winter period. Much of this is down to the precariousness of their situation pre-Covid. In 2016/18, 15% of social renting households had no savings, and 36% had less than £500. For around half of social renting households, lack of savings meant no reserves to fall back on to make up for any shortfalls in the event of an income shock. For those with a lower than average income pre-crisis, the situation was even worse.

More than two-thirds (64%) of social renters, and almost a half of private renters (49%) in the bottom half of the income distribution had less than £500 savings



Source: JRF analysis of Wealth and Assets Survey, 2016/18

"There's no chance for savings. The cloth is cut so thinly that there's no opportunity to put a fiver away."

Stretched family finances mean there is little headroom for cutbacks to spending. Social renters were less likely than private renters or mortgage holders to be able to fall back on savings, make reductions in spending, borrow from family or friends, or borrow from a bank. Instead, they were more likely to fall behind on bills and rent early into lockdown, with around half a million (11%) social renting households behind on their rent by August 2020, and 1.2 million (26%) behind on at least one household bill (including rent). Research by Housemark (2020) suggested that rent arrears in the social sector increased by 10% in the first month of lockdown between March and April and continued to rise steadily over the following few months. Much like private renters, social renters who faced a drop in income and were able to make cutbacks had to make extremely difficult choices to make ends meet. Our polling in October showed that 37% of social renters who had seen their income drop since March had reduced spending on food for the family, with 8% of those with children specifically having to cut back on food for their children.

“People are facing eviction, and the worry of it being winter with children facing eviction makes it really scary. Even though there is some sort of help about, you put so much energy into it, and there’s so much anxiety, it’s causing a huge strain on everyone’s mental health.”

While the data suggests social renters have been struggling during the crisis, uplifts to the benefit system have supported the finances of many households in the social rented sector during the crisis. The temporary uplift of the Universal Credit level and Working Tax Credit basic element by £20 a week has provided a boost to the incomes of many households. The low cost of social housing also means that, where needed, the housing element of Universal Credit should cover the cost of housing.

However, policies such as the benefit cap and the under-occupation penalty (often referred to as the removal of the spare room subsidy) negate these changes for many social renters. Social renters are also more likely to still be on pre-Universal Credit benefits meaning that they may not have benefitted from the temporary increase to Universal Credit. As of August 2020, 66% of all social renting households claiming housing support were still claiming Housing Benefit through the non-Universal Credit benefits system, compared with just 35% of private renters. The precariousness of social renters’ finances going into the crisis and the likelihood of them working in at-risk industries mean that a substantial proportion of social renters are likely to have struggled significantly in the early stages of this crisis and been put at risk of destitution or homelessness. Our polling in October suggested that around 150,000 social renting households (4%) had already been issued an eviction notice, or had their landlord contact them about eviction.

For many social renters though, the protection of cheaper social housing will have helped to anchor them against the worst impacts of the crisis and will continue to stop finances and living standards deteriorating further as the crisis progresses. While social renters were unlikely to think their financial situation was going to improve over the next six months, they were more likely to think their financial situation was going to stay the same (77%), and less likely to think they would be worse off (13%) than private renters (68% and 16% respectively).

“As long as you’ve got a roof over your head that’s your foundation, that’s what you can move on from.”

Overcrowding, non-decent homes and the impact of ethnicity in the rented sector

Overcrowding remains a significant issue for households in both the private and social rented sectors, particularly in urban areas in England. In 2019/20, 9% of social renters (up from 8% in 2017/18) and 7% of private renters (up from 6% in 2017/18) in England lived in overcrowding housing. Rates are highest in London boroughs where in 2017/18, around 15% of social renting households and 12% of private renting households were estimated to be living in overcrowded housing. Overcrowding also disproportionately affects BAME households, with the highest rates of overcrowding in England in Bangladeshi (24%), Pakistani (18%), Black African (16%), Arab (15%) and Mixed White and Black African (14%) households – compared with just 2% of White British households. Non-decent housing particularly affects those in the private rented sector, with around a quarter (23%) of all private rented homes in England falling short of the Decent Homes Standard compared with 12% of homes in the social rented sector.

The impacts of overcrowding and non-decent housing can have a detrimental effect on those living there. Coronavirus has further highlighted the urgent need for decent housing, particularly among the poorest communities, as its spread has devastated those in high-density, poorer urban areas. Research by Inside Housing showed that in the early stages of the pandemic, coronavirus deaths were highest in local authorities with the highest rates of overcrowding and the largest prevalence of houses in multiple occupation (Barker, 2020). This was particularly true of London boroughs where overcrowding is especially high. By 17 April 2020, 18 of the 20 local authorities with the highest death rates were in London. The worst affected also tended to have large BAME populations, with Newham (61% of adults from a minority ethnic group), Brent (60%) and Hackney (40%) fairsing the worst.

The strain placed on households by high costs in the rental sector also disproportionately impacts BAME communities, where many rely on high-cost private rented housing (particularly in London) and have low rates of home-ownership. The rents paid by BAME households in the private rented sector were already unacceptably high pre-crisis, with the average BAME household paying 38% of their income on rent (excluding Housing Benefit) between 2016 and 2019, compared with 31% for the average White household.

Going into the crisis, high housing costs made BAME communities additionally vulnerable to the financial impacts of the crisis. As explored earlier, BAME workers are more likely to be worse off since coronavirus than White workers, often due to loss of hours or work. In the event of lost income, many BAME households will have struggled to balance falling incomes with high rents. For those needing to fall back on the social security system, policies such as the benefit cap and two-child limit will have probably limited the support many of these families were entitled to. High rents mean in many cases more Housing Benefit is needed, pushing families closer to the cap. In addition, large average family size and high numbers of lone parents in some communities mean households are more likely to see themselves penalised by the social security system when they require help most.

The impacts of job loss, expensive rents and an increased risk of having benefit income capped will have hit BAME households hard, and many will have struggled to make ends meet amid the coronavirus storm. Across all renters (both private and social) 42% of BAME adults were worried about paying their rent between November 2020 and January 2021, compared with 27% of White adults. BAME adults were as worried about paying their rent before COVID-19 (27%) as White adults were between November and January. BAME households face the double penalty of not only disproportionately facing financial hardship because of their housing situation, but also living in poor-quality, overcrowded housing that is likely to have a detrimental impact on their mental and physical health.

Mortgage holders and poverty pre-coronavirus

In 2018/19, 10% of mortgage holders were in poverty and this had been falling consistently since 2007/08. This change has been driven by a combination of falling mortgage costs, increasing incomes among mortgage holders and compositional changes caused by fewer poorer households being able to buy. Mortgage holders were more likely to be in employment (89% of working-age adults with a mortgage were in work in 2018/19) than private or social renters and those in work were more likely to work in industries with lower levels of in-work poverty than renters (for example scientific, professional and technical industries).

Most households buying with a mortgage were comfortably above the poverty line. However, the proportion of households buying with a mortgage across all parts of society has fallen significantly over the past 20 years, and lower-income households are finding it increasingly difficult to enter the housing market as house prices and deposit costs increase. Research by the Resolution Foundation (Judge and Pacitti, 2020) showed that in 2019, first-time buyers needed to save an average of 21 years to afford the deposit required for a typical UK home. In 2018/19, only 29% of mortgage holders were in the bottom half of the income distribution, down from 32% at the start of the decade. Over this period, there were half a million fewer mortgage holders in the bottom half of the income distribution in 2018/19 than there were in 2010/11. Many have instead had to turn to more expensive and insecure private rents.

Mortgage holders and poverty during coronavirus

When lockdown hit in March 2020, most mortgage holders were in a much better position to weather the storm than both private and social renters. First, they were less likely to be furloughed than renters. Around 25% of employees with a mortgage reported being furloughed between April and June, compared with 32% of private renters and 35% of social renters. Those who did lose income were more likely to have savings to fall back on. In 2016/18, four in five (79%) households with a mortgage had more than £1,500 in savings. Many of those who lost income and found it difficult to keep up with their mortgage payments were able to apply for a mortgage holiday. These breaks in payments will have been a financial lifeline for many families, and as a result mortgage holders were significantly less likely to fall into arrears on their housing costs than renters were, with less than 3% reporting arrears in mortgage payments by October 2020 (Hetherington, 2020).

However, while the proportion of mortgage holders facing financial difficulties during the crisis is much smaller than renters, they still represent a significant number of people in difficulty. Approximately 210,000 households had fallen behind on their mortgage by October, many of whom could face repossession in the near future. Beyond these severe cases, others also face an uncertain future. The opportunity to take a mortgage holiday has been extended to 31 March 2021 to provide security to mortgage holders who may struggle to keep up with payments, but households are only entitled to a six-month break in payments. For those households who took a mortgage holiday early in the crisis, their holiday may come to an end before they are financially stable enough to pay. Our polling of mortgage holders in October just before the mortgage holidays were due to end showed that around 1.6 million households (20%) with a mortgage were worried about their ability to pay their mortgage over the winter.

Households who find they are unable to pay for their mortgage costs will need to rely on the government's Support for Mortgage Interest (SMI) loans but there are many issues with this system that may drive struggling mortgage holders into poverty. First, SMI is not available until a household has been out of work and without income for nine consecutive months. This means an eligible household that applied at the start of lockdown would not receive any support until December. Those applying in January 2021 would not get any support until August 2021, a waiting time that will leave many households building up unmanageable arrears. Second, the loan repayment system means that, even when a household can access support, they risk long-term difficulties with debt that they may find difficult to escape from.

Insights from the JRF Grassroots Poverty Action Group about issues around housing and poverty

Discussions with our Grassroots Poverty Action Group showed that many felt a looming anxiety about their housing situation. For some, coronavirus has exacerbated the need to prioritise bills. Many had been juggling bills pre-crisis and had found this situation worsen with drops in income, increased spending on food and fuel, and increased reliance on the internet and other forms of technology to stay connected with the outside world during lockdown. These factors put a significant strain on household finances.

The ability to pay for rent and the prospect of eviction were at the forefront of many of the group members' minds. Many said that paying rent was their main priority and talked about the difficulty of finding suitable housing for themselves and their family pre-crisis. Rental prices outstripping income was a common theme and some felt that housing (both private rented and housing association) was often unaffordable even when families were able to find work. Some were so stretched that they said it was difficult to even put £5 away for a rainy day.

Eviction or the need to move home for financial reasons meant a potential loss of support networks at a difficult and stressful time, as some felt they may not be able to find other suitable accommodation in their local area. Others worried they would have to accept unsuitable accommodation just to have somewhere to live. One group member going through the eviction process talked of the difficulty and uncertainty of going through the courts. They felt the support of their tight-knit local community would help them avoid homelessness, but worried about those who did not have the same community support facing a similar situation.

However, some shared positive experiences of the support during the crisis. Many felt that utility companies were much more lenient when a household fell behind on bills than landlords. Some felt the need to fall into arrears on these bills to ensure they could pay their rent where there was less leniency. For Scottish social tenants in particular, the use of credit unions, individual financial advice for those struggling with rent arrears, and the extension of the eviction ban until March 2021 were cited as important factors in making tenants feel secure and supported throughout the crisis.

Conclusion

Conclusion

This report has shown that even before coronavirus, millions of people in our society were living precarious and insecure lives. In many instances, coronavirus has swept them deeper into poverty, as well as dragging others under, many of whom will have not experienced this situation before. The Government has responded with some bold and compassionate actions, but too many of these are temporary. A longer-term strategy is desperately needed to act as a life raft for people in poverty, including through the uncertainty of exiting the Brexit transition period.

Earlier, we set out five key drivers of poverty levels: unemployment, earnings, benefits, housing costs and inflation. Apart from inflation, which is forecast to remain relatively low, we have shown in this report the effects of coronavirus on each of these. Below we summarise these effects and discuss what needs to happen next.

1. We need as many people as possible to be in good jobs.

The impact of coronavirus: The outbreak has brought a dramatic reversal of the trend of increasing employment, which in itself was not enough to reverse the high tide of poverty even before coronavirus.

What next: In our last report (JRF, 2020a), we highlighted that weak local economies in some parts of the UK led to higher unemployment than in the UK as a whole. These areas have been badly hit by the economic effects of coronavirus. It is also likely that some groups, such as younger and older workers, will be worst hit. Despite government support to protect jobs we are still likely to see a wave of job losses. We need to see further bold action to retrain workers and create good-quality new jobs.

2. We need to improve earnings for low-income working families through ensuring more people are in secure, good-quality work.

The impact of coronavirus: As well as increased unemployment, coronavirus has reduced the average number of hours worked. As more people are unemployed, there will also be downwards pressure on earnings, although the National Living and Minimum Wages can help protect wages for some of the lowest earners.

What next: The Coronavirus Job Retention Scheme will continue to protect many jobs in the coming months, but unemployment is still predicted to increase this year. It is critical in the long term to increase the number of employees in good jobs that reduce poverty. Too many people are stuck in low-paid, insecure jobs, with little chance of progression and too few hours of work to reach a decent living standard. We need a ‘good jobs’ recovery helping people seek new good job opportunities. Government must bring forward the employment bill to reduce insecurity for low-paid workers by extending employment rights and investing in strong and effective enforcement.

3. We need to strengthen the benefits system so that it provides the anchor that people need in tough times.

he impact of coronavirus: The Government has taken bold steps to temporarily increase benefit levels to help people who have lost jobs or earnings, as well as families who have faced extra costs from coronavirus. There is, however, a huge risk for people who are already on the brink of being pulled further and deeper into poverty if these temporary increases are not made permanent.

What next: At a minimum, we need the temporary £20 a week increase to Universal Credit and Working Tax Credit to be made permanent. We also need to extend this same lifeline to people on legacy benefits such as Jobseeker’s Allowance and Employment and Support Allowance, and then to consider further improvements to the current system, to ensure it gives adequate support.

4. We need to increase the amount of low-cost housing available for families on low incomes and increase support for households with high housing costs.

The impact of coronavirus: While housing costs have not been increased by coronavirus, the affordability of housing is likely to have worsened because of falling incomes, putting strain on already hard-pressed households and raising the prospect of evictions or repossessions for some.

What next: Now is the time to be investing in social housing as part of a stimulus package and to reverse the long-term trend of falling availability of social housing which has meant more and more people are stuck in the expensive private rented sector. We also need – at a minimum – to keep housing affordable for those whose income is already low or has fallen, through maintaining the link between benefits for housing and local rents.

A year ago, Boris Johnson was elected with a commanding majority, promising to level up opportunities across the country. None of us knew at that time the challenges 2020 would hold, but neither did we anticipate the fortitude that we would show in dealing with coronavirus. We have seen just how much we all depend on each other, and on the public services that help us keep our heads above water when times get tough. We need to build on this collective spirit. Once the worst health and social impacts have passed, we must make sure that the success of the recovery is assessed against whether it has improved the lives of people who were in poverty before coronavirus or have been pulled into poverty by the outbreak. As a society, we can work together to protect each other from harm; to reshape our economy based on our values of compassion and justice; to solve poverty.

Notes

- 1 The Social Metrics Commission's measure also depends on movements in broader types of resources, such as levels of savings and debt, and the cost of childcare. See the Social Metrics Commission's annual report at <https://socialmetricscommission.org.uk/measuring-poverty-2020/> for details of what is included in this measure.
- 2 Estimated using Understanding Society data and defined as being in poverty for three consecutive annual interviews (so the third interview will be two years after the first).
- 3 Unemployed claimants are those who are claiming out-of-work benefits and is not a measure of unemployment. Currently, this is not the best measure of unemployment, generally, but it's the best local measure available at the time.
- 4 Living costs survey 2018, <https://bit.ly/2Whu3Xw>.
- 5 Ministry of Justice, Tribunal Statistics Quarterly: January to March 2020, www.gov.uk/government/statistics/tribunal-statistics-quarterly-january-to-march-2020.

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The Joseph Rowntree Foundation is working with governments, businesses, communities, charities and individuals to solve UK poverty. This report provides a comprehensive, independent and authoritative overview of UK poverty in 2020, which we hope will make more people want to solve poverty, understand it and take action.

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