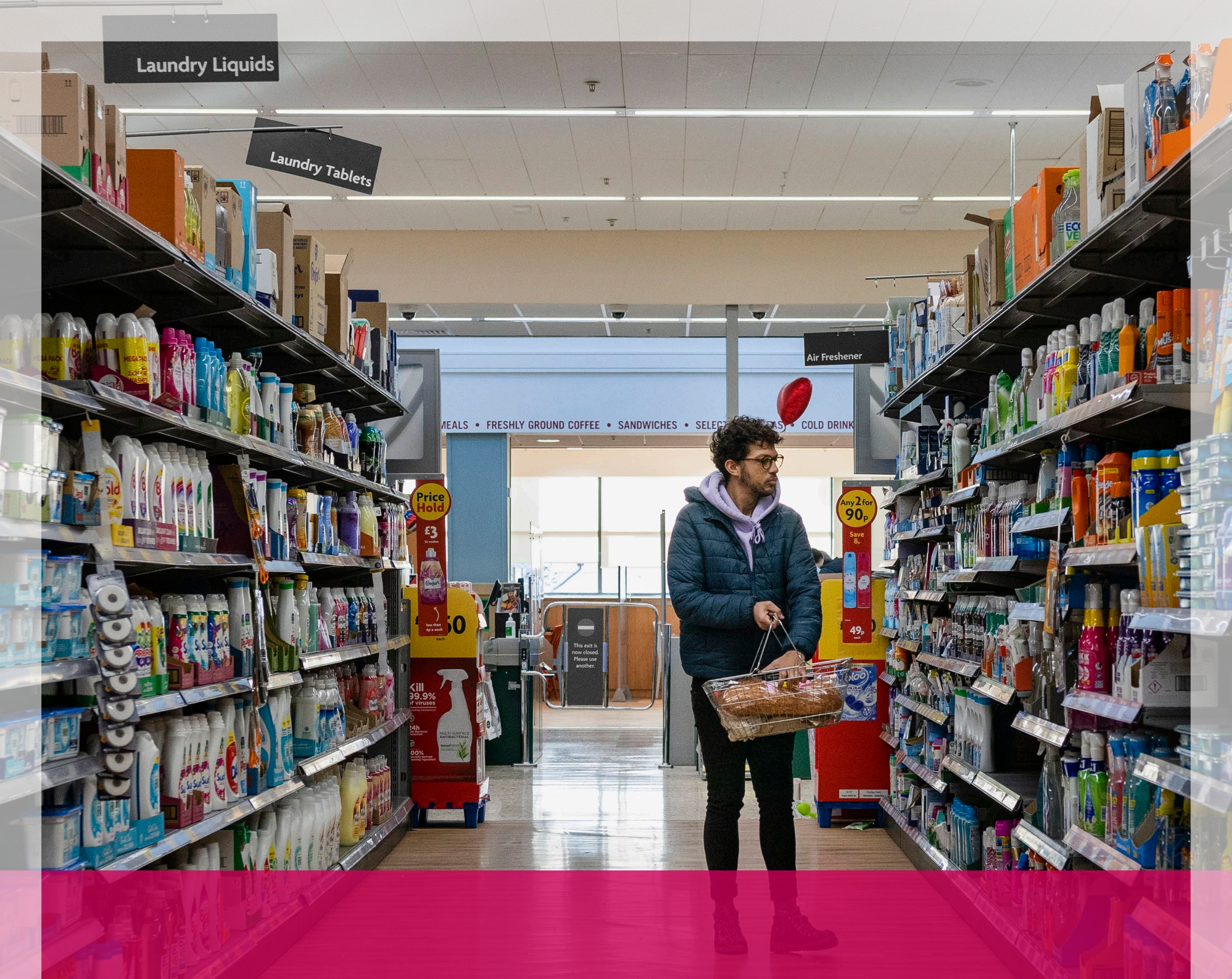

Going under and without: JRF's cost of living tracker, winter 2022/23

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Going under and without: JRF's cost of living tracker, winter 2022/23

This report makes clear that the Government support provided so far in the cost of living crisis hasn't been sufficient to stem the rising tide of hardship for millions of families on the lowest incomes up and down the country.

This new research highlights that low-income households' finances continue to buckle under the pressure of the cost of living crisis, as 7.2 million are going without the basics, and 4.7 million are behind on their bills. We find that it is households on the very lowest incomes who are struggling the most, with three quarters of those in the bottom 20% of incomes going without food or other basic essentials like clothing or toiletries. People on Universal Credit (UC), private renters and young adults are all seeing rising and worrying levels of hardship.

JRF is calling on the Government to do the right thing and fill the gaps left by the Autumn Statement so that people across the UK aren't building up debt and going without the basics.

Rachelle Earwaker, Senior Economist

Recommendations:

To fill the gaps that the Autumn Statement left, the Government must urgently:

- Provide additional cost of living payments, including at least £450 to those on means tested benefits, this winter. Struggling households can't wait until April 2023
- Make changes to Universal Credit so that the basic rate of support, even after deductions such as debt repayments to Government, can never be so low that people are unable to afford essentials such as food, utility bills and basic household goods.
- Help people keep up with their rent by unfreezing Local Housing Allowance and reinstating it to cover the bottom 30th percentile of rents.
- Implement a strong campaign for benefit take-up so everyone receives the support that is meant for them.
- Stop unaffordable debt collection practices by Government.

Executive summary

This report provides the current state of play for households on low incomes during the cost of living crisis. It is the third in a series of large scale studies of households in the bottom 40% of incomes, conducted in October 2021, May / June 2022 and October / November 2022. It reveals that the hardship being faced by low-income households remains severe, and looks at the proportion of families who have fallen behind on their bills, experienced food insecurity, gone without basics like showers and toiletries, taken on high cost credit debt from payday lenders and loan sharks, and had to borrow money to pay bills.

We're still experiencing historically high inflation of 11%, and the prices of essentials are still soaring, energy bills (while capped) have seen two enormous increases on what they were last winter. Housing shortages, soaring rents and rising mortgage payments are overburdening budgets across the country. Basics have become luxuries for millions of households on low incomes. This is all taking place within the context of alarming increases in destitution and deep poverty in the UK in recent years. In the two decades before the pandemic, the number people living in very deep poverty increased from 4.7 million to 6.5 million (Schmuecker et al, 2022). The pandemic itself saw low-income households dragged into debt and arears (Bestwick and Earwaker, 2021). As a result, many families had limited financial resilience to this latest economic shock, already finding their incomes insufficient even before costs started to rise rapidly.

The time between this survey and the one in May / June 2022 covers the impact of the cost of living support announced in May 2022, by then Chancellor Rishi Sunak. This report shows that while it has limited rising hardship for those in the second income quintile (20-40th percentile of household incomes), it has not done enough to stop frightening rises in the levels of debt, and going without the basics for people on the very lowest incomes. JRF warned at the time that the payments wouldn't be sufficient to meet the scale of need for this crisis, and this report sadly proves that true.

For all low-income households in the bottom 40% of incomes:

- 7.2 million households (62%) are going without essentials. This means that they have reported going hungry, or cutting down the size of meals or skipping meals in the last 30 days, or going without basics like showers or adequate clothing since June.
- 4.7 million households (41%) are in arrears with at least one household bill and the average level of arrears remains above £1,600.
- 4.3 million (37%) are going without essentials AND in arrears with at least one household bill, and
- Over 3 million households (28%) have not been able to keep their home warm since June because they couldn't afford to.

Households in the bottom 20% of incomes across the UK are facing worrying levels of financial stress and deprivation, which have risen significantly. Three quarters have reported going without essentials, up from 67% in May 2022. A fifth have reported going hungry often in the last 30 days, up from 13% in May 2022. Over half (53%) are in arrears, up from 39% in October 2021 and 47% in May 2022. Around four in ten (39%) have no or very low levels of savings.

We highlight three groups with a sharply rising risk of going without and getting behind with bills: people on Universal Credit, private renters and young adults. Households with members from black, mixed and Asian backgrounds, people with children, disabled people, and people with a mental health condition all also face stubbornly high, if not rising, risks.

- Almost every low-income household on Universal Credit is going without the basics (90%) – either experiencing food insecurity, or going without basics like a warm home and essential journeys. This rises to 95% where deductions are being made, for example to repay debts to Government. Our social security system should be a safety net that holds us up when times are tough – but instead, it's too threadbare, and people are falling through the cracks.
- High and rising housing costs are contributing to low-income households falling behind on their bills, taking on debt and going without the basics; 85% of low-income private renters are going without essentials, and almost two thirds are in arrears with household bills – the highest of any tenure. A quarter are at risk of being evicted into a brutal rental market. This is significant, because previously private and social renters on low incomes have seen similar numbers of households struggling. A quarter are at risk of being evicted into a brutal rental market.
- 18 to 34 year olds are facing a very different cost of living crisis to older adults. They have seen some of the largest rises in hardship over the last 12 months, and it shows no sign of slowing down. A lack of savings, living in the private rented sector, living in cities, and receiving lower levels of Government support all contribute to a grim financial outlook for the UK's young adults.

Financial scarring from this crisis is a big risk. A quarter of low-income households (2.9 million households) have a high-cost credit loan – with a loan shark, payday lender, doorstep lender, or pawn shop, and around half are in arrears with their loans. 4.2 million households are trying to earn more money, all while cutting back on their spending. Of particular concern is over a third of low-income families with children cutting back on food for their children – this is a last resort and something you're forced into, not something you choose.

In trying to find temporary reprieve from the crisis, many households are also being forced to erode future financial resilience. For example 22% are taking on debt to pay bills, 24% of working-age households on low incomes are cutting pension contributions and 22% are cancelling insurance products.

With each wave of our research, the results are worse. And the outlook is grim: 7.2 million families are already going without the basics, with the coldest months of winter and further price rises to come. To address this, and stop the rising tide of hardship, the Government must fill the gaps left by the Autumn Statement with five priority measures:

- Provide additional support to people struggling the most, including an additional cost of living payment of at least £450, this winter to narrow the gap between expenses and income for struggling households. Struggling households can't wait until April 2023.
- make changes to Universal Credit so that the basic rate of support, even after deductions such as debt repayments to Government, can never be so low that people are unable to afford essentials, such as food, utility bills and basic household goods.
- Unfreeze Local housing allowance and at a minimum reset it at the 30th percentile of local rents, to help people keep up with the rent payments.
- Run a large campaign to increase the take up of benefits, so that more people who need support, and are eligible for it, claim it over the coming months.
- Stop making deductions from benefits at unaffordable rates.

Table 1: Summary of key findings, by income quintile

	Bottom 20% household income	20 – 40% household income	Total low-income households (0-40%)
Going without essentials*	75% (4.3 million)	49% (2.9 million)	62% (7.2 million)
In arrears with at least one household bill or lending repayment	53% (3.1 million)	29% (1.7 million)	41% (4.7 million)
Has a high-cost credit loan	33% (1.9 million)	16% (940,000)	25% (2.8 million)
Has taken on borrowing or used a credit card to pay bills during cost of living crisis	26% (1.5 million)	16% (940,000)	21% (2.4 million)

*Experienced food insecurity in the last 30 days or went without basics such as showers, toiletries or essential journeys since June 2022, detailed in Box 2.

Introduction

JRF has been tracking the cost of living crisis and its impact on low-income households for 12 months now. In October 2021, we found that almost four million households were in arrears with their bills. That was close to triple the pre-pandemic levels reported in the Family Resources Survey. Six months ago, when we repeated the research in May / June, that number had increased by a fifth to an eye-watering 4.6 million households. It's stayed around this level, with 4.7 million households currently in arrears. In May, we found that almost 7 million households had reported going without essentials at some point in 2022, or experienced food insecurity in the month prior. That was a jaw-dropping finding. It's risen again, to 7.2 million.

The difference this time is that between the May / June research and now, there has been some welcome Government support, including cost of living payments for people on means-tested benefits, those with disabled family members and pensioners, as well as actions to limit energy bills for all households. But it hasn't been enough, especially for people in the bottom 20% of incomes, people in receipt of Universal Credit, private renters and younger adults. For these groups hardship has deepened.

The proportion of households going without who are from black households or households with mixed ethnicity also remain extremely high. The same holds true for families with disabled household members or members with mental health conditions. Lone parents and families with children are disproportionately struggling, as are households in cities across the country. For many, whether you have savings in the bank to get you through this crisis will be the key determinant of if you will manage.

We worked alongside JRF's Grassroots Poverty Action Group (comprising of 14 people with lived experience of poverty from across the UK) to analyse the findings, exploring whether they reflected what they were experiencing in their own lives and in their own communities. In our discussions we heard stories of deepening hardship, with the cost of living crisis layering on top of the financial struggles they were already facing after years of rising costs outstripping any increases in income from employment and / or social security. Government support was judged to be insufficient to ease the financial pressures they were facing. Without a permanent solution, group members described feeling scared, helpless and hopeless. Trying to get by was all-consuming and exhausting for many, desperately attempting to reduce food and energy costs wherever they could. Despite concerted efforts not all could narrow the gap between their income and necessary expenditure, especially disabled members of the group or those caring for disabled children. They find no alternative but to rely on any credit they could access, borrow from family members and make impossible decisions about what bills to pay.

The Government must see that families won't be able to get through the winter on the current levels of support without serious financial and health scars. Further support is urgently needed this winter with an additional cost of living payment. This must be followed by changes to Universal Credit so it protects people from going without essentials, a low benchmark that has been missed for far too long. The scale of this crisis is huge, we must rise to the challenge. Leaving families out in the cost this winter will store up more problems for the future.

Box 1: Note on methodology

This paper presents the findings from a large-scale bespoke online poll of 4,253 low-income households across the UK conducted by Savanta ComRes between 28 October and 25 November 2022.

For this report, 'low-income households' are defined as those in the bottom 40% of 'equivalised' household incomes (see methodology note) – around 4 in 10 households in the UK. When we refer to those on 'the lowest incomes' we are referring to those in the bottom 20% of household incomes.

It follows on from our research carried out in September / October 2021, and May / June 2022 where we have been tracking the cost of living crisis and the financial impact of the pandemic. Please see the methodology note at the bottom of this paper for more information.

Going without and falling behind: over 4 million low-income households are both behind on bills and can't afford essentials

Of those in the bottom 40% of incomes, in October / November, 7.2 million households (62%) are currently going without essentials, like food, a warm home, toiletries or showers. 4.7 million households are in arrears with either a household bill or lending repayment and almost all of those (4.3 million) are also going without the essentials. No family should be going without the basic essentials we all need to live – but a growing number are despite Government help with the cost of living being provided.

More than half of those on low incomes said they couldn't afford an unexpected expense of £200 for an essential item without borrowing money or cutting back on other essential household items like food or transport. This is alarming as prices for everyday household items and food are still forecast to rise as the inflation rate ends the year in double digits. Already, energy prices are near double what they were this time last year, and housing costs have soared in 2022, for both renters and mortgage holders. Many families are having to wait until April for further support, and others are not eligible at all.

Box 2: Defining 'essentials' for this paper

'Food insecurity' means at least one household member in the last 30 days has either:

– Cut down the size of meals or skipped meals because there wasn't enough money for food; or

– been hungry but did not have enough money for food.

'Other essentials' means that at some point since June 2022, at least one household member has experienced the following because they could not afford to:

– has not dressed appropriately for the weather (suitable clothes or shoes),

– has not replaced or repaired major electrical goods like a refrigerator, TV, washing machine when broken,

– has gone without a shower or a bath,

– has gone without basic toiletries like soap, shampoo, toothbrush or sanitary items,

– has not been able to keep their home warm,

– has not been able to adequately furnish their home,

– has not had essential dental treatment done,

– has not got prescriptions, pain relief or over the counter medication; or

– at least one household member has visited a food bank since June 2022.

Additional for October / November 2022:

– has not made an essential journey.

7.2 million households on low incomes are reporting going without essentials in the second half of 2022

62% of households in the bottom 40% of incomes have reported going without one of the essentials we asked about since June, or experienced food insecurity in the previous 30 days. That amounts to 7.2 million households.

It was shocking back in May, to see that just under 7 million households were reporting going without these essentials. Since then significant Government support has been provided through the energy bill support scheme, cost of living payments, and the first month of the energy price guarantee. Yet the number of people going without has not fallen back. This is particularly striking given they cover the summer and autumn months (compared to the winter months that the May research reflected). This starkly reveals the scale of the problem that the UK needs to solve. It shows that while the support has stopped the situation from getting a lot worse, it hasn't been enough to reduce the hardship being felt by almost half the country. A big part of that is because our levels of social security and incomes in the UK are just too low to keep pace with price rises.

Increasing numbers are going without food and basic hygiene because they can't afford it

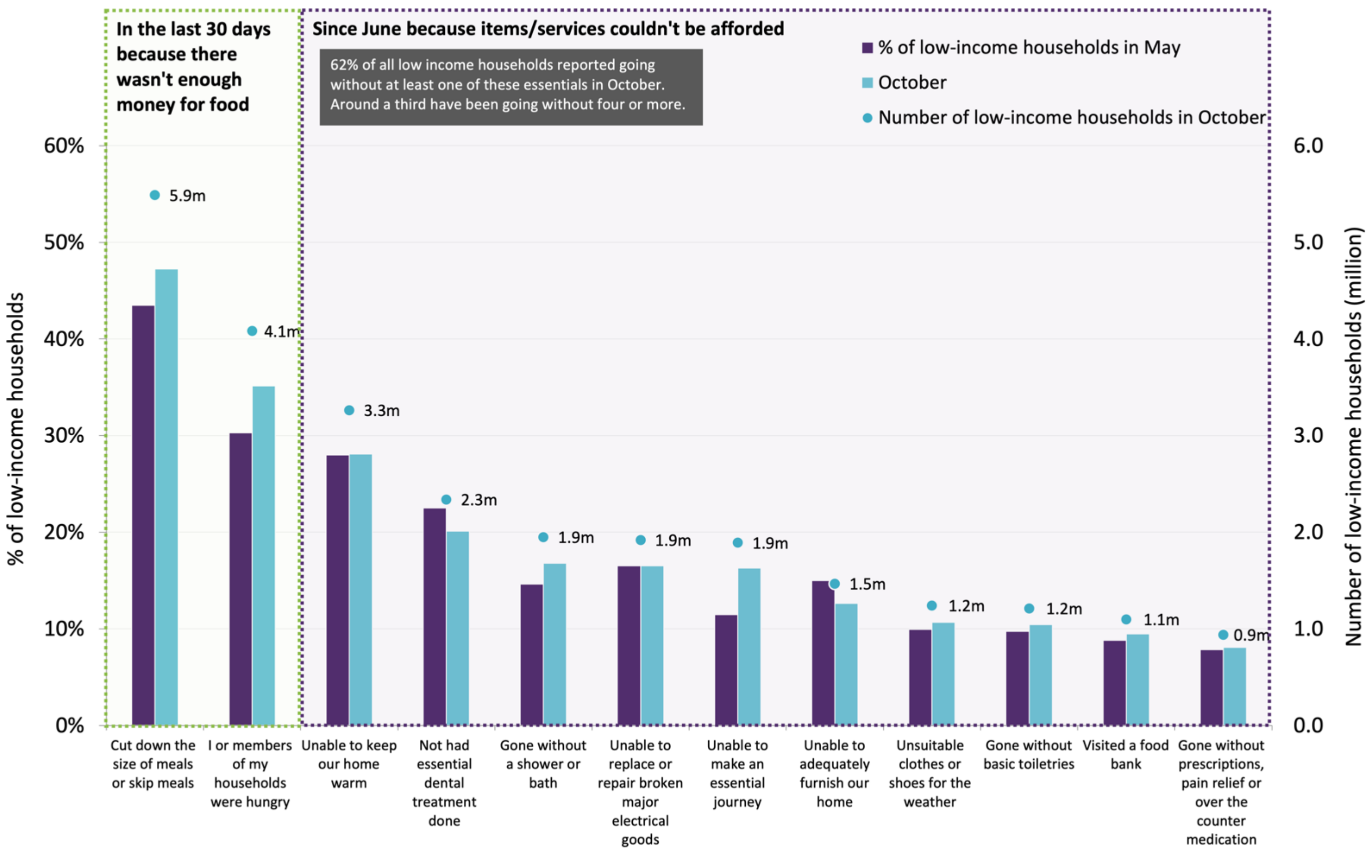
We can all agree that being able to afford enough food and basic hygiene – such as having a shower or bath – are absolute basics. Yet it is a rise in food insecurity and being unable to afford showers have driven the rising number of people going without essentials since May, as Figure 1. shows below.

A quarter of a million more households couldn't afford to have showers or baths at some point in the second half of the year so far, compared to the first half of the year. This increases the number of households experiencing this to 2 million.

440,000 more households reported having to cut down the size of, or skip, their meals because they didn't have enough money for food in the last 30 days. Half a million more said that they had gone hungry because they didn't have enough money for food over the same timeframe.

Overall, 5.7 million households have experienced food insecurity in the 30 days prior to filling out this survey in October / November. That's more than twice the number of all households in Scotland. This isn't surprising – many frontline organisations providing assistance with food have reported similar eye-watering increases – but when these findings are coming from multiple organisations, across the country, all reporting extreme levels of hardship, it's time to sit up and pay attention.

Figure 1: The proportion of low-income households going without different types of essentials, compared to May 2022

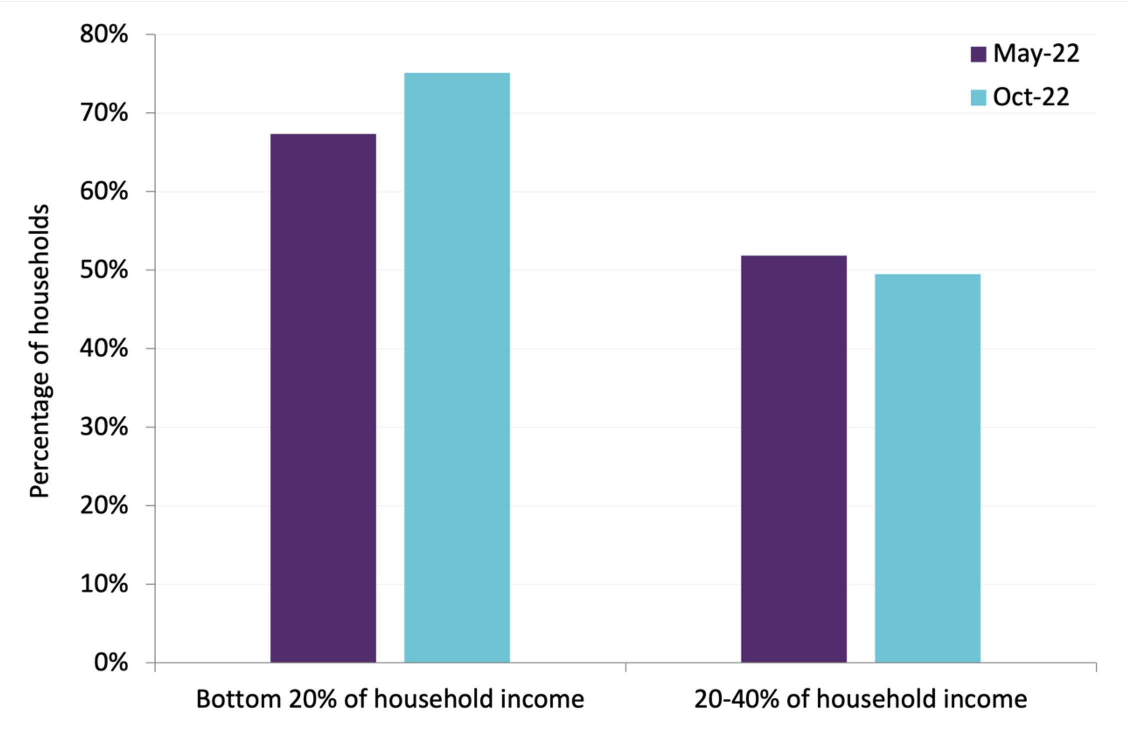


The situation is much worse for households in the bottom 20% of incomes

Looking beneath the surface of households in the bottom 40% of incomes to look at those on the lowest incomes (bottom 20%) reveals an altogether more concerning picture. In May 2022, just over two thirds (67%) of households on the lowest incomes reported that they had gone without at least one essential since the start of the year, or that they'd experienced food insecurity in the previous month. That figure rose to three quarters of the group (75%) in October / November 2022 having experienced food insecurity in the last month or gone without other essentials since June, equating to 4.3 million households. Of those households, more than half (55%) reported going without three or more types of essentials, highlighting the depth of hardship over the past six months.

This picture for people in the bottom income quintile (bottom 20%) is in contrast with that for people in the second income quintile (20%-40%), where the rate fell slightly from 52% to 49%. It would seem the assistance provided was less effective for the worst off, where financial resilience is lower.

Figure 2: Those in the bottom 20% of household incomes have seen a big rise in the proportion going without essentials, compared to those in the next income bracket



The picture on food insecurity is also deeply concerning among the bottom 20%, with around 6 in 10 (61%) experiencing food insecurity in the 30 days prior to filling out the survey in October / November, amounting to 3.6 million households. This was up 600,000 from 3 million (or 52%) in May. In contrast, those in the second lowest income quintile saw a stable level experiencing food insecurity – 37% to 36%. The proportion of those on the lowest incomes who said that they had often gone hungry in the last month increased from 13% to 20% - that's one fifth of households, 1.2 million families - on the lowest incomes reporting not having enough money to stop them going hungry last month.

These findings align with the experience of frontline organisations who are seeing demand rise rapidly. Between April and September this year, 320,000 people have used a foodbank in the Trussell Trust's network for the first time, taking the provision of emergency food parcels to the highest levels yet recorded (Trussell Trust, 2022).

4.7 million households on low incomes are in arrears with either a household bill or lending repayment

Not only are low-income households going without essentials, they are increasingly getting behind with household bills and lending repayments. Around 4 in 10 households (41%) in the bottom 40% of incomes are currently in arrears, amounting to just over 4.7 million households. Half of these households are in arrears with three or more different bills. Twelve months ago, that figure was 33% - or 3.8 million households. The Financial Conduct Authority also finds a growing number of households struggling with keeping up with their bills. When they look at the full population and analyse by individuals rather than households – they see similar trends – there was a large increase of 33% between February 2020 and May 2022 in the proportion of adults who felt that keeping up with their domestic bills and credit commitments was a heavy burden (FCA, 2022).

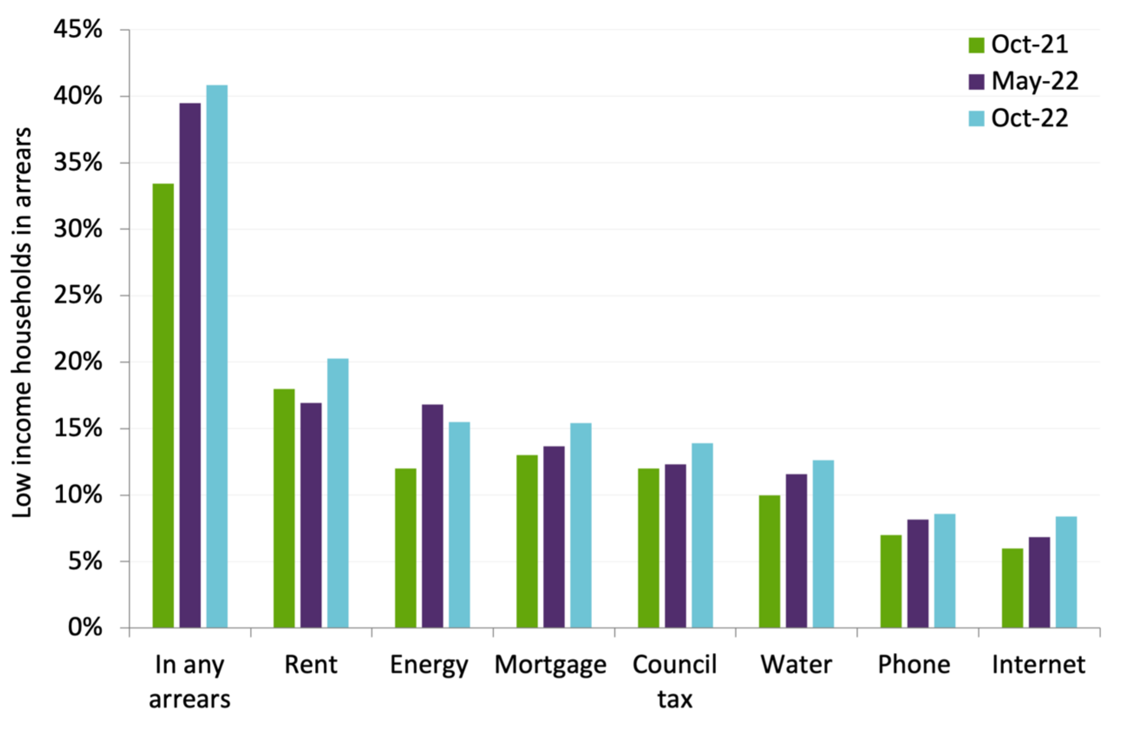
The average amount of arrears owed overall by this group is around the same as it was in May 2022, at £1,630, but the amount owed on some specific bills has been rising, notably for energy bills, council tax and water bills. An average of just over £500 is owed for council tax, £440 for water and £410 for energy bills.

There is growing concern about council tax arrears and the burden this is placing on low-income households. An increasing number of people are asking Citizens Advice for help in relation to council tax arrears: an 18% increase between November 2021 and 2022, and a 30% increase in advice about bailiffs taking control of goods.

The proportion of households in arrears with each different household bill has risen over the last 12 months for every bill. The same holds true for every bill over the last six months, except for energy – as shown on Figure 3.

At first glance the finding on energy bills may seem surprising given the price of energy has been driving inflation. However, the May figure looks at energy arrears that would have likely been accrued over colder months, whereas the October / November figures cover what was a hot summer followed by a mild autumn. Secondly, we know households are making big changes to the way they consume energy, in response to price rises. People are waiting for their homes to reach worryingly low temperatures before turning on heating, have switched hot water off and are changing the appliances they are using, and the amount of times in a day they cook food. Finally, support in the cost of living crisis has been targeted towards helping households with their energy bills. Across this financial year, £37 billion has been spent by Government on cost of living support: with £400 off energy bills for all households, a £150 council tax rebate for households in tax bands A-D in England, £650 one-off payments to people on means tested benefits, additional payments to pensioners (£300) and people with a disabled household member (£150) and an Energy Price Guarantee which has reduced the unit price of energy so it is below the market rate. What should concern us is that such a significant amount of support has only succeeded in seeing energy arrears fall back slightly, and we still have the coldest months of winter ahead.

Figure 3: Proportion of low-income households in arrears with household bills is up for every bill except energy



Targeting financial support to the most vulnerable has been important

Similar to the essentials picture above, people on the lowest incomes are more likely to be in arrears. Among households in the bottom 20% by income, the proportion in arrears with at least one household bill or lending repayment has risen from 39% in October 2021, to 47% in May 2022, to 53% in October 2022. That's a 12 month increase of more than one third. Across every kind of bill we asked about, the proportion who are behind increased across each one compared to October 2021 – even energy.

Our research confirms that the targeting of support to people on means tested benefits or disability benefits has been desperately needed. Yet despite this support, almost a quarter (24%) of people on means tested benefits are currently in arrears with their energy bills, more than double the rate of people who are not (10%). Almost a fifth (19%) of households with a disabled family member are in energy arrears, compared to 13% of those without. Interestingly, only 3% of those with a household member aged 65 plus reported being in energy arrears. This is discussed later in the report, but our findings show it's clear the impact that savings, owning your home outright, and sufficient Government support, can have on holding your financial situation steady in times of crisis.

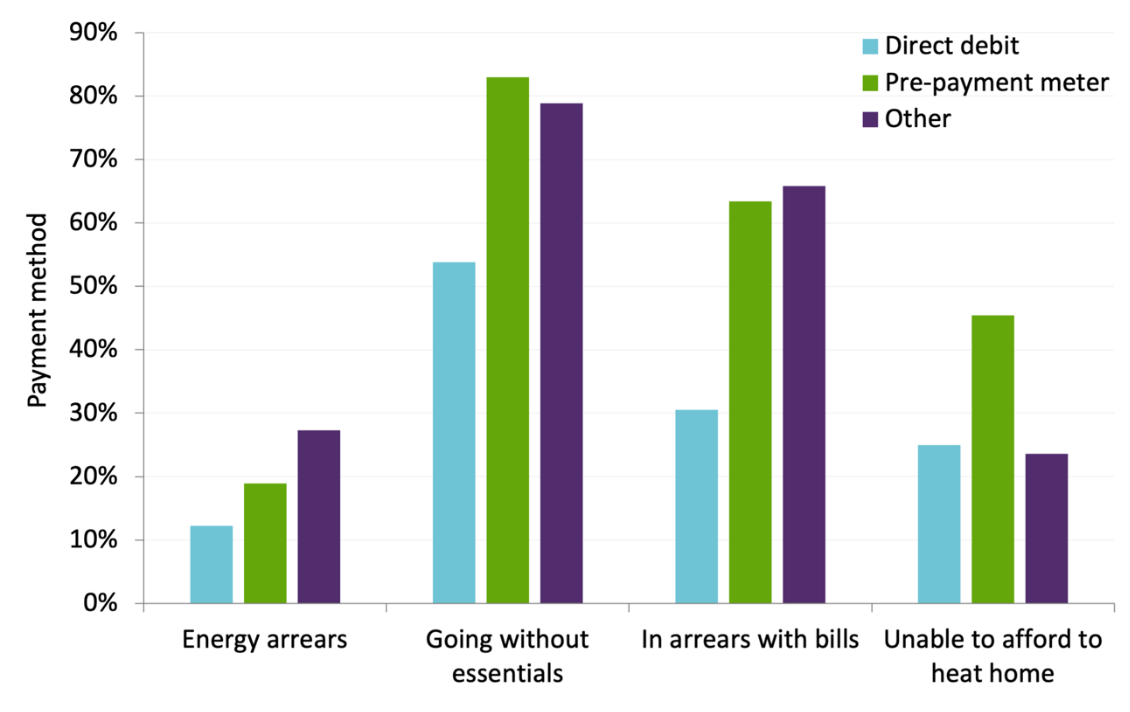
How you pay for your energy matters and is a key determinant of your financial situation

You're much more likely to be in arrears with your energy bill if you don't pay by direct debit. Our survey suggests 69% of low-income households pay by direct debit, but 16% are on pre-payment meters and 14% pay through another form, like over the phone, with cash or cheque, or have it included in their rent. Direct debit is the cheapest way to pay for your energy. The likelihood of being in arrears with energy bills and being unable to keep your home adequately warm varies between payment methods:

- 12% of households who pay by direct debit said they were in arrears, 25% of whom couldn't afford to adequately heat their home between June and October / November 2022.
- 19% of those on a pre-payment meter said they were in arrears, 45% of whom couldn't afford to adequately heat their home.
- 27% of those who pay through other means such as cash or cheque said they were in arrears, 24% of whom couldn't afford to adequately heat their home.

You're also much more likely to be going without essentials if you don't pay by direct debit, and at least twice as likely to be in arrears with at least one household bill as shown in Figure 4 below.

Figure 4: If you're not paying your energy by direct debit you're much more likely to be struggling



Over 2 million low-income households have had to borrow money to pay their bills

2.4 million (21%) households have reported borrowing money or using credit cards to pay for their essential bills, like rent, energy or council tax during the cost of living crisis. Of this group, 9% said they had been doing this since June. 42% of those who are already in arrears say that they have had to borrow money to pay their bills.

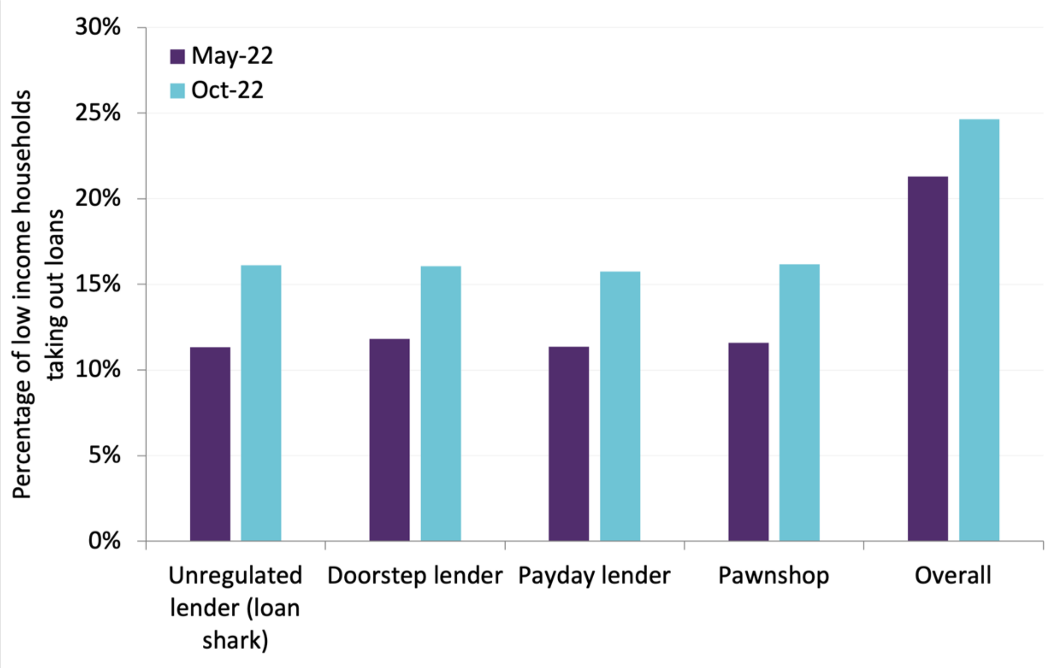
Again, it's a worse picture for those in the bottom 20% of household incomes. Around a quarter (26%) of households on the lowest incomes have had to borrow money or use a credit card to pay essential bills like rent, energy or council tax, compared to 16% of those in the 20-40th percentile of household incomes. Borrowing money isn't preventing struggling households from falling behind with their bills – 82% of those on the lowest incomes who borrowed money to pay their bills also reported being in arrears. Not having enough money to meet your basic needs and bills, and being forced to borrow money to try and fix this is a vicious cycle. Borrowing money now may help to meet immediate needs, but can lead to financial scarring once the additional bills are due and interest is charged – especially in a context where interest rates are rising.

A rising number of low-income households are taking on high-cost credit loans, and the majority are behind on their repayments

Households on low incomes have lower levels of access to affordable credit and are often victims of the poverty premium when accessing credit – it's more expensive, and harder to access because you need to demonstrate a strong ability to repay and have a good credit score. Fair by Design finds people on low incomes pay much more to access credit: a sub-prime credit card costs around £200 more a year and personal loans cost £500 extra (Fair by Design, 2021). Fair4All Finance (2022) confirms that choices for people who need lending are becoming more and more limited. Lenders tighten their criteria during economic downturns, and the same is true at the moment. While application numbers have remained high, the approvals as a percentage of applications have fallen. They have found that back in April, 10% of all applications for lending were for household bills. That has increased five-fold, with 54% reporting borrowing for bills three months later.

The proportion of households in the bottom 40% who hold high cost credit has increased from 21% in May to 25% in October, and this holds across each type of loan, as outlined in Figure 5 below.

Figure 5: High-cost credit lending between May 2022 and October 2022 has increased on every kind of loan



Low-income households report owing a total of £4.6 billion in high-cost credit, across payday loans, doorstep loans, unregulated loans or pawn shop loans. This is up greatly from the £3.5 billion reported six months ago in May. Of particular concern is the proportion of households in arrears with these loans. Almost half (47%) of those who hold a high-cost credit loan are currently behind on their repayments – amounting to 1.3 million households. Being in arrears with high-cost credit loans can be frighteningly expensive, dangerous, or for people who borrow from pawn shops a risk of losing items of personal value and significance.

Again the picture is far worse for households in the bottom 20% by income. Here, around a third of households (33%) have currently got a high-cost credit loan from a payday lender, loan shark, doorstep lender or pawn shop. Around half (51%) of those with a high-cost credit loan on a very low income are in arrears with that loan, making up around half of the 1.3 million above who are in arrears. Overall, around one fifth (18%) of all households on the lowest incomes are in arrears with a high-cost credit loan, nearly one million households.

Low-income households are making huge everyday changes to deal with the cost of living crisis

Approaching half (44%) of working-age households in the bottom 40% by income report that they have been trying to earn more money to help manage with the crisis – 3.7 million households. But it hasn't been enough to stem the tide of those cutting back.

Around 6 in 10 low-income households are heating their home less (58%), and 48% (5.6 million households) have reduced the number of showers or baths they're having. Over half (54%) of all low-income households have said they're changing the kind of food they buy, and 61% have reduced or changed the use of appliances in their homes. 48% have reduced the amount they are spending on food for adults.

Over a third (38%) of families with children have reduced the amount they are spending on food for children, amounting to over 1.6 million families. This is significant as it's one of the last things that parents will cut back on. It emphasises a dire financial situation. Christmas and birthdays are also likely to look different for lower-income families as 43% report that they have cut back on spending on gifts for family members and 27% say they're planning to over the coming months.

People on Universal Credit, private renters and young adults are especially hard hit

Overall, the financial situation for low-income families is grim, but even within this dismal picture some groups stand out as especially hard hit.

Universal Credit is failing to protect people

Universal Credit should be a safety net that protects you from going without the essentials if you fall on hard times or have low earnings. Yet 90% of low-income households on Universal Credit are currently reporting going without essentials, an eye-wateringly high number, up from 84% six months ago, in May 2022. Looking at individual items:

- 77% have experienced food insecurity in the last 30 days because they didn't have enough money for food, up from 70% six months ago.
- Over a quarter (28%) have said they've often been hungry in the last month because they didn't have enough money for food, up from 22%.
- Around a fifth (22%) have gone without toiletries, and over 4 in 10 (43%) cannot adequately heat their home, up from 40%.
- Over a quarter haven't been able to take an essential journey because they cannot afford it (we do not have comparative data for this question).

In addition to going without the essentials, the proportion of households on Universal Credit who are in arrears is very high. Almost three quarters are currently in arrears with at least one household bill, up from 66% in May 2022. Of those in arrears, 39% are in arrears with four or more bills.

These figures are striking but not surprising. After a decade of cuts and freezes to social security and a pandemic that saw lower-income families dragged deeper into debt and arrears, benefits were uprated by 3.1% in April 2022, when inflation so far this year has averaged hit double digits. The Government has confirmed benefits will rise in line with prices in the usual way in April 2023 (a rise of 10.1%), but even after this the basic rate for a single adult over 25 will only be £85 a week (this doesn't include housing costs, for which there is a housing element for people eligible, although it doesn't always cover all of the rent). The basic rate of benefits stands at a 40-year low (after adjusting for inflation) and is not sufficient to cover even the basic essentials.

The way in which deductions are made from benefits is worsening hardship

Concerningly, unaffordable debt deductions from Universal Credit reduce household's support further. Many households have deductions from their Universal Credit to repay third-party debts, for example arrears on energy bills, or often to repay the Government. Debt to Government is often due to advances to cover the wait for the first Universal Credit payment or a previous overpayment from the Department of Work and Pensions (DWP). Overpayments get deducted in the same way even when the mistake was on the part of the DWP or HM Revenue & Customs (HMRC) and not the claimant.

This kind of debt is significant for families in receipt of benefits and is repaid at a punishing rate. Currently, deductions can take up to 25% of a UC claimant's standard allowance, leaving even less of an already inadequate amount to live on. No affordability checks are carried out on whether a household can afford the repayments, unlike when the private sector arranges debt repayment schedules.

We've found that for people on Universal Credit who are facing deductions from their benefits, 95% are going without essentials, compared to 84% of people on Universal Credit not facing deductions.

> The Government needs to make changes to Universal Credit so that the basic rate of support, even after deductions, can never be below a level that results in people being unable to afford the essentials, including food, utility bills and basic household goods.
>
> In addition, the Government must immediately stop deducting benefits at unaffordable rates. It shouldn't be taking deductions to repay central government (DWP/HMRC) debts at higher rates than it expects for other creditors. The cap on total deductions from the Standard Allowance of Universal Credit should immediately be lowered from 25% to 15%. Within this, deductions to repay debt to central government should be capped at 5% of the Standard Allowance.

Private renters face a rising level of hardship and risk of eviction

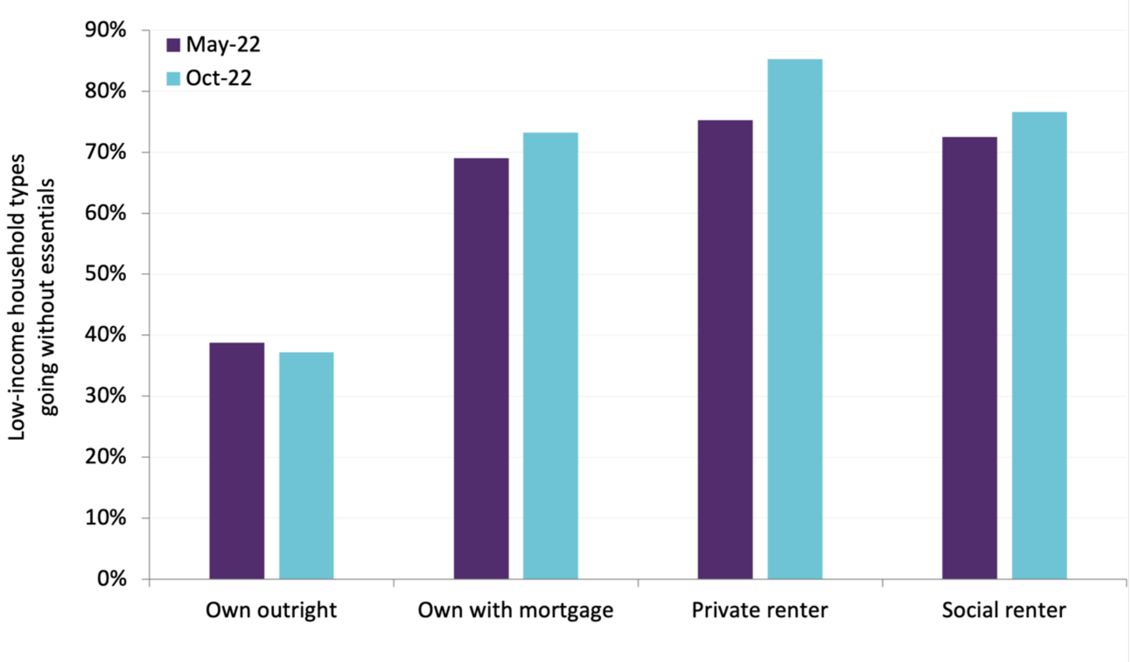
Across almost every measure, private renters are experiencing the most significant levels of going without and debt at the moment, compared to other housing tenures and other demographics.

High and rising housing costs are a key driver of financial vulnerability

85% of all low-income private renters have reported going without essentials or experiencing food insecurity, up from 75% in May. As outlined on Figure 6, they have seen the biggest rise in hardship. Private renters also saw an enormous jump in food insecurity between May and October, from 59% to 72%, which represents 1.5 million private renting households not having enough money for food.

Mortgage holders and social renters are also experiencing high levels of hardship, with more than 7 in 10 going without food or other essentials. They also experienced an increase in food insecurity of 4 and 3 percentage points respectively. By contrast, people who own their homes outright have seen a slight reduction in their likelihood of going without essentials, from 39% to 37%, and no change to food insecurity.

Figure 6: Whether or not you have housing costs is a key determinant of going without essentials



The proportion of low-income renters who have fallen behind on their rent and are in rent arrears has increased from 17% in May 2022 to 20% in October. The average level of rent arrears is £530, with £570 million owed in rent arrears across the UK. Previously, we've seen households prioritise their rent because the consequences of losing your home are so significant. But even though the consequences are higher than ever at the moment, with shortages of properties and soaring rents, households are falling further behind – because there just isn't enough money to make ends meet. Almost every household who is behind on their rent are also reporting going without essentials (97%). 92% are experiencing food insecurity. Half have borrowed money or used a credit card to pay their bills. Around two thirds (64%) have a high-cost credit loan.

Private renters were also most likely to be behind on their energy bills – 25% were in arrears. The private rented sector is the least energy efficient tenure – and tenants have little power to change the conditions of their home, it is up to landlords, and in an environment of rising rents and a shortage of properties it is no wonder that tenants aren't asking for more, or speaking up when properties don't meet the bare minimum standards for warmth.

People with high housing cost-to-income ratios are struggling the most

Unsurprisingly, renters with a high housing cost-to-income ratio were much more likely to be in rent arrears than those with a low one. It is widely accepted that paying more than 30% of your income on housing costs is too much – it becomes unaffordable because then you don't have enough disposable income left for other essentials and bills. Almost 7 in 10 of low-income renters pay more than 30% of their income on rent. Around half (48%) pay over 40%, which can be described as acute unaffordability. The rent arrears rate rises from 16% for people whose housing cost-to-income ratio is less than 30%, to 18% for people with a ratio between 20-50%, and is an average of 30% for people with ratios above 50%.

It isn't surprising that the proportion of private renters struggling is so high. Zoopla has reported a 12.3% annual change in asking rents across the UK, with some areas like London seeing rises of 18%. Zoopla also forecast that due to a chronic undersupply of rental homes to meet demand we will continue to see above average growth rates through 2023, despite the wider cost of living pressures that might normally see falling prices. Yet, private renters' support though the social security system has been neglected. The rate that Local Housing Allowance (LHA) is set at is based on rents from September 2019, and it has been subsequently frozen at that rate. Since then, rents have soared, and Crisis (2022) has found that only 11% of one-bedroom properties across England are now affordable to people in receipt of LHA. They also find that shortfalls between LHA and actual rents have increased by more than 40% in five months. Such soaring rents, when combined with the lack of security for renters means that if you are evicted, your ability to find suitable and affordable accommodation in the current market is tougher than ever.

This is alarming when we know that even back in July 2021, over half of low-income private renters were paying rents they couldn't afford (Elliott and Earwaker, 2021). Around a fifth (22%) were paying more than 40% of their income on housing. The Government has done the right thing by increasing benefits in line with inflation from April 2023 – but it must urgently extend a similar mindset to support for housing.

It is also worth noting challenges for social renters and mortgage holders. The Government has capped the increase to social rents at 7% from April 2023, instead of the 11% it would have otherwise been. This will nevertheless see a big increase in rents for social renters who don't have their full rent covered by housing benefit. With budgets already tight they are likely to struggle.

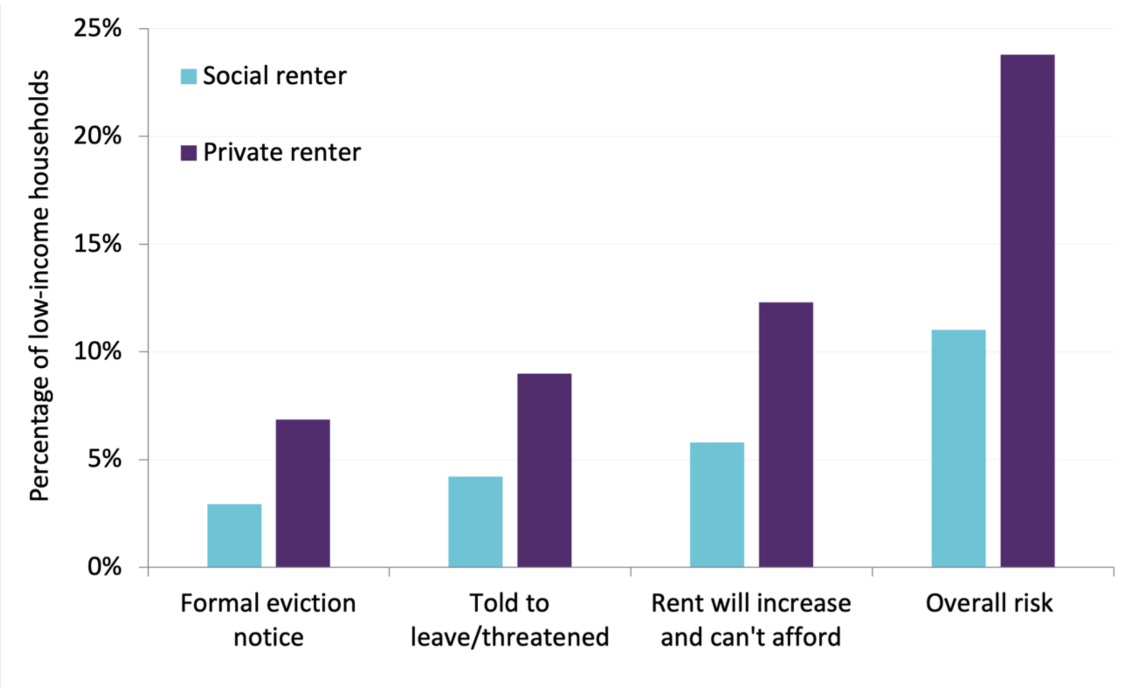
Higher interest rates are having an impact on low-income mortgage holders' financial positions. We find 15% of low-income mortgage holders in arrears, owing an average of £830 – one of the highest average amounts of arrears across all bills. Mortgage interest rates of 5.5% would mean an additional 400,000 people on a low income in a home with a mortgage would be pulled into poverty. The poverty rate for households buying with a mortgage would increase from 10% in 2020 / 21 to 12%, which would be the highest poverty rate for this group in a decade. As such, it is very welcome that the Autumn Statement announced additional support for low-income mortgage holders in receipt of benefits. Support for Mortgage Interest will now be made available more quickly and to low-income working households too. Little detail has been published on how income eligibility has been changed, but current wording implies that all those in receipt of Universal Credit will be eligible for support. This is a welcome step and a significant extension of support for low-income people with a mortgage. However, it must be combined with a push in take-up of benefits for people who may be eligible; both Government and lenders can play in important role in this.

Housing costs are decimating the incomes of low-income private renters – taking up growing portions of incomes, as everything else is soaring in cost at the same time. So before April the Government must, at a minimum, unfreeze Local Housing Allowance and realign it with the bottom 30% of rents.

Half a million low-income private renters are currently at risk of losing their homes

The pressures on low-income private renters are translating into a rising risk of eviction. We find that around a quarter (24%) are currently at risk of eviction, because their landlord has either issued them with a formal eviction notice, like a Section 21, has told them to leave / threatened them with eviction, or their tenancy agreement has come to an end and their rent is increasing to a level that they cannot afford. That amounts to half a million low-income private renting households, and is in line with Shelter (2022) finding that almost 1 million have been issued with a formal eviction notice or threatened with eviction. They also find that more than two thirds of private renters would struggle to find a suitable home this winter if evicted due to current supply and affordability, and that a similar proportion are behind on their rent – almost half a million private renters.

Figure 7: Around a quarter of private renters are currently at risk of losing their home

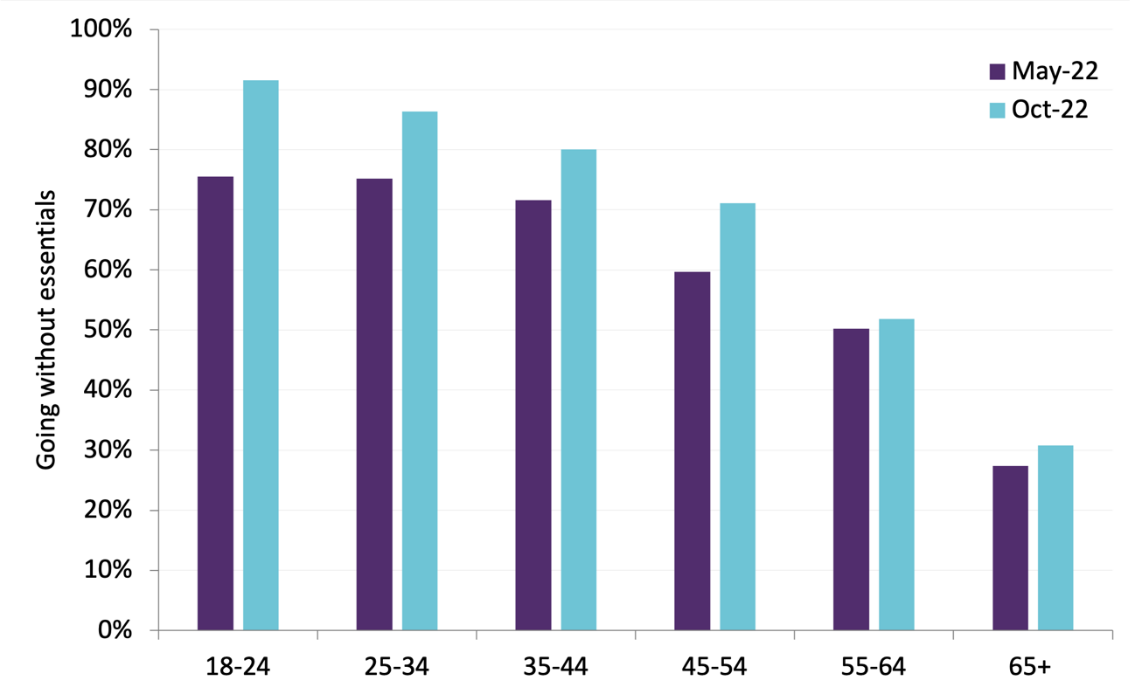


The private rented sector is not fit for purpose for millions who are currently living in it because there is no stability or security of being able to stay in your home, and limited affordable options. Reform for private renters to end Section 21 'no-fault' evictions cannot come soon enough. In addition, we must have a greater focus on changing the distribution of ownership in the UK, and increase sub-market housing options for people on low incomes, through increasing the amount of social housing available (Baxter et al, 2022).

Households with younger adults are disproportionately struggling in the cost of living crisis

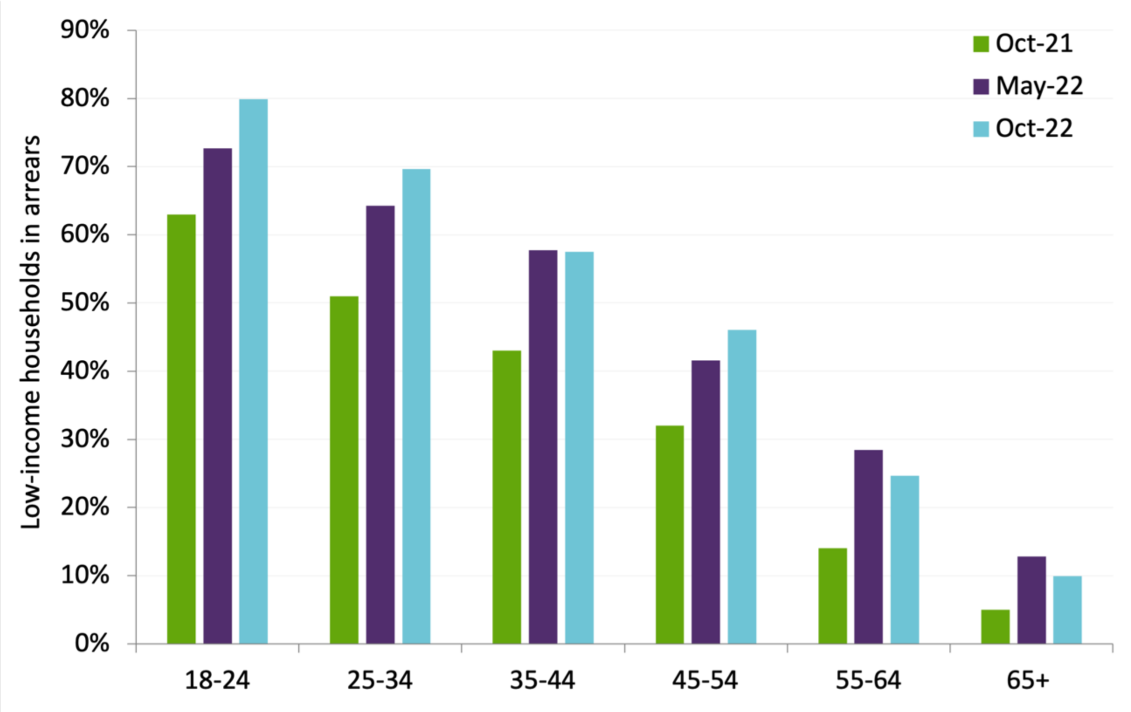
Almost all low-income households with an adult aged 18-24 (92%) have reported going without essentials, up from 76% six months ago. This was the largest rise seen from any age group. Those with an adult aged 65+ were three times less likely to be experiencing this, with 31% reporting going without essentials, up slightly from 27% in May. As Figure 8 shows, this kind of hardship falls with age.

Figure 8: The younger you are, the more likely your household is to be struggling financially and going without essentials



A similar picture is seen when we look at households in arrears by age, in Figure 9. Eight in ten with an adult aged 18-24 (80%) have reported being in arrears, up from 63% 12 months ago, and 73% 6 months ago. As you move up the age distribution, the likelihood of being in arrears, despite being on a low income, plummets. Those with an adult aged 65+ in their household were eight times less likely to be in arrears with a household bill or lending repayment than 18-24 year olds. The proportion had risen from 12 months ago, when it was at 8%, but then subsequently dropped again from 13% in May 2022.

Figure 9: Younger households have seen big increases in the proportion in arrears, while the opposite is true for older households



Renting and location are major contributing factors

The pressure on private renters is translating into pressure on 18-34 year olds, a third of whom rent. Perhaps more striking, for those on low incomes, younger adults make up almost half of the low-income private rented sector in the UK, which is the tenure most likely to see serious hardship right now. They also tend to live in expensive areas like London – with 18-34 year olds making up 44% of the low-income London population. More than half of low-income 18-34 year olds live in cities – with a quarter living in cities with over one million people. If you live in a city with more than 300,000 people you are much more likely to be going without essentials – 75% compared to 51% who live rurally, and you're more than twice as likely to be in arrears. 76% of young people (18-34) in the private rented sector, or living in cities are in arrears.

Younger households also tend to have lower levels of savings, and as discussed later, those with lower levels of savings tend to be much more likely to be going without essentials, more likely to be in arrears, less able to pay for unexpected expenses and more likely to be taking on high-cost credit loans. Around 8 in 10 low-income households with an adult aged 65+ have more than £1,000 in savings, compared to 25% of 18-24 year olds. Instead, 47% of low-income 18-24 year olds have less than £200 in savings, compared to 8% of households with over 65s.

Under-25 year olds also receive lower levels of minimum wage and the standard allowance under Universal Credit. These findings demonstrate that their low incomes are woefully inadequate to meet everyday essential needs, and the Government must boost their safety net.

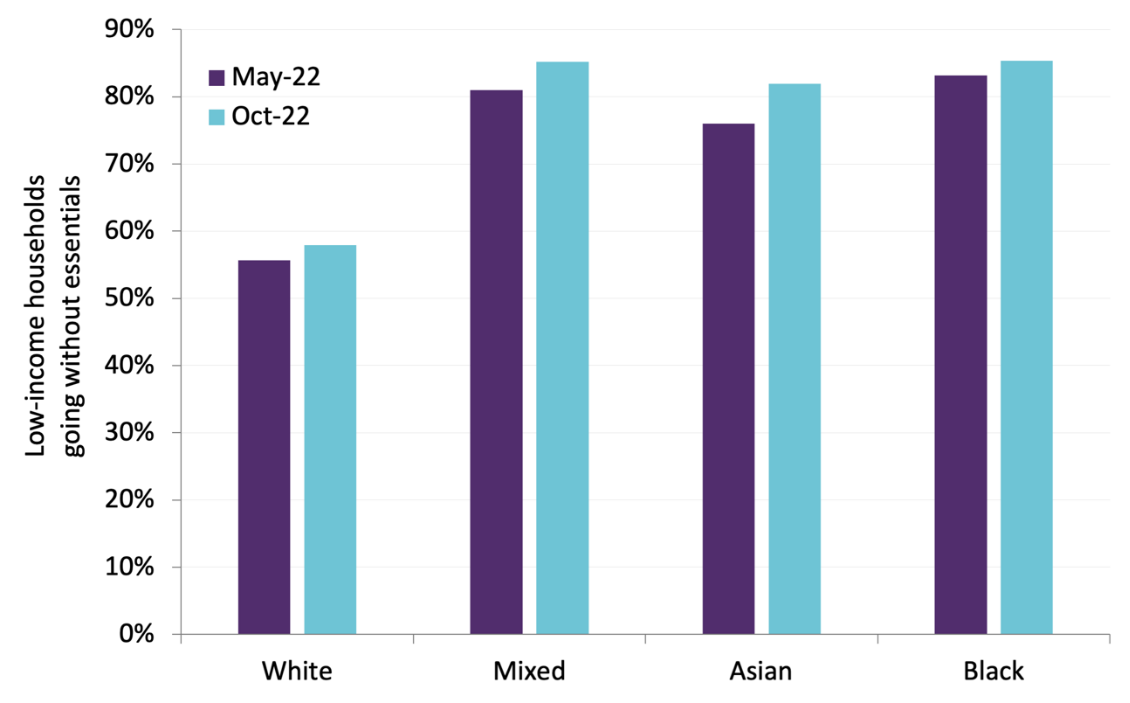
While the levels of hardship haven't been rising as starkly, some households are still disproportionately much more likely to be struggling

Many groups that we reported on having high levels of financial distress and experiencing material deprivation continue to experience it. We focus on households from minority ethnicities, and families with children in this section but households with members who have mental health conditions or a disability also continue to see high levels of deprivation. Our recent JRF report (Clark and Wenham, 2022) touches more on the links between mental health and economic security – they are unsurprisingly strongly linked.

Black, Asian and mixed ethnicity households are still seeing incredibly high levels of hardship with more than 8 in 10 going without essentials

While we've seen the biggest rises for people on the lowest incomes, private renters, and young households, households with members with minority ethnic backgrounds are still experiencing deep hardship, in comparison to white households.

Figure 10: The proportion of low-income households in black, Asian and mixed ethnic households remains high, with over 8 in 10 going without essentials



85% of black households and households with mixed ethnicity, and 82% of Asian households reported going without essentials, compared to 58% of white households. 75% of black households are in arrears, and 72% of households with mixed ethnicity, compared to 35% of white households.

Black households and households with mixed ethnicity were also around three times as likely (58%) as white households (19%) to have a high-cost credit loan, and also much more likely to be behind on their repayments for them (57% compared to 41%).

3.4 million families with children are going without essentials

Families on low incomes with children are disproportionately more likely to be struggling than those on low incomes without children in their household. Around 8 in 10 (82%) of families with children are currently going without essentials, amounting to 3.4 million families with children. This is much higher than the 51% for households without children and is slightly up from 77% in May 2022. That figure rises to 86% for lone parents, also up slightly from 84% in May 2022.

Over two thirds of families with children have experienced food insecurity in the last 30 days, and 23% have reported often going hungry.

Families with children are more than twice as likely to be in arrears (64%) with their bills compared to those without (28%). Over 4 in 10 (43%) of low-income families with children have a high-cost credit loan, around three times the amount of those without children (15%). Children are growing up in households where parents are having to make impossible decisions regarding their finances.

Financial resilience through savings is an important protective factor

If you have no savings, or a low level of savings, you are much more likely to be going without essentials. We know that low financial resilience is a common and significant issue in the UK. Back in May this year, a quarter of adults were deemed to have low resilience and were either already in financial difficulty or at risk if they experience a financial shock (Financial Conduct Authority, 2022). This has risen since the pandemic, mostly due to people being more heavily burdened by bills and credit commitments. Those most resilient to shocks are people with savings, especially people who were able to grow these during the pandemic.

Within those on low incomes, some groups have particularly low levels of savings. On average across all low-income households, 29% have no savings, or less than £200 in savings. This figure rises to 58% for people on Universal Credit, 54% for lone parents, 49% for private and social renters, and 47% for people aged 18-34, and people struggling with their mental health.

Savings create an important buffer guarding against going without essentials if you are on a low income. 91% of people with no savings or less than £200 in savings are currently going without essentials, compared to 36% of people with more than £1,000 in savings.

Unsurprisingly, households with a good buffer of savings are extremely unlikely to need to borrow money to pay their bills. Only 7% of households with £1,000 or more in accessible savings said they had borrowed money to pay bills, compared to those with no savings or less than £200 in savings who are more than five times as likely (37%) to have done this.

Housing costs also play a big role in those who are at risk of going without. But interestingly, while people who own their homes outright are far less likely to be going without essentials, people who own their homes outright but have no savings or less than £200 in savings are just as likely to be going without essentials (89%) as people who own with a mortgage (89%), and are just behind social renters (91%) and private renters (93%).

So, for many groups on low incomes, levels of financial resilience are low if there are shocks that require money quickly. What little financial resilience did exist has been eaten away in recent years by the pandemic, where lower-income households were much less likely than those on higher incomes to build up savings, followed by the cost of living crisis. And as this report shows, many families are having to make devastatingly tough choices on what to cut back on, or forced to fall behind on bills, or take on debt.

But some of the changes people are making in response to the cost of living crisis could have significant consequences for financial security in the future too. Around a fifth (22%) of working-age, low-income households have stopped or reduced their pension contributions, and a further 11% are planning to in the coming months. People with more than £1000 in savings are less than half as likely to have done this. A further 29% of households with no savings have stopped or reduced their pension contributions, compared to 12% of those with more than £1,000 in savings.

Low-income households are also cancelling or reducing their insurance policies, as they look to reduce current costs, which could have serious impacts on their finances if an unexpected event occurs - around a fifth (21%) have done this so far and a further 9% are planning to over the coming months.

What more can be done?

As outlined above, our social security system needs strengthening, so that at a minimum, no one is going without essentials. Housing benefits and renters reform need urgent attention.

Our research from earlier this year also showed that households in the bottom 20% of incomes, on means-tested benefits faced an average gap of around £450 this financial year between cost increases and income rises. This calculation included all the cost of living support that has been announced (Joseph Rowntree Foundation, 2022). This report further emphasises that people on the lowest incomes, especially people in receipt of Universal Credit, are facing extremely worrying levels of hardship. Almost all were going without essentials, even before the winter hit. The Government has a ready-made – if imperfect – mechanism of getting money to the hardest-hit groups quickly, because they've already done the right thing in getting support to them this year. It should provide an additional round of support this winter to people hardest hit by the crisis, including an additional cost of living payment of £450 to households on means tested benefits. Millions of families simply cannot wait until April for additional support and the shocking levels of material deprivation we're already seeing cannot be allowed to worsen.

But we also know that not all low-income households are eligible for benefits, and some of these households need support too. Almost 4 in 10 (37%) of working-age, low-income households not on means tested benefits are currently in arrears with at least one household bill, and almost two thirds (63%) are going without at least one type of essential or experiencing food insecurity. Some 27% of this group have no savings, or less than £200 in savings. Half (50%) of this group report that they would not be able to afford an unexpected expense of £200 without going without essentials like food or borrowing money to pay for it.

Yet additional support announced by the Government through cost of living payments from April 2023 is only available to people on means tested benefits, in receipt of disability benefits, or pensioners. So working-age households not on benefits, but who are on a low income, are left out in the cold.

Some of these households will be entitled to means tested benefits, but not claiming them, although getting a handle on the size of this group is difficult. While there are questions about the reliability of the data and much of it is dated, the last published Government statistics indicate take up as high as 90% for income related Employment and Support Allowance and Income Support, and as low as 56% for income-based Job Seekers Allowance. Frustratingly the Government is yet to publish an estimate of take-up for Universal Credit, despite higher take-up being one of its anticipated benefits.

Given receipt of means tested benefits (even just a small amount) is a gateway to receiving substantial support with the cost of living, Government should be using this as the basis for a concerted take-up campaign. This is underway for pension credit but not for working-age benefits. The Government should be making sure everyone gets the help that is meant for them. A take up campaign should be a key pillar of its response to the cost of living crisis.

Businesses can also play a role, and some already are, for example two community lenders have supported more than 12,000 applicants to claim almost £6 million in benefits through including a benefit calculator in their loan application processes. This works out on average to be £400-£500 per applicant (Salad Money, 2022).

Conclusion

These are hard-hitting findings. They reveal that while the support package announced back in May 2022 has slowed the deterioration of financial positions for people in the 20^{th} to 40^{th} percentiles of household income, it has not been sufficient to stem the tide of rising hardship for people in the bottom 20% of incomes, especially for those on Universal Credit.

The Government needs to fill the gaps left behind by the Autumn Statement. Despite some welcome interventions, it remains clear that additional support will be required for people on the lowest incomes through this winter, and the support from April is unlikely to be sufficient. We recommend that at a minimum, additional support be provided to people hardest hit by the crisis, including a £450 payment for households on means-tested benefits. But the need for such imperfect one-off ad-hoc payments is accentuated by a social security system that is not adequately fulfilling one of its key roles as a strong safety net in times of need.

Almost all low-income households on Universal Credit have reported going without essentials. The Government should make changes to Universal Credit so that the basic rate of support, even after deductions, can never be below a level that results in people unable to afford the essentials, including food, utility bills and basic household goods. It should also run a huge take-up campaign to make sure more households are receiving the support they're eligible for, which would now extend to cost of living payments and further energy support.

Private renters are being particularly hard hit, with high and rising housing costs playing a big role in whether families can make ends meet. Almost a quarter of low-income private renters are at risk of eviction. The introduction of the Renters Reform Bill cannot come soon enough to help secure people's housing, but the Government must also urgently unfreeze LHA and reset it so it is back in line with the bottom 30th percentile of rents, at a minimum.

Our research also carries a warning about the future. Our findings show how important having savings is to financial resilience, with people with no, or low, levels of savings all seeing much worse levels of hardship – through falling into arrears, taking on debt, being unable to pay for unexpected expenses that come up, and going without basics like food, showers and toiletries. High levels of debt, particularly with high-cost credit, will continue to weaken families' financial positions and have long-term scarring impacts on their budgets, as will people cancelling pension contributions and insurance products. These financial scars will run alongside the toll on people's physical and mental health due to going without essentials and worrying about making ends meet.

This crisis is pushing millions to breaking point, and the Government must do more to prevent this winter making the scarring deeper.

Methodology notes

Savanta surveyed 4,253 UK adults aged 18+ in households in the lowest 40% of equivalised household income online between 31 October and 25 November 2022. Data were weighted to be representative by age, gender, region, ethnicity and housing tenure. Data tables can be found at: comresglobal.com/ourwork/poll-archive/

Out of the 4,253 respondents polled, 3,080 were working-age (18-64), which is broadly representative of low-income households in the UK. The age, ethnicity, tenure and income breakdowns of the respondent numbers are as follows:

Age

18-24	25-34	35-44	45-54	55-64	65+
454	700	780	636	792	891

Ethnicity

White	Mixed ethnicity	Asian	Black
3543	158	242	250

Housing tenure

Own outright	Own with mortgage	Private renter	Social renter
1448	928	817	1037

Income level

Bottom 20% of equivalised household income	20th – 40th percentile of equivalised household income
2431	1821

The sample is representative of low-income households across the UK, and our low-income threshold is based on figures from the Households Below Average Income Survey (HBAI) 2019/20. When analysing the data, we use weighted data so that it is representative – the numbers above are unweighted.

Definition of low income

Our definition of low-income households for this paper is households in the bottom 40% of incomes across the UK, using a Before Housing Costs (BHC) equivalised household income. This income definition includes earnings and benefits, as well as other income sources. Households had to have a BHC equivalised household annual income of under £26,570 to participate in the survey (up from £24,752 in the October 2021 and May 2022 waves, due to new income data in 2020/21 HBAI).

Scaling-up findings to population level

Where we have scaled up the survey findings to population level, this has been done by JRF, and uses population numbers based on the HBAI 2019/20 survey. We have continued to use this survey as the basis for the population for consistency with earlier cost of living surveys.

HBAI analysis found that the UK had 11.6 million households under this income threshold. Where we have grossed numbers up to population level, we have used this number of households to do so. Other population figures we used from HBAI are for renters (5.3 million), and homeowners with a mortgage (1.8 million).

Where we have estimated the amount of arrears held by type of bill, and the amount of lending by type of borrowing, we have taken the following approach:

- Respondents were asked to choose a band that reflected the amount of arrears / lending / savings held, for example £700-749.
- We have then used the midpoint of these bands (for example, £724.50) and multiplied it by the number of responses in each band, taken the total for each type of arrears / lending and divided it by the number of households in arrears. This provided us with the average amount of arrears using the mean, and then we have multiplied this by the number of households in arrears and scaled up to population level using HBAI household figures.
- For the highest band, we have taken its lower bound – this is a conservative estimate. Further tables can be provided on request.
- Broadly, where there are amounts involved in a question, we have excluded those who 'don't know' the answer in order to calculate the average, and so on.

Where we have discussed households going without essentials in 2022, or experiencing food insecurity in the last 30 days, we have used the following methodology:

If the respondent selected 'Often' or 'Sometimes' to either of the following questions where at least one household member in the last 30 days has either:

- cut down the size of meals or skipped meals because there wasn't enough money for food; or
- been hungry but did not have enough money for food.

OR

If a respondent selected 'Yes' to at least one household member experiencing any of the following because they could not afford to at any point since June 2022:

- not dressed appropriately for the weather (suitable clothes or shoes),
- not replaced or repaired major electrical goods like a refrigerator, TV, washing machine when broken,
- gone without a shower or a bath,
- gone without basic toiletries like soap, shampoo, toothbrush or sanitary items,

- not been able to keep their home warm,
- not been able to adequately furnish their home,
- not had essential dental treatment done,
- not got prescriptions, pain relief or over the counter medication,
- not made an essential journey (new for this wave),

OR

- at least one household member has visited a food bank since June 2022.

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About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

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