

Insights into the social impact of Covid19: understanding poverty and who is most at risk

We are all sharing the experience of the storm caused by COVID-19 and the lockdown, but it is increasingly clear we are not all in the same boat. Some are being buffeted but remain fundamentally secure, yet it is clear that some groups are at risk of being financially overwhelmed.

The Joint Public Issues Team and Church Action on Poverty have started an ongoing programme of research with churches and local charities: *Gleanings: Listening and learning about poverty under lockdown*. Through surveys and regular focus group conversations we are aiming to understand the impacts being seen on the ground.

This briefing provides a short snapshot, putting churches' experiences in the rapidly developing wider context, and offering a context for thinking about what happens next.

Updates as the programme develops will be available from www.jointpublicissues.org.uk/gleanings

Summary:

What churches have seen:

- The families who entered the crisis with very low incomes and receiving benefits have been protected from loss of income. They are, however, experiencing a rise in costs for essentials. This is a particular problem for families with children.
- An enormous rise in demand for foodbanks. Trussell Trust figures show an 81% increase overall and a 122% increase in children supported. This rise is patchy throughout the country with some areas reporting little or no effect, and others overwhelmed.
- In England the voucher system introduced to replace Free School Meals and support low income families with children is poorly designed and is failing many schools and families.
- Around 1.5 million families have applied for Universal Credit. The application process has been made much easier, sanctions and debt repayments have essentially ceased and the payment has been increased to £94 per week. Churches are however reporting that those with IT difficulties or needing assistance are facing waits of several weeks for assistance from the usual charities who provide help.
- Debt workers are reporting an increasing number of approaches around managing unsustainable debt.
- Huge income shocks are appearing for middle income families, some of whom are struggling to cope. There are reports of people needing assistance who would not ever have viewed themselves as benefit claimants or foodbank guests.

The groups we are most concerned about:

- **families with no recourse to public funds.** These are non-UK citizens who can no longer earn money due to the crisis but do not qualify for most benefits.
- **low paid self-employed or gig workers who face an income shock with limited state support.**

- **families who need help with Universal Credit** – most commonly due to IT or language difficulties.
- for all of these groups, **families struggling with children face additional costs and risks.**

Official data on the wellbeing of the UK paints a troubling picture of a generally more insecure and anxious population. Many have faced an income shock or worry that their family will be next.

Alongside this there is deepening concern about the **unavoidable household debts building up**, often in the form of unpaid rent or utility bills. As we think about how those who need it most may be given much-needed security in the coming months and years, the biblical ideas of Jubilee – of freedom from the chains of debt - may offer some inspiration and challenge to churches, government and wider society.

Brief Timeline

First half of March: Social distancing measures were ramped up and society began to slow down. In this period foodbanks and other charities saw steady, if slightly falling, demand. It was very clear that COVID-19 was going to be a significant event and many churches reported that it felt like the “calm before the storm”.

16th March: The Prime Minister announced what was a voluntary lockdown. DWP data show this is the point at which Universal Credit claims began to increase.

Projects were not reporting big increases in need – they were however exhausted attempting to meet ongoing needs while making huge changes to operate safely in the new environment. There were two big challenges:

- coping with a vastly reduced volunteer base, as a large proportion of the existing volunteers needed to self-isolate due to age
- changing work practices to maintain distancing between workers and clients

Some projects moved online but in poorer areas people often rely on mobile phones, with capped pay as you go data plans for internet access, making this more difficult.

23rd March: The Prime Minister announced the mandatory lockdown. Immediately prior to this, the Government reduced the waiting time for statutory sick pay and increased Universal Credit by £20 per week. Both benefits now stand at £94 per week which, while an improvement, still represents a frightening loss of income to most of the UK’s working population.

Over these two weeks, the information from churches and charities was very mixed. For most foodbanks and other charities, the reorganisation process was going ahead and need was rising slowly. In other places it rocketed.

There remains no discernible pattern of why demand exploded in small areas but not others. The best hypothesis is that the agencies that refer people to church-run charities needed time to adapt to the lockdown and, when they reopened, there was a release of pent-up demand. One South London food project reported a 200% increase when partners were able to refer by email.

End of March to beginning of April: Universal Credit applications peaked at over 100,000 a day (x10 the average rate). Most applicants appeared to be people who had low incomes previously. The interpretation of this is that gig-workers and others with insecure contracts, who were not going to be included in the various employment subsidy schemes, stopped getting work and moved into UC. This seems likely, though there is limited data to back this up.

Foodbank visits also increased rapidly (81% in Trussell food banks and over 50% in independent ones).

Reports from churches indicated that, while demand has remained extremely high, it has fallen back slightly

from the beginning of April's peak. This increased need was driven by people who could not afford food. Those unable to access food because of shortages or isolation were, as far as possible, not included in the Trussell Trust's numbers.

A number of independent foodbanks and three Trussell Trust foodbanks have been unable to continue operating. Conversely we know that several churches and community groups have responded to the crisis by starting to give out food. They tend to be in poorer areas, but they are largely helping people having difficulty accessing food for any reason, not just economic.

April: Increased concerns around families with children: Churches and others were reporting that families with children were facing big difficulties. Trussell Trust data which reported a 122% increase in the number of children supported in foodbanks backed this observation up.

One contributing factor to these difficulties was that the closure of schools meant that many families had to go without the support of free school meals. The Department for Education introduced a supermarket voucher scheme as a substitute for free school meals. Sadly, this has been beset with problems. Schools must order vouchers for families and the website is not coping with demand. The vouchers (called "gift cards") are often not working when presented at supermarkets. Vouchers cannot be used outside of a selection of big supermarkets which are often less accessible to poorer families.

Increasing levels of need and debt: Prior to the crisis, emergency help was sought by people who were bouncing between low pay and no pay, people facing mental health difficulties and people whose relationship had broken down. These needs remain but the people are harder to reach. Numbers are being supplemented by people who are facing extreme need for the first time.

Debt advice workers are reporting that people are seeking advice because they are racking up unavoidable and potentially unmanageable debt. These debts are not yet being chased— and the advisors are concerned that when enforcement restarts a huge number of families may find themselves in trouble.

May: Churches and charities are reporting that demand at foodbanks remains high, although exact data is not yet available. Debt advisors are seeing more and qualitatively different calls. Office of National Statistics data has confirmed that around a third of households are experiencing a loss of income, and other data indicates that many families are facing enormous income shocks.

Recent survey responses have indicated that projects helping people to claim Universal Credit (a difficult process requiring IT access and knowledge) are overwhelmed and that there are long waits for the Citizens Advice "help to claim" service. We have real concerns that the most vulnerable UC claimants may not be able to access help.

It is now 5 weeks past the peak of Universal Credit applications and the first payments should be arriving. This is likely to be a difficult time for people coping with an income shock and perhaps dealing with unexpectedly low levels of income or delays in payment.

Government schemes supporting the self-employed, small businesses and furloughed workers are due to pay out this month. Those who are left behind by these schemes are likely to become more apparent over the next few weeks.

Who are facing particular difficulties?

Those already experiencing poverty: Most families experiencing poverty before the lockdown would have been in receipt of income dependant benefits such as Universal Credit. Those who were in work may have

faced a loss of income, but the incomes of this group have been relatively protected because of increases in benefits.

For those already in poverty – especially families with children – it is increased costs that are causing difficulties. Children not at school brings more expense: food, heating, and internet access in order to home-school all add to living costs. While incomes may not have fallen, many families were barely able to make ends meet before the crisis, therefore even small increases in costs can wreck a budget.

Non-UK nationals: Some non-UK nationals are present in the country under the condition of “no-recourse to public funds”. Amongst other restrictions, this means they are not permitted to claim means-tested benefits such as UC. This restriction applies to some documented migrants who may have been legally working, studying or looking for work in the UK when the lockdown occurred. Undocumented migrants also have no access to the benefits system.

Universal Credit claimants must pass the Habitual Residence test. This test requires people to prove they have been resident in the UK for what the DWP regards as legitimate purposes and for a sufficient time. This is the major bar to students, short term migrants and EU citizens without settled status. These are people who have often worked in low paid, insecure jobs in order to make ends meet. The benefit system does not cover them, but much of the work has disappeared.

We would expect large numbers to be needing charitable assistance or be requiring state help – but they are almost completely absent from our data. This is a serious concern – debt, savings or continued work are possibilities, but destitution and/or exploitation also look highly likely.

Those suffering major income loss, especially if they are already indebted. It appears that many even quite affluent families are suffering a huge income shock with no immediate prospect of recovery. Moving to benefit levels of income (currently £94 a week) from even an average wage is extremely difficult, especially if car payments, phone contracts, and credit cards all need to be paid. One person who took part in a focus group who had experienced such an income shock several years ago said “*most people simply don’t have the skills to be poor*” and “*learning them was one of the hardest things I have done*”.

It should be noted that savings of just £4,000 start to erode UC and other benefits, and at £16,000 a family loses all entitlement. While it may be viewed as acceptable to require people to use up savings before relying on benefits, it is important to recognise the consequences for families saving for a house, a wedding or their children’s university course.

People needing help with Universal Credit claims. Universal Credit requires you to go online, fill in complex forms and have access to and collate several documents. For some people this is impossible, and they need help. The groups that normally provide such help are facing both huge demand and the difficulty of helping with face-to-face meetings.

People with mental health problems are more likely to need support applying for UC and are more likely to delay asking for assistance. Data from churches and other sources indicate that social isolation is damaging to people’s mental health generally but especially for those with pre-existing conditions.

Self-employed people: The Self-Employed Income Support Scheme was announced on 26th of March but will not pay out until the end of May. Many people have turned to UC or need other support to make ends meet until the scheme provides help. It is also notable that the scheme appears to have a number of conditions (eg how long the business has been operating) that a substantial proportion of low-paid self-employed workers will not be able to meet.

Several academic reports have presented evidence that the self-employed are particularly vulnerable to a large loss of income during the lockdown. Our surveys and focus groups have picked up a great deal of concern for **low-income self-employed workers especially those who are not UK nationals**. This includes people who may have worked as taxi drivers or in personal care. At this stage the evidence that this group is at risk appears anecdotal supported by good modelling.

Specific groups highlighted by churches as lockdown began

1. Reports from several sources were that some people who had been **attending Narcotics Anonymous, Alcoholic Anonymous or other Anonymous groups** were at risk. Regular Anonymous meetings can be a lifeline. Whilst a number of groups went online, that was not possible for some or could not provide the necessary support for others.

Social isolation and the ready availability of online gambling has created increasing concerns about gambling harm and it may well be that online meetings are simply inappropriate for some people.

Socially distanced face-to-face meetings have been arranged in some cases, and more intensive phoning and video calling has been directed to the most in need, but this is clearly sub-optimal support for people living with addiction.

2. Those who support **sex-workers** noted that many sex workers had no option but to continue working. For on-street workers this was frequently due to addiction.

Many sex-workers are not British nationals and therefore do not qualify for benefits. Financial pressures must be piling up, and no policy or charity measures have been put in place of which we are aware.

Looking to the end of the lockdown household debt will be a major issue

Some families will need to borrow for day-to-day expenditure, but most debt will be racked up by not paying overheads.

Non-payment of rent or utility bills does not currently lead to eviction or disconnection (people on card meters are also able to get credit to avoid disconnection). The Department of Work and Pensions has stopped most debt repayment deductions from benefits, council tax arrears are not being chased and mortgage repayments can be deferred. A number of other credit facilities are being put on hold. Yet these debts are merely being deferred and will need to be repaid at a later date.

We know that 1 in 3 households, mostly in the bottom half of the income distribution, have no savings. If income does not meet expenditure they must borrow. Many are already in net debt and it is by no means clear that people will be able to reasonably repay these lockdown induced debts.

Now is the time to encourage government and wider society to think carefully about how such COVID-19-related debts are managed. The normal processes of extending loans, and enforcing recovery may be particularly cruel, pointless and unjust in these circumstances. The biblical ideas of Jubilee – freedom from the chains of debt – may be a useful starting point for thinking on crisis-related household debt as we emerge from the Covid19 lockdown.

