



Wave 1 Initial Findings – Briefing No. 6

Financial Inequalities and the Pandemic

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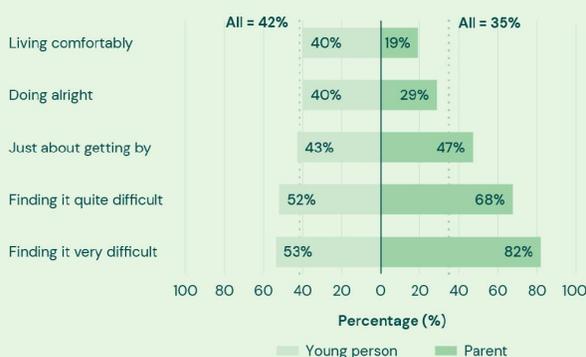
Highlights

- Many households’ financial situation declined during the pandemic. 39% reported worse financial health, and just 16% better. Gaps have widened, with 52% of disadvantaged households reporting worse financial health, compared to 34% of others. 22% of professional households reported an improved financial situation, over twice that of working class households (10%).
- One in ten young people (10%) were living in households classed as food insecure, with many reporting running out of food, skipping meals, and 5% of parents reporting going a whole day without eating.
- Social renters were six times more likely to experience food insecurity than those who owned their home (26% vs 4%). Rates of food insecurity were highest in the North East and North West (15% and 12%), and lowest in the South East (9%) and East of England (7%).
- 8% of parents used a food bank during the pandemic period, three quarters of whom had also used food banks pre-pandemic. Food poverty is not restricted to Free School Meals eligible families. The majority (57%) of households where children went hungry were not FSM eligible during that time, and 36% of those using foodbanks were not FSM eligible.
- Pupils in families who reported using food banks during the pandemic received lower GCSE grades (almost half a grade per subject), even taking into account previous

grades and other aspects of their household finances. However, long-term disadvantage played a bigger role than the pandemic.

- Pandemic financial experiences were more closely linked to mental health. Among families finding it very difficult to get by financially, rates of psychological distress were 82% among parents, and 53% among children. Among parents this is four times higher than those living comfortably.
- Rates of psychological distress were substantially higher in households who started using foodbanks in the pandemic (53% among young people and 63% among parents), compared to 41% and 33% for those not using foodbanks. They were also slightly higher than ‘long term’ users, potentially indicating the impacts of short-term financial shocks.

Percentage of young people and parents reporting high psychological distress, by how well parents feel they are managing financially



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Context

The COVID-19 pandemic not only affected the health of millions of people across the country, but the accompanying disruption to economic life had impacts on the financial wellbeing of many households. This has been compounded by an ensuing cost of living crisis, with energy bills and food prices rising rapidly.

Studies suggest that the COVID-19 pandemic could potentially cause unprecedented economic costs to the UK economy.¹ On an individual level, this meant financial stress or even economic crisis to many families. While significant interventions – such as the Coronavirus Job Retention Scheme (furlough), the uplift to Universal Credit, and the Coronavirus Business Interruption Loan Scheme – were quickly introduced to cushion the blow, lockdowns and other public health measures during the COVID-19 pandemic were harmful to employment and economic participation.² The pandemic caused unemployment for some families³ as well as reduction in family income to others who were furloughed. One in four employees were furloughed⁴ at some point between March 2020 and June 2021.⁵ Furthermore, as pandemic restrictions eased, economic challenges have continued as a result of the ‘cost of living crisis’, partially due to inflation resulting from post-pandemic bottlenecks in global supply chains, now having significant impacts on household finances and economic security, as well as inequality.⁶

An emerging body of evidence shows that such financial impacts have been socially stratified, with already disadvantaged households experiencing greater negative financial impacts. While some households experienced unemployment or reduced income, other families, working in jobs that were easy to shift online, suffered less disruption and benefitted from increased household savings due to a reduction in expenditure during this period.⁷ This has led to concerns of potentially widening socio-economic inequalities.⁸ The school closures during the COVID-19 pandemic also had financial implications for families, especially those with low-incomes.⁹ A study analysing cross-sectional data from a nationally representative household survey in the UK found that disadvantaged households, such as single-parent households and households with at least one individual working part-time, might have been at greater risk of COVID-19-induced financial vulnerabilities, such as falling behind on paying bills and having low income.¹⁰

Such financial vulnerabilities could be exacerbated for low-income families through decreased access to free school meals for children and increased childcare costs for families with young children, with poor households more likely to have experienced poverty during the pandemic.¹¹ However, there is little existing evidence of inequalities by ethnicity in the COVID-19-related financial impacts.

One in four children had suffered from food poverty during the first six months of the pandemic.

The economic shock of the pandemic was also a driver of household food poverty.¹² UK-wide surveys show a consistently higher prevalence of food insecurity during the pandemic compared to beforehand.¹³ Longer term consumer tracking by the Food Standards Agency suggests that food bank usage increased between April 2020 and October 2021. Meanwhile, a survey by the Social Market Foundation reported that one in four children had suffered from food poverty during the first six months of the pandemic.¹⁴ Evidence also presents a picture of an unequal impact of COVID-19 on food insecurity in the UK more widely. Research shows that the poorest households and children, households with children, ethnic minority households, single-parents, young people aged 16 to 30 and those who were furloughed were the most likely to experience hunger during the COVID-19 pandemic.¹⁵ Beyond the immediate impacts of material deprivation experienced in the period since March 2020, it is important to also consider the potential long term effects, particularly on young people and their future life chances, through knock on consequences for their grades at school and educational pathways, as well as their mental health and wellbeing.

This briefing, analysing survey responses from the first wave of the COSMO study, uses the rich data collected directly from both COSMO participants and their parents to explore the financial circumstances of households with 16 year-old children during the pandemic period. It allows a better understanding of which groups were most affected, and also provides the opportunity to link information on household financial circumstances with data on school attainment and the mental health of families.