Not heating, eating or meeting bills: managing a cost of living crisis on a low income

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New JRF research puts the spotlight on the precarious position of the worst-off 40% of households at the moment the Chancellor announced his May 2022 cost of living support package.

While the package largely covers the upcoming rise in energy bills, it does not go far enough to support those who came into this crisis in a tough financial position. As he made his announcement, some 7 million low-income households were going without at least one essential (such as a warm home, enough food, appropriate clothing or basic toiletries) and over 2 million families were neither eating properly nor heating their home adequately. In addition, 4.6 million were in arrears with at least one bill, with the average amount owed around £1,600. Almost all families on means tested benefits that are being deducted (repayments for certain types of debt are taken directly from benefits) have gone without at least one essential (93%).

JRF is calling on the Government to immediately stop deducting debt repayments from benefits at unaffordable rates, and to strengthen our social security safety net so that people aren’t forced to choose between going without the essentials or getting into debt.

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Recommendations:

1. The Government must immediately stop deducting benefits at unaffordable rates, which further reduces the already low level of support available to families. And it shouldn’t be taking deductions to repay central Government (DWP/HMRC) debts at higher rates than it expects for other creditors:
   a. The cap on total deductions from the Standard Allowance of Universal Credit should be lowered from 25% to 15%.
   b. Within this, deductions to repay debt to central government should be capped at 5% of the Standard Allowance.

2. The Government should increase basic Universal Credit entitlements to ensure it always, at a minimum, enables people to afford the essentials when they fall on hard times.

Executive summary

When you can’t make ends meet the options are simple, but grim: go without essentials, get behind with essential bill payments, or take on debt. This JRF briefing sets out just how widespread that impossible dilemma has been for people on lower incomes in 2022.

Throughout this briefing, we refer to households we surveyed as ‘low-income households’, or households ‘on lower incomes’. By this we mean that the households have an income in the bottom 40% of all household incomes, adjusted for household size and composition. The total group amounts to around 11.6 million households across the UK, and is 40% of the population. We worked with Savanta ComRes to survey around 4,000 lower-income households (bottom 40%) between 24 May and 7 June 2022, just as the Government’s cost of living emergency package was being announced.

The levels of hardship found through the research are shocking and should send alarm bells ringing for the Government:

- **Going without essentials**: 7 million low-income households, the equivalent of twice the number of households in greater London, or the whole of the North of England (North East, North West and Yorkshire and the Humber) have either gone without enough food in the previous 30 days, or gone without at least one essential such as a warm enough home or basic toiletries because they can’t afford it, since the start of 2022. Three quarters of these families have gone without more than one of the essentials we asked about, a third have gone without four or more.

- **Neither heating nor eating**: 5.2 million low-income households (45%) have either cut down on or skipped meals, or gone hungry because there was not enough money for food in the previous 30 days. Some 3.2 million (27%) have been unable to adequately heat their home since the start of 2022. Rather than having to choose between heating or eating, 2.3 million households (21%) have gone without both.
- **Not meeting the bills**: 4.6 million low-income households are in arrears on at least one kind of bill such as rent, council tax or utilities, or they’re behind on borrowing repayments. This is up a fifth since October 2021.

- **Taking on high cost debt**: low-income households report owing around £22 billion in debt, with £12.5 billion of new debt being taken on this year. Of that £22 billion, £3.5 billion of it is owed to high-cost credit providers such as doorstep loans (£900 million), pawn brokers (£790 million), and loan sharks (£870 million). A further £2.3 billion is with buy now, pay later providers.

- **Caught in cross-currents of hardship**: almost nine in ten (88%) low-income households in arrears are also going without at least one essential. Around three quarters of households in arrears have taken on new or increased borrowing in 2022.

- **Benefit deductions are making a bad situation worse**: nearly all households on means tested benefits who are subject to benefit deductions (where DWP takes money directly from people’s benefits to repay debts owed to government or others like utility suppliers) have gone without at least one essential (93%) in 2022, or gone without enough food in the last 30 days, compared to 63% where benefits are not being deducted. Also, households with deductions are at least twice as likely to be in arrears compared to households without.

- **It’s even worse still for Universal Credit (UC) recipients**: 94% of UC recipients with a deduction are going without essentials, compared to a still shockingly high 76% of UC recipients without a deduction. Of these households more than half (53%) with deductions are going without four or more essentials, compared to just over a third (35%) of those without deductions. Shockingly more than seven in ten (72%) UC recipients with deductions went hungry in the last 30 days, compared to a still too high four in ten (42%) without deductions.

- **Some family types are disproportionately likely to go without essentials**: Black, Asian and mixed ethnicity household, working-age households (especially younger ones), renters, large families and lone parents are all more likely to be going without. Those that report feeling lonely often or struggling with mental health problems are also at heightened risk.

- **Work does not guarantee a route out of financial strife**: among low-income working-age households, the same proportion are in arrears (half) and going without essentials (seven in ten) whether or not anyone in the household works.

What we report on here doesn’t exist in a vacuum. The hardship families are facing now builds on the foundations of a decade of cuts and freezes to social security, a pandemic that saw low-income families dragged deeper into debt and arrears, a £20-per-week cut to Universal Credit and Working Tax Credit just as energy costs started rising, and a package of support with energy costs in February 2022 that failed to grasp the gravity of the situation. The May 2022 cost of living package (plus the £150 payment from April 2022) does a better job of providing targeted relief to poorer families, providing £1,200 for households on means tested benefits. But for the 40% (4.6 million) of lower-income households that already have average arrears of around £1,600, the payment will barely touch the sides, let alone help prepare for the winter that is coming.
Rather than lurch from emergency response to emergency response we need the Government to get ahead of the problem. A simple thing that can be done quickly is to immediately stop deducting debt repayments from benefits at unaffordable rates, as it is clearly making an already bad situation far worse. As this report highlights, almost all families facing deductions are going without essentials like food, a warm home or toiletries, and are falling behind on bills.

In the longer run we need to build systems that provide genuine security. That means fixing our social security safety net so people can always afford the essentials and are supported to get back on their feet when they fall on hard times.

Introduction

The Chancellor’s May 2022 cost of living package does a good job of providing relief to low-income families if you just consider the cost of energy expected between April 2022 and April 2023 (Bell et al, 2022). The trouble is, household finances do not work like that. The wider context, and what your circumstances and finances looked like before this period, also matters.

For one, energy is not the only cost pressure low-income families face. The Bank of England estimates more than half of the inflation we’re currently experiencing is not directly driven by energy prices (Bank of England, 2022), and analysis by the Financial Times shows 80% of the goods and services included in the official inflation calculation have risen more than 3% in the past year (Giles et al, 2022).

Perhaps more significant, however, is the back story of pre-existing hardship and a backlog of arrears and debt before the Chancellor’s announcement.

Working backwards through time, we saw the Government fail to respond with enough targeted help to meet the scale of the challenge that was already apparent in the spring of 2022 (JRF, 2022a; JRF, 2022b). The previous autumn, the £20-per-week increase to Universal Credit and Working Tax Credits (WTC) was taken away on the eve of the first significant energy price rise, leaving the poorest families £1,000 a year worse off, just as prices started rising. Changes to the work allowance and taper in UC offset some of the loss for some working families, but most saw any gains wiped out by rising prices (Schmuecker, 2021). Out-of-work families were simply £1,000 per year worse off, in addition to facing rising prices.

This cut to UC and WTC was preceded by a pandemic that dealt a blow to the balance sheets of the worst off, as they were typically dragged deeper into debt and arrears while better-off families built up their savings (Earwaker and Bestwick, 2021). And that came hot on the heels of a decade of stagnant income growth for the worst-off, largely driven by deep cuts and freezes to social security, which severely impacted living standards.

Ahead of the pandemic destitution was rising (Fitzpatrick et al, 2020), poverty was deepening, and all manner of warning lights were flashing, from foodbank use to rising homelessness (Schmuecker et al, 2022 forthcoming). In summary, we came into this series of crises in bad shape, with too many families already facing deep levels of hardship. The Government’s response has been fragmented and piecemeal, lurching
from crisis response to crisis response, when what we need is to urgently begin the task of ensuring our social security system actually supports people when they fall on hard times. At a bare minimum that means having enough money to afford the essentials – a low bar that we are not currently clearing.

Our new briefing demonstrates how frightening this year has already been for low-income families – the essentials they have gone without, the arrears they have built up and the debt they have been forced to take on, sometimes just to try and cover the essentials. It sets out the findings of a large-scale bespoke survey of around 4,000 lower-income households (the bottom 40% of the income distribution) that was in the field at the time the Chancellor made his announcement. As such it gives us a view of how far the payments announced will simply be absorbed by deprivations, debt and arrears already built up, and how far they will be able to help families weather the price rises still to come.

**Box 1: Note on methodology**

This paper presents the findings from a large-scale bespoke online poll of over 4,000 low-income households across the UK conducted by Savanta ComRes between 24 May and 7 June 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.

It follows on from our research carried out in September/October 2021, where we revealed the extent of arrears on bills and additional borrowing that low-income households were taking on during the pandemic (see Earwaker and Bestwick, 2021). Please see the methodology note at the bottom of this paper for more information.
Millions of low-income households were already going without essentials when the Chancellor announced his cost of living package

By the time the Chancellor stood up to announce his cost of living package in May 2022, people were already experiencing shocking levels of deprivation for a country as wealthy as ours. While the pressure of the rising cost of living has been felt by most, the lack of resilience to price rises among low-income families demonstrates how exposed they have become as incomes have stagnated and our social security system has been cut back.

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 at least one household member experienced the following because they could not afford to at any point since the start of 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,
– has not got prescriptions, pain relief or over the counter medication; or
– at least one household member has visited a food bank since the start of 2022.

Almost 7 million low-income households went without essentials like enough food, a warm home, toiletries or showering

We asked low-income households (those in the bottom 40% of household incomes) about the essential things that they have been forced to go without because they can’t afford them. The numbers are shocking. Six in ten of all low-income families (60%) – amounting to almost 7 million households – have gone without one of the essentials we asked about since the start of 2022, or experienced food insecurity in the previous 30 days (Figure 1). This rises to 72% among working-age families.
Our national conversation has focused heavily on people being forced to choose between heating and eating. But as illustrated in Figure 1 above, in 2022 large numbers of the worst-off families in our society have also been foregoing essential dental treatment, doing without major electrical goods – like a fridge or washing machine – because they can’t afford to replace them, cutting back on showers and baths and living without basic furniture. Around one in ten (1 million households) have not been able to dress appropriately for the weather, have gone without basic toiletries and sanitary items or said they have visited a foodbank.

**Neither heating nor eating**

Perhaps most shocking of all, in the 30 days prior to the survey, approaching half (45%) of all low-income families (those in the bottom 40% of household incomes) had family members either cut down on or skip meals, or go hungry because there was not enough money for food. That amounts to 5.2 million low-income households going without the food they need and is equivalent to more than twice the number of households in the whole of Scotland.
We asked the questions about food to mirror questions in the Family Resources Survey (FRS), so we could get an indication of trends. The two surveys are carried out in different ways, and have different approaches to collecting income data, so the data is not directly comparable. However, the difference in the picture we are seeing is stark compared to the 2019/20 FRS, where 14% of working-age families in the bottom 40% of the income distribution reported either cutting down or skipping meals or going hungry in the last 30 days, compared to 56% in our survey. The difference is so marked, it cannot possibly all be explained away by technicalities about data collection. Our findings are also mirrored in the work of others, such as the Food Foundation, who have tracked a huge jump in levels of food insecurity since the start of 2020 (The Food Foundation, 2022).

We also find that the number of people unable to adequately heat their home because they can't afford it since the start of 2022 is very high, at nearly three in ten (27%) low-income families (3.2 million households). The FRS asks this of working-age households only, and finds in 2019/20 that this was 12%. Adjusting for this, we find that 32% of low-income working-age households could not afford to keep their home warm so far in 2022 – more than double that of the FRS in 2019/20.

What is staggering about our survey results is the degree of overlap between going without enough food and warmth. Among those unable to heat their home adequately this year, three quarters also reported either going hungry or cutting down meals because there wasn’t enough money for food in the previous 30 days. Overall that means one in five (21%) low-income households were going without enough food and were unable to keep their homes warm. Never mind an impossible trade-off between adequate heating or eating, these families could afford neither.

And many households are going without multiple essentials

Of those who reported going without at least one essential listed in Box 2 above, like showers, appropriate clothing, pain relief or a warm home since the start of 2022 or experiencing food insecurity in the last month, three quarters (76%), or 5.2 million low-income households are going without more than one essential (Figure 2). A third (2.3 million households, 33%) are experiencing having to go without four or more different kinds of essentials. One tenth (10%) report going without six or more types of essentials.

These findings are chilling as they show the degree to which our current system of support is failing. Even the most recently announced cost of living package will simply not go far enough for many of these millions of families being deprived of the essentials.
Adding to arrears, deepening debt

As the cost of living has increased, arrears have increased and families have been pushed to take on more borrowing. JRF carried out a similar survey of low-income households in October 2021, to assess their balance sheets in the wake of the pandemic, with many of the same questions. This enables us to look at what has changed over the last seven months.

**Box 3: Defining the two types of debt referred to in this paper:**

**Households that are in arrears** have bills and payments they have fallen behind on. Households may have fallen behind with their household bills like rent or council tax, or fallen behind on making their regular borrowing repayments on their credit cards or personal loans. These arrears signify being in problem debt.

**Households who have borrowed money** include those who have borrowed through personal loans, credit cards or from their family and friends. Throughout this paper we refer to this kind of debt as personal borrowing. Personal borrowing is not inherently bad. However, where households end up borrowing at high interest rates (because unsecured lending tends to have high interest costs or penalties attached to it) or relying on debt to cover spending on essentials, this indicates that some households are struggling to make ends meet.
The number of households in the bottom 40% of incomes behind on at least one bill has increased by a fifth in seven months

At the end of May and early June 2022, 4.6 million low-income households (40%) were in arrears on at least one type of bill – either for household expenses like rent, council tax or utilities, or have fallen behind on their borrowing repayments. This is an increase of a fifth (21%) since October 2021, when the equivalent figure was 3.8 million (33%) (Earwaker and Bestwick, 2021). And while not perfectly comparable, when a similar question was asked in the Family Resources Survey before the pandemic, during 2019/20, it showed 11% of households in the bottom 40% of incomes were behind on at least one household bill or credit commitment. Our 40% finding in late May/early June 2022 is a significant increase.

The depth of arrears is particularly concerning. There has been an increase of over £2 billion of arrears reported by low-income families, up from £5.2 billion in October 2021 to £7.3 billion. Of this £7.3 billion, £3.5 billion is from household bills (Figure 3) and £3.8 billion is from personal borrowing (Figure 5). The personal borrowing arrears figure has more than doubled from the £1.8 billion in October 2021 (Earwaker and Bestwick, 2021).

Figure 3: Low-income households have a total of £3.5 billion in arrears for their essential household bills.

Getting further behind with debt repayments

The vast majority of the increase in total arrears owed is due to increases in arrears on personal borrowing – up from £1.8 billion in October 2021 to £3.8 billion in late May/early June 2022. This is for falling behind on scheduled repayments for unsecured loans like credit cards and personal loans, but it also includes being in arrears for very
high cost credit such as doorstep loans, payday loans and also illegal lending through loan sharks. In the current economic climate with interest rates rising alongside bills, these arrears have the potential to spiral.

Figure 4: Low-income households have a total of £3.8 billion in arrears for their personal lending – that means they’re behind on their scheduled repayments

The average amount of arrears held by low-income households is concerning at £1,600

The average amount owed by low-income households in arrears is around £1,600. This is across all types of bills including household bills like rent and being behind on borrowing repayments, and is largely driven by high amounts of arrears on personal loans and credit cards. But even when looking at just the basic essential household bills of rent, council tax, energy, water, phone and internet, the average level of arrears among low-income households is around £810.

One reason these amounts are so high is because among those in arrears, the majority are in multiple arrears, and this drives up how much people owe, particularly if interest is accruing on debt owed.

Energy arrears are spreading and rent arrears are increasing.

Keeping a roof over your head and staying warm are fundamental needs, but our survey paints a concerning picture.
Unsurprisingly, arrears on energy bills are more widespread than seven months ago. Some 2 million low-income families (17%) are in arrears with energy bills, an increase of more than a quarter compared to October 2021. As Figure 3 shows, more is owed for energy bills than any other type of household bill, and it makes up one fifth of all household bill arrears (£730 million out of the £3.5 billion total of arrears).

The average (mean) amount owed is £375 – on its own more than the first emergency payment to families on means tested benefits – although the actual amount varies widely: the most prevalent level of energy bill arrears are between £100-£200, however for some households this increases to above £1,000. Some 30% of those in energy arrears owe more than £300 (600,000 households), while 22% owe more than £400 (440,000 households).

The picture on rent arrears is positive in the sense that the proportion of low-income renters in rent arrears is no worse than in October 2021 (17% compared to 18%). But as rents have steadily risen across the country in recent months, the average amount of arrears is up sharply from £460 to £620 – an increase of 35%. The total amount owed has also increased from £440 million to £550 million.

The debt picture is worrying for those taking on very high cost loans or using debt to cover their essential bills

Overall around £22 billion is owed by low-income families, and of that £22 billion, those who report having taken on more lending in 2022 (43% of low-income households), owe a total of £12.5 billion. As outlined in Box 3, having debt is not inherently bad, but it is bad if you can’t afford your repayments, if sky-high interest rates pull you further and further into debt, or your credit commitments take up a large proportion of an already low income.

Over 1 million low-income households are taking on debt just to cover their essential bills like rent

Just over one in ten (11%) of all low-income households have used credit to cover essentials like rent or council tax so far this year, in response to the cost of living rising. This amounts to 1.3 million households. A further 8% (890,000 households) said they planned to do this in coming months. This paints an extremely worrying picture – where households cannot afford to cover basic bills like rent, energy or council tax, and have to take on interest-accruing debt (often at high interest rates) to try and stay afloat.

£3.5 billion owed in high cost credit

Concerningly almost one fifth of low-income households (19% or 2.3 million households) owe £3.5 billion of debt to high cost lenders including loan sharks (£870 million), doorstep loans (£900 million), payday lenders (£920 million) and pawnbrokers (£770 million). A further £2.3 billion is owed to buy now, pay later providers.

For comparison, in February 2020 the FCA found that around 1% of the population held an unlicensed loan, a loan from a doorstep lender or a pawnbroker. We would expect the proportion of lower-income households to be higher, but even so, rising
from a few percent of the population to 19% of low-income households is a substantial rise.

A further £2.3 billion is owed to buy now, pay later providers. Focusing in on debt to illegal lenders (loan sharks), our finding accord with a recent Centre for Social Justice (CSJ) report on loan shark lending. They asked a similar question to us about borrowing from an unlicensed lender and found 1.1 million people in England were borrowing from unlicensed lenders in December 2021 (CSJ, 2022). We find 1.3 million low income households across the UK have this type of borrowing. Concerningly, one fifth (20%) of households with debt to a loan shark in our survey reported being in arrears with the loan. Both CSJ’s figures and ours are higher than the Financial Conduct Authority’s (FCA) findings in February 2020 (FCA, 2020), where 0.5% of the whole UK population reported borrowing from an unlicensed money lender (although they noted the real level is likely underreported), suggesting that this type of lending may have increased throughout the pandemic and subsequent cost of living crisis.

More worrying still are the indications of people borrowing to keep covering essentials. More than one in five (22%) families taking on new or increased borrowing in 2022 reported they borrowing to cover the cost of essentials. A further one in seven (14%) said they planned to do this in the coming months.

**Households in arrears are also likely to be going without essentials and have taken on extra borrowing in 2022**

The 4.6 million households who are behind on their bills are the families most likely to be going without essentials. Almost nine in ten (88%) of low-income households in arrears are also in the group above who are going without essentials. If you’ve fallen behind on your bills, you’re extremely likely to be going without essentials like food, toiletries or a warm home.

Around three quarters (73%) of low-income households in arrears also took on new or increased borrowing in 2022. Some 38% of those in arrears said they were borrowing from family and friends to help deal with the cost of living, with a further 14% planning to do so in the coming months. Borrowing from family or friends may not always have an interest rate attached to it, but the emotional burden it can place on relationships can add enormous stress to the already exhausting job of trying to make ends meet.

Just over one in five (22%) of those in arrears said they had already taken on extra debt through a credit card or loan to pay for essentials like rent, energy or council tax. A further 15% said they were planning on doing this in the coming months to help deal with the cost of living. As mentioned above, borrowing in and of itself is not a bad thing, but if you are borrowing money with interest attached to it to pay for your essential bills, that is a huge problem, and signals a very vulnerable financial situation.
Benefit deductions are making a bad situation worse

The basic rates of social security payments are already too low to enable many people to afford the essentials, but these payments are often pulled even lower as the Government takes money away directly from people’s benefits to repay certain types of debts. These include repaying a UC advance to get someone through the five week wait at the beginning of their UC claim, a budgeting advance or loan, arrears on utility bills or council tax repaid via the benefit system, or repaying an overpayment of benefits or tax credits. Overpayments get deducted in the same way even when the mistake was on the part of the DWP or 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. For a single person aged over 25 the standard allowance is £77 per week, £121 for a couple, so a 25% deduction leaves little to live on (this doesn’t include housing costs, for which there is a housing element for those eligible, although it doesn’t always cover all of the rent). No affordability checks are carried out on whether a household can afford the repayments, unlike when the private sector arranges debt repayment schedules. Deductions of this magnitude from already low basic rates leave too little for many to cover the essentials. The hardship this causes can clearly be seen in our survey data.

Over four in ten households receiving UC and one in five receiving other means tested benefits report deductions

Comparing our survey responses to administrative data on deductions shows a remarkable degree of alignment, giving us confidence in our figures. Our survey shows 32% of all means-tested benefit recipients had money deducted from their payments (2.2 million households). This was higher among UC recipients (47% of whom had deductions) than other means-tested benefit recipients (21%). The UC figure is in line with what we know from answers to parliamentary questions about the proportion of UC claimants with deductions (45%) (Crabb and Rutley, 2022a). We also asked about the amounts people are being deducted, and our findings are similar to administrative data which finds that the average UC deduction was £61 per month in November 2021 (Stephens and Rutley, 2022).

Some families are more likely than others to experience deductions

Data from Parliamentary Questions shows that of those people in receipt of Universal Credit, families with children and families with a household member who is unable to work due to illness or disability are more likely to experience deductions:

- Families with children are more likely to experience deductions (51% of families with children compared to 40% of families without children) (Crabb and Rutley, 2022a).
- Families where someone has been assessed as being unable to work due to illness or disability are more likely to experience deductions (53% of families where someone has limited capability for work or work-related activity compared to 41% of other families) (Crabb and Rutley, 2022b).
Our own analysis also found that of those households who are in receipt of Universal Credit, 47% of Black households face deductions compared to 29% of White households.

The size of the deductions also varies. Almost half (47%) of households with a deduction are seeing over 20% of their standard allowance deducted. This rises to 62% for families with children, for families without children it is 32% (Crabb and Rutley, 2022a).

**Almost all households facing deductions from their benefits are going without essentials and behind with bills**

Our survey data shows benefit deductions are having a deeply damaging impact on families, who are disproportionately likely to go without essentials and be in arrears.

**Deductions and arrears are highly correlated**

Having an already low rate of income reduced further inevitably drives hardship and financial difficulty. Some 85% of families with deductions from their benefits are in arrears with household bills, compared to 40% of all low-income families. Even when we exclude those households facing deductions to repay essential bills like rent and council tax (so that we’re not double counting those in arrears having deductions to repay those arrears), 80% of households facing deductions are still in arrears.

The average amount owed is around £1,900, over £300 higher than the average owed by all low-income households.

**Almost all households with deductions are experiencing a form of material deprivation**

More shocking, however, is the level of material deprivation (see Box 2 for the forms of material deprivation asked about). We compared the responses of recipients of means-tested benefits with and without deductions. Among those with deductions, 93% had experienced at least one form of material deprivation in 2022 or food insecurity in the last month. Among all means-tested benefit recipients that were not experiencing deductions, the figure was 63%, similar to the average for all low-income households (60%). However, Universal Credit recipients are more likely to be going without, with three quarters (76%) of recipients without deductions going without at least one essential, while nearly all of those with deductions were in the same position (94%).

These findings provide clear evidence that Government deductions from benefits are pushing up material deprivation across the country. Even when we look just at those households with benefit or tax credit overpayment deductions, 89% are going without essentials. This is significant as these payments arise from the Government imposing the repayment of previously overpaid benefits, rather than from repaying loans that might have been taken out by households in response to cash flow needs. This strongly suggests that deductions are causing greater material deprivation.
Universal credit recipients facing deductions are much more likely to be going hungry and lacking multiple essentials

As Figure 5 illustrates, UC recipients with deductions are more likely to experience every form of material deprivation, but they are particularly likely to be facing food insecurity and use food banks, compared to UC claimants without deductions. In this section, we look specifically at Universal Credit recipients, as it is helpful to compare like-for-like benefits, and looking ahead, Universal Credit is the future of the benefits system.

A huge 72% of UC recipients with deductions went hungry in the last 30 days, compared to 42% without deductions, while 29% of UC recipients with deductions visited a foodbank compared to 13% without deductions. UC recipients with deductions are also almost three times as likely to be going without toiletries compared to those without deductions (28% compared to 10%).

Figure 5: Households on Universal credit with deductions are disproportionately more likely to be going without essentials than households on UC without deductions

Households on UC with deductions are also disproportionately more likely to be going without multiple essentials compared to those on UC without deductions (Figure 6). Of those going without at least one essential, more than half (53%) of all UC recipients with deductions were going without four or more of these, compared to just over a third (35%) of UC recipients without deductions.
These findings show that the Government’s deductions policy is having a material impact on people’s quality of life. Having families go without essentials like toiletries or food is an unacceptable outcome for the UK in 2022, especially when it is driven by Government policy choices.

**Government must act immediately to reduce the hardship caused by deductions**

The Government often talks about the cost of living crisis as being driven by international forces beyond its control. This clearly is not the case where it comes of setting policy around debt deductions within the social security system.

When we look at the proportion of households with deductions for different types of repayments, a significant amount are the result of policy choices. According to our survey, over half (57%) of UC recipients with deductions are repaying UC advances – most of which are loans taken out to get them through the first five weeks of a UC claim while they were waiting for their first payment to be made. A fifth (20%) of UC recipients with deductions and a quarter (23%) of all means tested benefit recipients have deductions to repay tax credit overpayments. As we have argued previously, the UC system should not push people into unaffordable debt from the moment they make a UC claim, and the advance should be converted into a grant, or at the very least the affordability of repayments should be assessed or deferred until people no longer receive UC. We have also argued that historic tax credit debt should be written off when people move onto UC, to give them a fresh start on the new system. DWP suggests that converting the advance to a grant would cost around £2 billion per year while UC completes its rollout, and writing off historic tax credit overpayments would cost a one-off sum of around £5 billion (Earwaker and Bestwick, 2021).
But even delivering both these reforms would still leave the repayment of budgeting advances or loans, arrears on utility bills, rent or council tax and other payments repaid via third party deductions and other benefit overpayments in the system. Ultimately the problem that must be addressed is the 25% rate at which debt can be deducted from already low basic entitlements, which leaves people unable to afford the essentials at the best of times, let alone in the context of a cost of living crisis.

**Policy recommendation:**

The Government must immediately stop deducting benefits at unaffordable rates, which further reduces the already low level of support available to families. And 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 be lowered from 25% to 15%. Within this, deductions to repay debt to central government should be capped at 5% of the Standard Allowance.

**Some households are disproportionately more likely to be going without essentials, be in arrears, or taking on extra debt to cover household bills.**

Households experiencing deductions to their benefits are not the only ones with heightened risk of going without the essentials, getting into arrears or taking on additional debt. Ethnicity, age, family structure, tenure and mental health status all have a bearing.

**Work does not guarantee a route out of financial strife**

When you are on a low income, being in a working household does not make a significant difference to your chances of escaping debt and going without the essentials. Of working-age households, the same proportion are in arrears (51%) among working households as households where no one works. When looking at going without essentials for working-age households, the same finding emerges – 72% of those with at least one adult in work compared to 71% without an adult in work.

**Ethnic minorities, especially Black households, are the most likely to be struggling with household bills and going without essentials**

Echoing our results from 2021, some minority ethnic groups are much more likely to be struggling with household finances, and be on lower incomes.

As outlined in Figure 7, Black and Asian low-income households are more than twice as likely to be in arrears than White low-income households, while low-income households with mixed ethnicity are nearly twice as likely to be in arrears. Some 83% of Black households, 81% of households with mixed ethnicity and 76% of Asian households on low incomes have gone without essentials in 2022 or experienced food insecurity in the last 30 days, compared to 56% of White households.
As outlined earlier, Black households are also more likely to face deductions, reducing their household incomes. We also know that Black households are more likely to be renters (74% compared to 44% of White households on low incomes) – where households are more likely to be experiencing financial hardship, compared to homeowners (see below). Recent JRF work on low income renters shows Black and minority ethnic (BAME) families are much more likely to face unaffordable rents than White families (65% compared to 52%). This is partly about geography, as they are more likely to live in areas with higher rents such as London (Elliott and Earwaker, 2021), but it is also driven by labour market inequalities (Barry, 2021) and elements of the social security system, such as the benefit cap, which disproportionately impact BAME households (Rogaly et al, 2021).

**Lower-income households with young adults are more than twice as likely to be going without essentials**

Again, similar to findings in October 2021, working-age households are disproportionately more likely to be in arrears (51%) and going without essentials (72%), compared to over 65s (13% and 32% respectively). Within the working-age group, younger households are particularly hard hit. Just over four fifths (82%) of low-income households with an adult aged 18-24 went without essentials in 2022 or experienced food insecurity in the last month. They were also six times more likely than over 65s to be in arrears, at 73%.

Even among lower-income households, age brings different levels of financial security – particularly through tenure. Results showed 70% of over 65s surveyed own their home outright, meaning they have very few housing costs, and only 7% live in the

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**Figure 7: Households in at least one type of arrears or going without essentials by ethnicity**

<table>
<thead>
<tr>
<th>Household ethnicity</th>
<th>Proportion of low-income households either in arrears or going without essentials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average low-income household</td>
<td>60% (Arrears: 60%, Going without essentials: 40%)</td>
</tr>
<tr>
<td>White</td>
<td>60% (Arrears: 60%, Going without essentials: 40%)</td>
</tr>
<tr>
<td>Mixed</td>
<td>80% (Arrears: 80%, Going without essentials: 80%)</td>
</tr>
<tr>
<td>Asian</td>
<td>80% (Arrears: 80%, Going without essentials: 80%)</td>
</tr>
<tr>
<td>Black</td>
<td>80% (Arrears: 80%, Going without essentials: 80%)</td>
</tr>
</tbody>
</table>
private rented sector. In comparison, 31% of 18-24 year olds are in the private rented sector, where housing costs tend to be the highest.

**Figure 8: Households in at least one type of arrears or going without essentials by age group**

Large families, lone parents, renters and those with poor mental health are all more likely to be struggling

Further echoing findings from October 2021, families with three or more children were also disproportionately more likely to be in arrears, with 64% in arrears, compared to 27% of households without children. This is not surprising given the evidence of sharply rising poverty among large families in recent years (Stewart et al, 2021), and the fact that providing for larger families just costs more. We also find that 63% of lone-parent households are in arrears, which is an enormous burden to carry as the only adult in a home with children.

Those struggling with their mental health or reporting often feeling lonely are also disproportionately more likely to be in arrears or going without essentials; 62% of those who report often feeling lonely are in arrears and 57% of those who report struggling with their mental health. There is a circular relationship here, with people in debt more likely to experience mental health problems, while people with mental health problems are also more likely to experience debt (Money and Mental Health Policy Institute, 2022)).

Renters are also the most likely tenure to be in a financial black hole. This is unsurprising given that half of low-income private renters are paying rents they can’t afford in England, and social housing can only be accessed by the very worst off. Of those on low incomes, 75% of private renters and 73% of social renters are going without at least one essential, compared to 39% of those who own their homes outright. 57% of private renters and 54% of social renters are in at least one type of arrears, compared to 19% of those who own their homes outright. When you are
renting, so much of your income is eaten up by housing costs – some 22% of low-income private renters pay 40% or more of their income on rent, and when costs (including rent) rise, and housing benefit does not, it’s not surprising that they are a group hit hard.

### Conclusion

These findings reveal the gravity of the situation being faced by the worst-off 40% of families when the Chancellor announced his cost of living support package. Families up and down the country were regularly facing a simple but grim choice: go without essentials, get behind with essential bill payments, or take on debt.

The Government’s May 2022 cost of living package does a better job of providing relief to poorer families than its earlier efforts, with £1,200 targeted to households on means tested benefits. But this report highlights that the support is too late for families to avoid falling under the heavy burden of debt, arrears and hunger, let alone help prepare for the winter that is coming. Rather than lurch from emergency response to emergency response we need the Government to get ahead of the problem.

A simple thing the Government can do immediately to make a difference is to stop deducting debt repayments from benefits at unaffordable rates. This is clearly making an already bad situation far worse by bringing an already low basic rate of social security even lower still. It leaves too little to cover the essentials at the best of times, let alone during the biggest cost of living crisis in a generation.

The Government must also increase basic Universal Credit entitlements to ensure it always, at a minimum, enables people to afford the essentials when they fall on hard times.
Methodology notes

Savanta ComRes surveyed 4,046 UK adults aged 18+ in households in the lowest 40% of equivalised household income online between 24 May and 7 June 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 4,046 respondents polled, 2,908 were working-age (18-64), which is broadly representative of low-income households in the UK. The age break downs of the respondent numbers are as follows:

- 18-24: 373
- 25-34: 617
- 35-44: 667
- 45-54: 585
- 55-64: 666
- 65+: 1,138

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.

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 income of under £24,752 to participate in the survey.

Grossing 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.

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, 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.

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 the start of 2022:

- not dressed appropriately for the weather (suitable clothes or shoes),
- not replaced or repair 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 gotten prescriptions, pain relief or over the counter medication,

OR

- at least one household member has visited a food bank since the start of 2022.
References


JRF (2022b) 600,000 will be pulled into poverty as a result of Chancellor’s inaction. Available at: https://www.jrf.org.uk/press/600000-will-be-pulled-poverty-result-chancellors-inaction [Accessed: 24 June 2022].


Schmuecker, K Matejic, P Bestwick, M and Clark, T (2022, forthcoming) JRF report on deepening poverty and rising destitution


Notes

1 We use the 2019/20 FRS to avoid the picture being muddied by temporary Covid response measures in the 2020/21 data.
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.

All research published by JRF is available to download from www.jrf.org.uk

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