Covid Realities
Families on low incomes
during the pandemic

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Pandemic Pressures

Why families on a low income are spending more during Covid-19

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Acknowledgements

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This research draws on two key sources. First, it uses data from two online surveys commissioned by the Resolution Foundation in May and September 2020, conducted by Acknowledgements YouGov and funded by the Health Foundation. The figures presented from the online surveys have been analysed independently by the Resolution Foundation and the views expressed here are not necessarily those of the Health Foundation or YouGov. The analysis is based on the position of 18-65-year-old adults , with pre-pandemic income quintiles estimated by the Resolution Foundation. Both surveys were carried out online and the figures have been weighted and are representative of all UK adults aged 18-65 according to age, gender and region. Fieldwork for the May survey was undertaken between 6 and 11 May 2020 and the total sample size was 6,005 adults. Fieldwork for the September survey took place between 17 - 22 September 2020 and the total sample size was 6,061 adults.

Second, it presents findings from the Covid Realities project https://covidrealities.org), funded by The Nuffield Foundation and led by Dr Ruth Patrick, in conjunction with Dr Kayleigh Garthwaite, Dr Geoff Page and Dr Maddy Power. The conclusions reached in this report are those of the authors and not necessarily the Nuffield Foundation. The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds research that informs social policy, primarily in Education, Welfare, and Justice. It also funds student programmes that provide opportunities for young people to develop skills in quantitative and scientific methods. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics and the Ada Lovelace Institute. Visit www.nuffieldfoundation.org.

Summary

Average household spending has fallen during the Covid-19 pandemic, driven by lower expenditure on leisure activities, meals out, holidays and commuting costs. But this overall spending fall (and commensurate rise in saving) does not reflect the experience of all households. Previous Resolution Foundation work has shown that families with high pre-pandemic incomes were much more likely to have seen spending fall and rates of saving rise during 2020 than those on lower pre-pandemic incomes. Likewise, more than half of adults in families from the lowest income quintile have borrowed more to cover everyday costs since the pandemic began, while those that entered the crisis with low savings have been the most likely to have run those down during 2020.

However, the Covid-19 experience is differentiated not just by income group but also by family type. In this note, we look in detail at how the living standards of families with dependent children on a low income have changed since the pandemic began. We draw on two key sources of evidence: the 'Covid Realities' participatory research programme in which parents and carers from across the UK are sharing their everyday experiences of the pandemic, and quantitative analysis of two representative online surveys of over 6,000 working-age adults fielded by the Resolution Foundation in May and September 2020.

Parents and carers on a low income highlight three factors that underpin their increased spending since the pandemic began. First, having children at home more has required higher spending on food, energy and on ways to entertain or distract children when so many outdoor leisure activities have been curtailed. Remote schooling in particular has been very expensive for families that have had to buy a laptop, for example, or arrange for broadband access. Second, the cost of certain items (most obviously food) has risen for many: promotions have been reduced and cheaper items are harder to obtain. Many families have been forced to use more proximate but expensive stores to avoid public transport or to get groceries delivered, while charity shops have been harder to access. Third, restrictions on household mixing and non-essential trips have constrained family and community support, while vital free services such as libraries have often been closed over the period. This is supported by the quantitative evidence that shows that over a third of low-income families with children have increased their spending during 2020, with only 18 per cent seeing lower spending by August and September. By contrast, among high-income families without children, only 13 per cent had increased their spending, and 40 per cent had reduced it even after the economy had opened up in August and September. By September 2020, 39 per cent of families with children in the lowest income quintile were seeing their finances squeezed compared to their pre-pandemic situation.

Overall, families on a low income are adept at managing limited budgets, finding creative, if time-intensive, ways to get by on little. But when Covid-19 hit, many of the mechanisms for navigating life on a low income became very difficult, if not impossible, to sustain. Moreover, these pandemic pressures come after several years of weak growth in living standards, with incomes for the lowest-income households being no higher in 2018-19 than in 2001-02. As a result, financial worries have been added to the general stress and anxiety of the pandemic for many families with children, a finding that resonates with other studies showing that mental health in the initial lockdown worsened.

2021 holds the prospect of a vaccination programme, but the more transmissible variant of Covid-19 means that the coming months look set to closely resemble the hard lockdown of Spring 2020. As a result, parents look set to face another difficult period of increased costs without school and other sources of support. In response, the Government should immediately confirm that the £20 a week uplift to Universal Credit (UC) it introduced in April 2020 will continue, with the increase being extended to those on legacy benefits and passed on in full to those subject to the benefit cap. The Government should also consider whether greater support for families with children, whether delivered through Child Benefit or Universal Credit, is required to provide a decent level of support to families on a low income, and to prevent rising levels of hardship, as documented by the Covid Realities project.

Overall, the evidence presented in this note shines an unforgiving light on the absence of targeted, adequate support for families on a low income, who today face the combined insecurity of Covid-19 and increased financial pressure. It underlines how important it is to understand properly differential experiences across the pandemic, and to document the uneven and unequal impacts in Covid-19 has had on living standards nationwide.

On average, household spending fell, and saving rose, in 2020

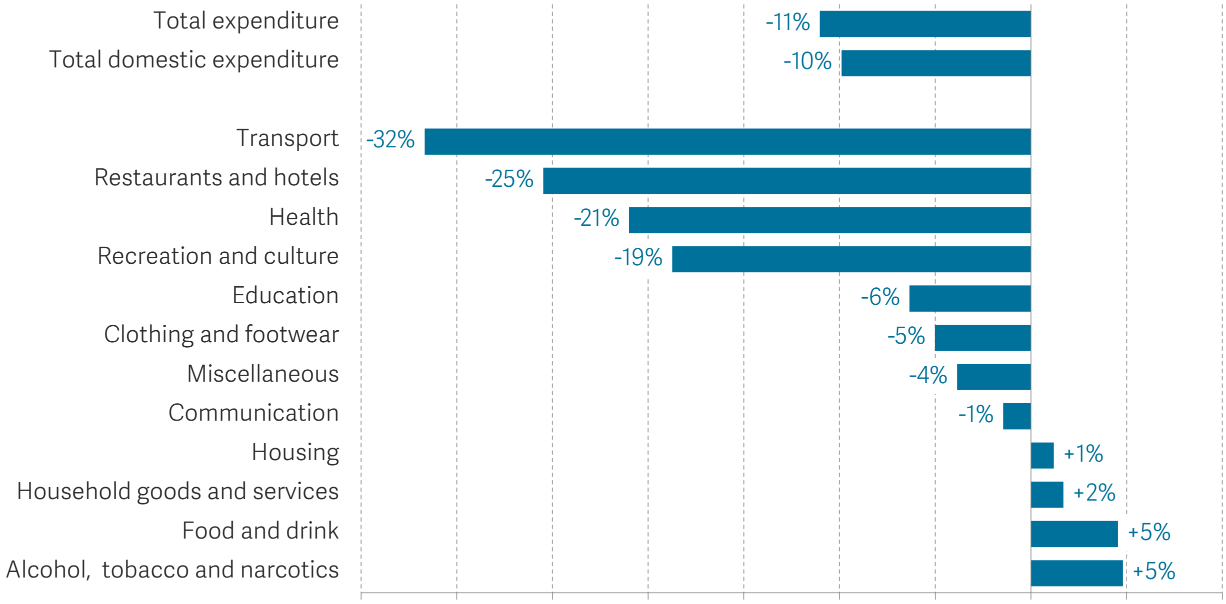
It is widely known that household spending has fallen during the pandemic. In previous Resolution Foundation research, one-quarter of adults reported that their household spending in August and September 2020 was lower than it was pre-crisis (although this represented a recovery from the lockdown period, where 33 per cent reported spending less).[1] Likewise, ONS data indicates that real-terms household spending in the period July to September 2020 was down 10 per cent on the previous year.[2] Although some of this fall in spending reflects falls in earnings, household incomes have fallen by much less than household spending and household saving has risen: the OBR expect the household savings ratio in 2020 will be 19.9 per cent, compared to 6.5 per cent in 2019.[3]

1 Figure 7 of K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.
2 ONS, Consumer Trends, ONS, December 2020.
3 OBR, Economic and fiscal outlook, OBR, November 2020.

The drop in spending is not uniform across different expenditure categories. Overall, multiple sources confirm that there has been an increase in spending on activities related to being or staying at home, and reductions in what we might call 'social expenditure' and transport (which will include commuting costs). In Figure 1, for example, the ONS data shows that in July to September 2020, overall consumer spending was 10 per cent lower than a year earlier. However, spending on 'food and drink' was 5 per cent higher than the previous year, while that on 'recreation and culture' was 19 per cent lower, 'restaurants and hotels' was 25 per cent lower, and 'transport' was 32 per cent lower.[4]

FIGURE 1: **During the pandemic, spending increased on food and drink, but reduced on social expenditures and transport**

Annual real change in household consumption, by category: UK, 2020 Q3



NOTES: Deflated using 'Consumer trends: implied deflator'. Not seasonally adjusted.
SOURCE: RF analysis of ONS, Consumer Trends.

Families on a low income and families with dependent children are more likely to report increased spending during the pandemic

But this story of an overall fall in spending accompanied by a rise in household saving is not an accurate guide to the situation of all families. As we reported in 2020, both in May and September, one-in-five (20 per cent) working-age adults reported that their spending during 2020 was higher than it was pre-pandemic. Moreover, there is a strong

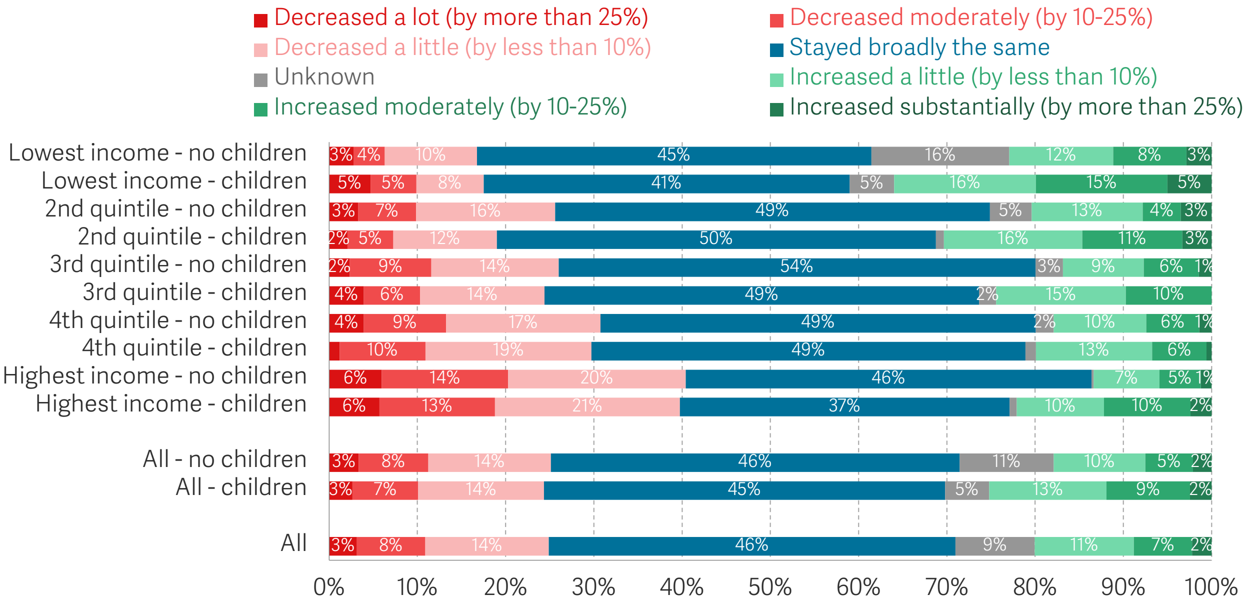
4 Slightly later date from ONS shows that spending in predominantly food stores in September to November was 4.7 per cent higher than a year earlier (although this is down from May, when the same measure was at 8.4 percent). See ONS, Retail Sales Index, series CPSA2. Data from Visa, cited in the Bank of England, Monetary Policy Report – November 2020, suggests household spending in September 2020 was higher than it was a year earlier in the categories of 'food, beverages and tobacco', followed by 'household goods' and 'clothing and footwear' (although some of this may reflect pent-up demand after the hard lockdown of Spring 2020). And research by the IFS, drawing on bank account data, shows a rise in spending on 'groceries' when comparing September and January 2020, and a net fall in spending on 'holidays', 'transport' and 'restaurants, pubs and other recreation'. See: A Davenport, R Joyce, I Rasul & T Waters, Spending and saving during the COVID-19 crisis: evidence from bank account data, Institute for Fiscal Studies, October 2020.

distributional pattern to these changes, with households on high pre-pandemic incomes being much more likely to have seen spending fall (and rates of saving rise) during 2020 than those on lower pre-pandemic incomes.[5]

FIGURE 2: **Families on a low income, especially those with children, were the most likely to report they were spending more during the pandemic**

Change in household spending during re-opening (July-September 2020) compared to February 2020, by pre-pandemic household income quintile and whether household contained children: UK, 17-22 September 2020

Notes: Base = all adults aged 18-65 with valid income data (n=3,128), apart from the 'all' category where the base is all UK adults aged 18-65 (n=6,061) – the fact that adults without valid income data are included



in the all category explains why there is a higher incidence of unknown income changes here than across quintiles). 'All - no children' (n=4,243), 'All - children' (n=1,818); 2nd, 3rd & 4th quintiles have proportionally more children. Family income distribution based on Resolution Foundation estimates of equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students (see annex of K Handscomb & L Judge, Caught in a Covid trap, Resolution Foundation, November 2020 for more details). These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – September wave.

We can also go further and split this by whether a family contains dependent children. Figure 2, presenting new analysis of the situation in the reopening part of 2020 (August to September), confirms that falls in household spending (compared to pre-pandemic levels) were much more likely among families on a high (pre-pandemic) income than

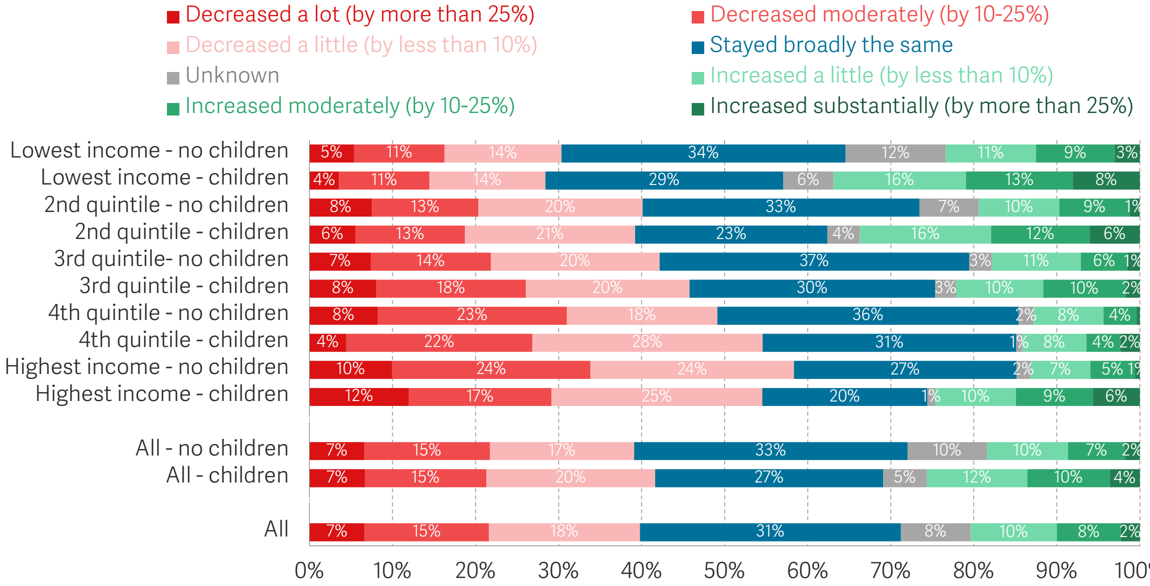
5 See Figure 5 of M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020 and Figure 7 of K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020. The same patterns are also very clearly observed in A Davenport, R Joyce, I Rasul & T Waters, Spending and saving during the COVID-19 crisis: evidence from bank account data, Institute for Fiscal Studies, October 2020, which draws on a non-representative sample but uses data from bank accounts.

those on a low income, and that rises in spending were more common among those on a low income than those on a high-income. It also shows that, in all five income quintiles, families with children were more likely to have reported increases in spending than those without. For the families with children on the lowest incomes, in particular, 36 per cent have increased their spending during summer 2020, compared to 18 per cent who reduced their spending (by contrast, among families without children in the top income quintile, only 13 per cent had increased their spending, compared to 40 per cent who have reduced it).

And Figure 3 confirms that these patterns were also seen in the first full lockdown period.[6] Falls in spending were more common in the full lockdown period May than they were in September, but even in May, over one-in-three families with children on the lowest incomes were spending more than they were pre-pandemic. Across all families, 40 per cent were spending less in May 2020 than pre-pandemic, but this was the situation for only 28 per cent of families with children in the bottom quintile. Among those without children in the top income quintile, 13 per cent were spending more and a 58 per cent were spending less.

FIGURE 3: **In the first lockdown, four-in-ten families spent less than usual, but one-in-three low-income families with children reported spending more**

Change in household spending compared to before the coronavirus outbreak began, by 18-65-year-old family income quintile before coronavirus (exc. retired and students) and whether has children or not: UK, 6-11 May 2020



NOTES: Base = all adults aged 18-65 with valid income data (apart from the 'all' category). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students (see the annex for details). Question wording = Still thinking about now in comparison to before the Coronavirus (COVID-19) outbreak started (i.e. the end of February 2020) To what extent have your household's outgoings changed?
SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

6 This is a redrawn version of Figure 6 of M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.

Parents' and carers' own accounts can help us understand spending dynamics in the pandemic

The pattern of changes in household spending shown in Figure 2 is the outcome of a complicated interaction between how the pandemic has changed household incomes, what were people's pre-pandemic spending patterns, and how those spending habits and behaviours have been altered or constrained by our response to Covid-19.[7] In June 2020, we speculated that increased spending among families with children was because many of the costs associated with bringing up children are fixed, and that school and nursery closures in this crisis have loaded additional cost and time pressures onto parents, including having to provide more meals and educational resources.[8] But to explore this further, and to bring it into conversation with a qualitative evidence base, we collaborated with the participatory Covid Realities project, generating spending-specific data, which is here analysed for the first time.

The Covid Realities project is documenting the everyday experiences of families with children on a low income during the pandemic through a collaboration including parents and carers themselves, the universities of York and Birmingham and the Child Poverty Action Group. Parents and carers take part in monthly virtual discussion groups; complete online diaries and respond to big questions of the week; with their experiences shared back on the Covid Realities website; creating a rich and timely archive of lives lived through the pandemic.[9] In November 2020, we used a 'big question of the week' to ask participants how and why their spending had changed during the pandemic.[10]

Although our question was very open, and did not direct people to think about families on different income levels, some of the participants actually addressed the differential impact of Covid-19 on spending in their responses. For example, Nellie K,[11] a parent with two children on Universal Credit (UC), emphasised how important it is to look at, and properly understand, changing patterns of spending across the income distribution:

> *"I love this question because I think the assumption is that spending has gone down. But that's coming from the perspective of people who have disposable income. Of course they will have saved money, they have less places to spend their 'spare' money. If you had no outgoings on luxuries like coffee shops, takeaway, clothes shopping, pubs, eating out etc then nothing has been saved."*

7 Analysis of changes in incomes can be found in K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.

8 The question was posed in late November, when England was in its lockdown phase, Wales and Northern Ireland had recently emerged from a lockdown, and Scotland had a range of restrictions in place. An example of a different big question of the week is here.

9 The archive is at www.covidrealities.org/learnings.

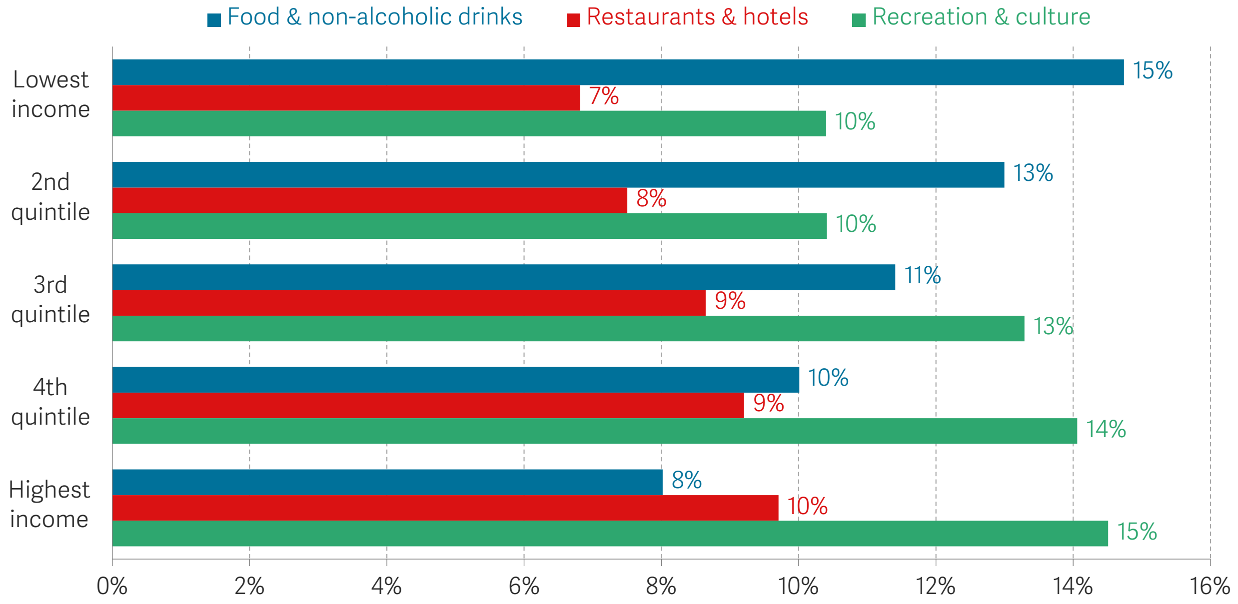
10 This is a video question, shared with participants through a bespoke online portal, with all registered participants notified of the new quesiton via an update email. Participants can then choose how to respond, using either text or a video.

11 When participants sign up to the Covid Realities project, they have the opportunity to choose their own alias. This is then used in sharing their diary entries and responses to big questions of the week, with all other identifying material (e.g. children's names) anonymised.

Nellie's impression is entirely correct. Figure 4 shows what share of their total spending households across the income distribution dedicated to 'food and non-alcoholic drinks in the home', 'recreation and culture' and 'restaurants and hotels' prior to the pandemic. As this makes clear, spending on food as a share of total spending falls as income rises, while the share of spending accounted for by the other two items – what we might call 'social expenditure', and which represent the categories of expenditure most affected by restrictions during the pandemic – rises with income[12].

FIGURE 4: **Spending on food is more important, and social expenditure less important, for lower-income households**

Proportion of pre-pandemic spending devoted to food, and to activities heavily curtailed by the pandemic, by equivalised income quintile: UK, 2019



NOTES: RF analysis of ONS, Family Spending.

The differential impact of Covid-19 on spending was also highlighted by Paige, who currently lives with her daughter and her grandchildren. Paige contrasted her own increase in spending, with that of her nephew:

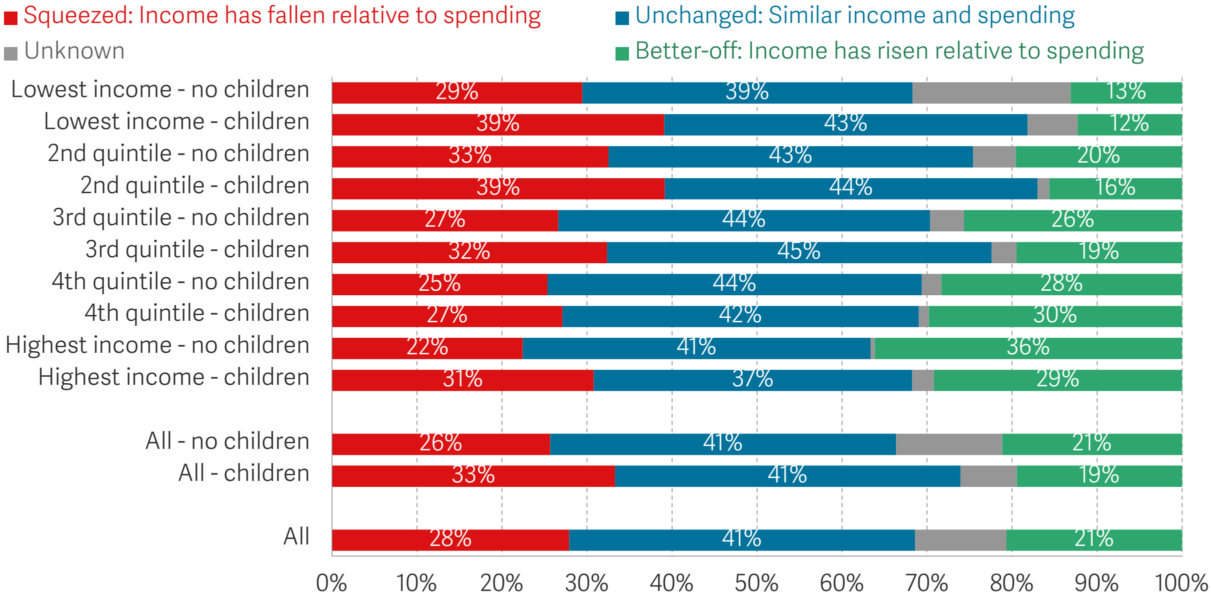
> *"For me I have definitely been spending more. Being in the house 24 hours a day with the family. Eating meals that wouldn't usually be eaten at home. I have spent every penny of savings that I had not that it was much. Where my nephew has been able to get his garden done with artificial grass and bought a hot tub with what he has saved. It's been so different for every family."*

12 'Recreation & culture' includes spending on recreational goods and services consumed inside the home, as well as on cultural or recreational activities outside the home, so not all of it should be thought of as social expenditure.

This is a vivid example of something survey data can confirm. Figure 5 classifies working-age adults into one of three groups depending on how their household incomes and expenditures have changed relative to each other since the pandemic began.[13] As this makes clear, one-in-five adults (21 per cent) report seeing their incomes rise relative to their expenditures (or their expenditures to have fallen by more than their income) over the period; this group, while not necessarily better off, should be feeling less financial pressure during the pandemic, and are much more likely to be found among high pre-pandemic-income families. On the other hand, the 28 per cent of adults in what we call the 'squeezed' category, where incomes have fallen by more than have expenditures, are skewed towards low pre-pandemic-income families. There is no doubt that Paige's account would place her into our 'squeezed' category, and her nephew into the group for whom financial pressures have been loosened during the pandemic. The Figure also shows that, in every income quintile, families with children were more likely to fall into our 'squeezed' category than those without, and that 39 per cent of families with children in the lowest quintile fell into our 'squeezed' category.

FIGURE 5: **Over one-third of the lowest income families with children have been 'squeezed' as their incomes have fallen by more than their spending**

Change in income and spending during re-opening (July-September) compared to February 2020, by pre-pandemic family income quintile: UK, 17-22 September 2020



NOTES: Base = 3,128: all adults aged 18-65 with valid income data (apart from the 'all' category where the base is 6,061). Family income distribution based on Resolution Foundation estimates of equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students (see annex of K Handscomb & L Judge, Caught in a Covid trap, Resolution Foundation, November 2020 for more details). These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – September wave.

13 This expands the analysis in Figure 9 of K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020, by breaking down further by whether a family contains children.

The pandemic has imposed extra spending pressures on families with children on a low income

Nellie, who we heard from earlier, went on to summarise how her family's spending has changed as a result of Covid-19:

> *"Our only saving has been £2.50 a week we spent on playgroup, and on petrol as we drive out to places less. On a whole we have seen our spending increase. Our electricity and gas bills have gone up for a start, as we're at home more. We have spent a lot more on food, especially during the first lockdown when there were shortages and we had to buy expensive brands. My children snack more when they're at home too, my fruit spending has gone up considerably. We've also found that we've made outgoings with regard to entertaining the children that we wouldn't have pre-Covid - Disney+, crafts, and books (especially when all the libraries and charity shops were shut). We rely on charity shops a fair bit so when they were closed we spent more. I would have bought my daughter's school uniform from the supermarket but couldn't because it sold so fast and had to buy it at a higher price online. The Covid restrictions have also meant that my daughter's school have changed uniform requirements at the last minute - requesting two days to wear joggers and trainers - which has meant an increased spend on uniform. "*

This answer shows that Nellie's higher spending was the product of three interacting factors. First, her family spent more simply by virtue of her children being at home as they required support with school and were not able to do certain leisure activities. Second, the pandemic and associated restrictions made it more expensive to buy certain goods and services, or take part in certain activities. And third, the pandemic (and our response to it) has made it harder or even impossible to operate the strategies that families on a low income routinely employ in their efforts to get by: in Nellie's case, for example, this was using charity shops. We explore these three themes further below.

Having children at home creates extra cost pressures for parents

Many participants in the Covid Realities project spoke about the additional costs attached to having children at home more of the time. This was particularly pronounced during the initial lockdown in spring and summer 2020. However, for many, this continued to be an issue through the rest of 2020 as schools asked children or whole-year bubbles to self-isolate or undertake remote schooling after being exposed to a positive case.

Aurora, a single parent who is subject to the benefit cap after her husband died, emphasises how the increased costs are hard to manage, given the already difficult struggle to get by on a very low income:

> *"We've definitely been spending more on food. Particularly when the children are spending time off school due to school enforced quarantine. There has been an increase on food and other things overall. Doesn't help when you're already unable to afford necessities as it is. "*

Aurora's comment relates to the increased spending on food, which many participants mentioned, along with an increase spending on domestic energy bills with more household members being at home for longer.[14] Elaina T, for example, a single parent of two (one of whom has additional needs), said:

> *"We are spending a lot more time at home so all off the money goes on food heating and electric. We can't go anywhere else. "*

But other additional costs relate directly to remote learning. Erik, a single father, for example, explains how home schooling has driven up his spending:

> *"My spending has changed since the start of Covid. I have a very limited amount to start with. With my daughter being away from school, there was certainly a jump in the amount of electricity that we used. I was not placed on the official shielding list but as I have diabetes I decided to stay at home as much as possible, so I had to buy a chromebook in order to access the internet and sign up to a broadband supplier. I had previously relied on the local library that was closed during lockdown. [Broadband] was essential as my daughter needed internet access to be able to continue with her school work and things like paying bills…needed to be kept up to date. The cost of broadband is a large amount to be paying out monthly when you rely on benefits to survive. I have also had to purchase books in order for my daughter to be able to keep up to date with her school work as she will be taking exams next year, again with no library or school open there was no other way. So overall, I do think my spending has increased since the start of the pandemic and unfortunately, I have been unable to replace my daughters school blazer or jumper when she returned to school."*

In Erik's account we see how the move to remote learning comes with significant additional costs for some families (on IT equipment, a decent broadband connection at home, and learning materials) because it coincides with the removal of his normal strategy for dealing with these needs – that of using a library. The need to ensure

14 It is worth remembering that the participants are thinking about the period from late March to November. The new lockdown in 2021 is likely to have much more significant impact on heating bills for those who are spending more time at home doing remote schooling.

adequate IT at home to enable remote schooling was echoed by others. Howie P, a single parent of three from the South West of England said that:

> *"During the first lockdown I also needed to use a large chunk of money to purchase a laptop as the family laptop we had was not up to the job and wouldn't even download homework from school."*

She also indicated how costs of education had gone up even when schools had returned, because:

> *"As soon as schools went back we were asked to provide more basic equipment and books so that students didn't need to share."*

The clear message here is that remote learning adds to the costs that families must incur to educate their children, as well as being one factor contributing to the inequalities in children's education brought about by the move to remote learning.[15] The accounts also show the limitations of the various schemes in the nations of the UK to distribute laptops to children in need to date, and they are especially pertinent as we enter another period of potentially prolonged remote learning for both primary and secondary school children, with many pupils across the UK already starting 2021 in a virtual (and likely very unequal) classroom.[16]

The pandemic has made it more expensive to live on a low income

We saw earlier that spending on food and drink at home has gone up, on average, across UK households during the pandemic. But for families on a low income, this is not simply the result of there being more people at home. Many families identified that their need to shield or desire to avoid the risk of infection meant they were forced to buy food from different shops, either using local stores rather than out-of-town supermarkets, or using home delivery services, which are not offered by some low-cost food retailers. For example, Barb, who lives in the North of England with her partner and one child draws out the especial challenge of accessing food, as well as shortcomings with the vouchers that the Department for Education provided to replace free school meals in England:

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15 See Table 3 in: A Andrew et al, Inequalities in Children's Experiences of Home Learning during the COVID-19 Lockdown in England, Fiscal Studies, December 2020, which also provides quantitative evidence on the link between family income and a child's access to a computer for home study.

16 In England, there are central government initiatives to provide laptops and routers or other means of getting internet access. In the summer 2020 term, these were limited to care leavers, children with a social worker, or other disadvantaged year 10 pupils (i.e. those expecting to take GCSE or other exams in summer 2021) (https://www.gov.uk/guidance/laptops-tablets-and-4g-wireless-routers-provided-during-coronavirus-covid-19). In the autumn 2020 term, these were more widely available, and could be provided to disadvantaged children who were in one of the following categories: a) in years 3 to 11 and whose face-to-face education is disrupted; b) in any year group and who have been advised to shield because they (or someone they live with) are clinically extremely vulnerable; c) attending a hospital school; d) are enrolled for Key Stage 4 at sixth-form colleges and whose face-to-face education is disrupted (https://www.gov.uk/guidance/get-laptops-and-tablets-for-children-who-cannot-attend-school-due-to-coronavirus-covid-19).

> *"Our spending has fluctuated. We aren't spending as much on diesel for the car, as we can't see my partner's family, who don't live locally. We have spent much more on energy in the home, as we've been effectively grounded! My son wasn't in school for several months, and that meant more Xbox use, laptop use and we couldn't use the vouchers that replaced free school meals as they weren't recognised online, by supermarkets. And, on top of that our food bill rocketed as I was shielding, and the only online shop we could obtain was at Sainsbury's, where we normally shop in Aldi and the local Co-Op."*

In a similar vein, single parent Alex R, who lives in the North of Scotland reported that she was:

> *"Spending more on food shopping as unable to secure home delivery slots from large out of town supermarkets. The local shops are expensive and do not have same variety of food to purchase. Had to resort to extreme of ordering sensitive toothpaste from Ebay at 3 times the cost plus delivery charge. £8 for a tube of toothpaste."*

Charlotte, a single parent of two living in Northern Ireland, said:

> *"With the restrictions overwhelming my 6-year son, I had no choice but to shop locally as he cannot deal with crowds. While shopping locally is convenient the prices are a lot higher than the likes of Asda, Sainsbury's or Lidl. I also don't drive and [am] afraid to get private taxis since Covid began as you don't know who has been in the taxi seat before you and you could catch the virus very easily. This means I have to make more trips than necessary to the shops."*

Victoria (whom we hear from in detail later) summed up the three reasons why her own food bill has gone up very well:

> *"Because the children are eating more, because the prices went up and multi-deals stopped, because I was paying for the convenience of home delivery and had extremely limited choice over what foods were available."*

This matches recent quantitative evidence on food pricing in supermarkets, which shows there was a large reduction in promotional offers during the initial lockdown (which persists, in terms of quantity promotions), as well as an ongoing reduction in the variety of products available in supermarkets, particularly during the initial lockdown period.[17]

These accounts from the Covid Realities participants give greater nuance to the national findings that overall spending on food or groceries has risen during the pandemic. They

17 See: X Jaravel and M O'Connell, Grocery prices and promotions during the COVID-19 pandemic, Institute for Fiscal Studies, October 2020.

show that, for parents on a low income at least, this higher spending is not just about buying a greater quantity of food for home because less is being consumed outside the home, but is also because, in the pandemic, families on a low income are having to buy food at a higher effective price. Similarly, some participants talked about the difficulty accessing charity shops that meant that they were spending more on clothes, or on games or activities for the children, than they would do normally.

The normal coping strategies used by families on a low income have been severely disrupted by Covid-19

Time and again, studies have shown that families on a low income are extremely adept at managing very limited budgets, and often employ creative strategies to get by.[18] Parents and carers draw on and contribute to informal mechanisms of familial and community support (say, visiting friends for a meal when the cupboards are bare), and can turn to emergency forms of charitable provision (which today stretch far beyond food banks to encompass support with periods, clothes, school uniforms, furniture and the costs of heating).

But previous findings from the Covid Realities project tell us that when the UK went into hard lockdown in March 2020, these mechanisms for navigating life on a low income suddenly became very difficult, if not impossible, to sustain.[19] For example, the restrictions on household mixing and non-essential trips removed the opportunities for direct familial and community support, while much public and charitable provision was disrupted. Critically, too, the work of getting by on a low income and in poverty takes time; and many parents and carers had much less time available to them because of the demands associated with having children at home more, if not all, of the time.

However, families continue to – or are forced to – find creative ways to manage life on a low income. Victoria B, a single parent and survivor of domestic violence, recounts below how her spending has changed due to Covid-19. She gave a lengthy account, but it is worthwhile sharing it in full, given how clearly it illustrates both the various and inventive ways in which she is developing new strategies for getting by in a context of Covid-19, as well as – critically – the shortcomings in the available support she receives, whether in terms of her inadequate income or the charitable food aid and provision.

> *"My spending has changed so much. Yet what comes through the door as physical products seems to have lessened. First to understand how it's changed you'd need to know about my pre-Covid spending. Back then I was on income support and*

18 For further discussion of how people living in poverty get by in more normal times, see R Patrick, For whose benefit? The Everyday Realities of Welfare Reform, Bristol: Policy Press.

19 M Power, R Patrick, K Garthwaite & G Page, COVID realities - everyday life for families on a low income during the pandemic, July 2020.

had no credit, no cards, a little debt from budgeting loans but other than that my expenses were easily manageable. Child tax credits were weekly, a little over £100 which paid bills and food. Income support was fortnightly, this paid towards any larger bills, but also a day out, maybe a trip to town, and anything I needed to pre-buy for (such as birthdays or Christmas), or anything kids needed (clothes, crafts, books, etc). Then child benefits came monthly, this would be our big day out, maybe to a big soft play centre, or beach trip or we'd pay in instalments to visit a theme park (normally once a year using this money). My largest expense, after bills, was travel (buses aren't cheap around here), food bills were quite manageable. I was able to shop around then, visit markets or Fulton Foods or Home Bargains. Then it was crafting and home school supplies that came second. We often had enough money for a monthly, sometimes fortnightly takeaway (which is very important to my mental health as cooking is a trigger for my PTSD, so a night off was extremely valuable). Also the food I could get was often healthier, more meats and veggies. That was roughly our pre-Covid spending.

Then Covid hit, it wasn't so big a deal at first. The first thing I noticed was food bills went up, along with electric bill (as we're home more, using tech more, and as couldn't shop around for lower priced foods). I knew I'd be forced onto Universal Credit in the April, I'd been saving little by little since the January, but by April what little I'd saved had needed to be spent on medicine (things like Calpol and child vitamins went up in price [by] a huge amount), new shoes. So I had to take an advance payment out. But that also disappeared fast, and I wasn't used to monthly payments...Now, each month I get paid £1207 (already taken the repayment of the advance), within the first day, heck the first few hours really, I pay all my bills for the month - phone, rent, Internet, credits, gas, electric, council tax, prime (which I get for cheaper cat food/litter options than buying in a shop, bulk buy every couple months online, and also for kids TV and online education resources), the odd little credit monthly payment (discovered a website in early lockdowns that lets you pay over three months and sells cleaning stuff, household bits, etc - online pound shop basically, cheaper to buy cleaning supplies through them than through amazon or Iceland or whoever I could find to deliver foods).

And suddenly the food bill was over £200 per month.[...] I had to buy less healthy in favour of more filling. Cheap and cheerful food stuffs. More microwave options as the microwave used less electricity than the oven, every penny counted. I needed food bank help also, which was a horrible experience (I'm grateful for the team that worked to feed our community but the bread was a hugely traumatic issue for me, so often past its date and mouldy).[...] While I've now gotten into a bit of *a spending [routine], learning which credit payments to skip in favour of meals, learning to juggle and wiggle this payment or that payment around. Still end up with nothing left after maybe the first week, two weeks if we're lucky."*

Financial precarity amplifies the negative impact of the pandemic on mental health

All families currently face uncertainty as a result of the pandemic, but parents and carers on a low income face a second layer of anxiety given the financial precariousness of their day-to-day lives. This is especially acute now that children are – unexpectedly – at home for a long period again, and parents once more face increases in costs but without a parallel increase in income.

The negative mental health impact of this layered insecurity has been evident in many of the accounts from Covid Realities' participants. Listen to Charlotte, a single parent of two from Northern Ireland:

"Covid just seems to have put a lot of people into financial strife and it is going to get worse...My daughter also started secondary school and extra Covid-related expenses and her uniform and school expenses has nearly left me broken both financially and emotionally. Even with the £20 uplift [to UC], there is no security that this will stay in place but even with that money I am struggling. The government did not consider children starting secondary school for the first time. The expense of their buses and breaks etc. They also had no plan B put in place when the bus arrives and it states 'Bus Full' due to new social distancing measures therefore making me have to get private taxis to school which aren't very safe..."

Dotty G, a nursing student and married parent of one from Scotland, described how the financial worry suffused her everyday life; and also came to bear in already stressful situations – for example, around the return to school for children:

"Unfortunately, our months have become filled with stress and anxiety on how to financially survive a month. This week schools went back in Scotland. My daughter refused as she was very anxious and worried about the new rules & guidance. Unfortunately, her school is insisting she goes back on Monday. This meant that I had a mad rush on trying to find a way to afford a school uniform for my daughter."

Terri, a married parent of four who is disabled, thought her spending might fall during the pandemic, but found otherwise:

> *"I genuinely thought that spending would become less as I couldn't go out to spend but that didn't happen. I ended up relying on home delivery for groceries and because I couldn't shop around I spent more than I normally would which was especially hard as we were in limbo with UC, no payment for 6 weeks and 4 children out of school was horrific."*

Many of the participants in Covid Realities documented how living under pervasive insecurity was adversely affecting their mental health, as set out in the accounts from Lola L (a mother of two from the South East of England) and Zara R (a self-employed single parent, also from the South East of England) below:

> *"As a key worker (school cleaner) I had to continue working or not be paid. I suffered hardship financially, going without electricity and hot water at least three days a week. Very little food and constantly being threatened by my housing officer with losing my home due to getting into rent arrears. I ended up depressed on antidepressants and had Covid symptoms. Had to self-isolate for two weeks then a further month signed off by doctor with depression. My pay went down on SSP [Statutory Sick Pay]. Still haven't recovered financially."*
> **(Lola L)**

> *"When the coronavirus hit, I was extremely worried as to how this would affect my already fragile financial situation as any spare money/income has been non-existent for some time now. I feared that food prices would become crippling and I was unsure how I would survive...I am constantly fighting with myself to keep my depression on an even keel mainly due to my financial situation and the constant battles I face being with employment and ever-changing income, outgoings and benefit system as a single parent. I have to remain positive or I would drown."*
> **(Zara R)**

The deterioration in mental health during the crisis can also directly affect families' spending. For example, David P, a married father of two, living in the South of England, reported that:

> *"My spending has increased due to Covid, our food bills have gone up due to our children being unable to go out they are eating more due to boredom. My eldest son who is autistic is eating more due to stress. So our expenses have gone up."*

Some families were happy to admit that spending had gone up in certain areas as an attempt to look after their well-being during this time. Connie, a single parent of three, living in Yorkshire, said:

"We are also buying an increasing number of takeaways, which are, rightly or wrongly, being used to brighten our day for something different / a treat."

The severe impacts of the pandemic on the nation's mental health have also been well documented, with early evidence from Covid Realities highlighting the negative impact on families on a low income especially.[20] Quantitative data from early in the crisis, for example, shows a sharp rise in the incidence of poor mental health, particularly for young people, women, and those with children aged under five[21], although mental health did improve slightly later in 2020.[22]

These pandemic pressures come after years of weak income growth for families on a low income

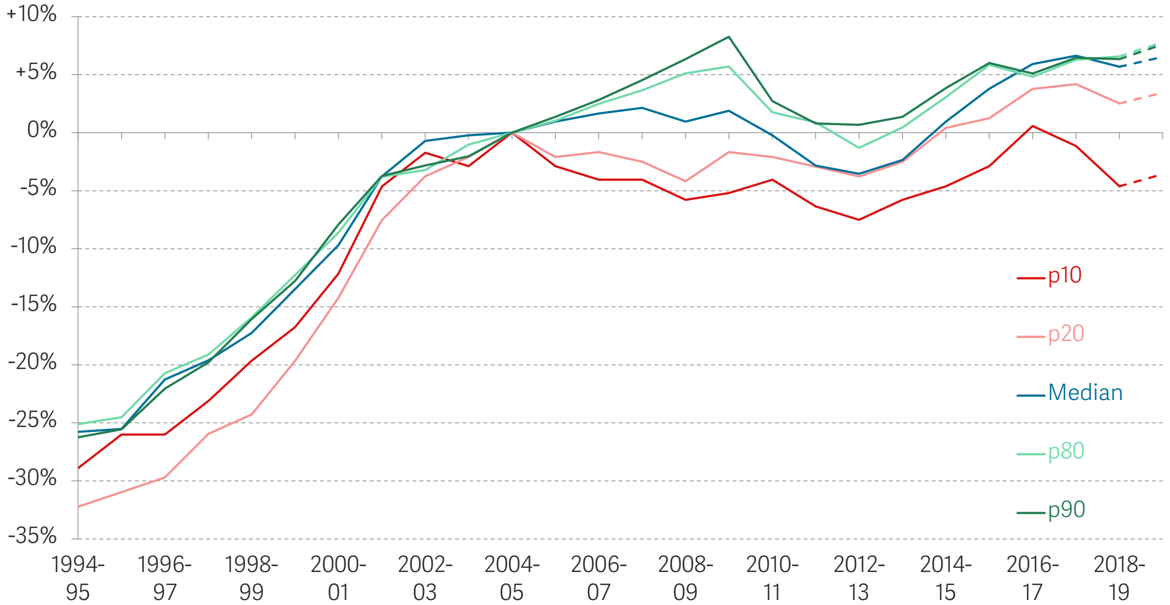
Families on a low income are finding such pressures hard to bear in part because they entered the pandemic in a poor position. Overall growth in living standards leading up to the Covid-19 crisis was weak: the lowest-income households have fared particularly badly in recent years, with their real incomes actually falling. As Figure 6 shows, real incomes for the lowest-income households were no higher in 2018-19 than in 2001-02.[23]

This helps explain why the pandemic has affected levels of saving and debt among families on a low income. Although, as we said earlier, the pandemic has increased levels of saving overall, previous Resolution Foundation work showed that, in September 2020, 50 per cent of adults with the lowest levels of savings (less than £1,000) have had to draw down on them since February this year, compared to 19 per cent of those with financial reserves of over £20,000.[24] And over half (54 per cent) of adults in the lowest income quintile report using at least one form of borrowing (credit cards, catalogue debt and the like) to a greater extent than they did in February to cover everyday living costs, indicating not only the pressure such households are under currently, but also that a debt problem may be brewing for the future (Figure 7).[25]

20 Early evidence from the Covid Realities project on the (negative) mental health impact of the pandemic was shared at a Nuffield Foundation webinar in September 2020: "Well-being in a pandemic: exploring the mental health impact of COVID-19".
21 J Banks and X Xu, The Mental Health Effects of the First Two Months of Lockdown during the COVID- 19 Pandemic in the UK, Fiscal Studies, 41, December 2020.
22 T Chandola, M Kumari, C Booker & M Benzeval, The mental health impact of COVID-19 and lockdown-related stressors among adults in the UK, Psychological Medicine, December 2020. This study also found that spending more than 16 hours a week on childcare or home schooling was associated with worse mental health.
23 Taken from M Brewer, A Corlett, K Handscomb, C McCurdy & D Tomlinson, The Living Standards Audit 2020, Resolution Foundation, July 2020.
24 See Figure 11 of K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.
25 Taken from K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.

FIGURE 6: **Pre-pandemic incomes for the lowest income households were no higher than 2001-02**

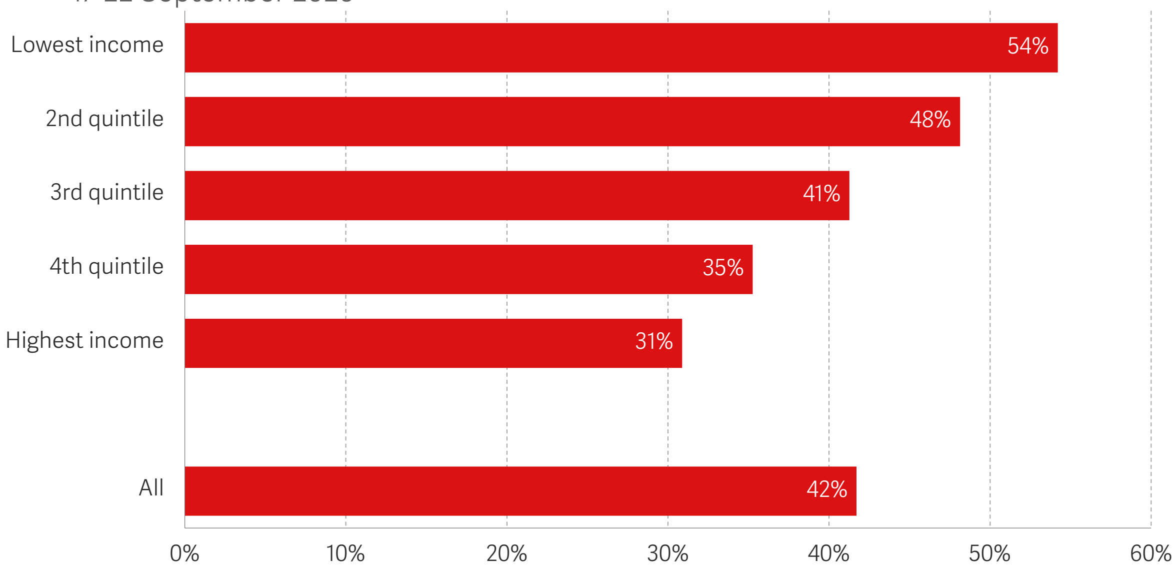
Real (CPI-adjusted) change in non-pensioner equivalised disposable household income, after housing costs, relative to 2004-05



NOTES: 2019-20 are RF nowcast figures. Series refer to percentiles in the distribution, for example, p10 relates to the 10th percentile.
SOURCE: RF analysis of DWP, Households Below Average Income.

FIGURE 7: **Borrowing to cover everyday costs has increased dramatically over the crisis**

Proportion of working-age adults relying on additional borrowing or support for everyday living costs during the pandemic, by pre-pandemic family income quintile: UK, 17-22 September 2020



NOTES: Base = all adults aged 18-65 with valid income data (n=3,128) (apart from the 'all' category where the base is 6,061). Family income distribution based on Resolution Foundation estimates of the equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students (see annex of K Handscomb & L Judge, Caught in a Covid trap, Resolution Foundation, November 2020 for more details). These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – September wave.

Maintaining the 2020 uplift to Universal Credit is essential, and there is a strong case to do more for families with children

In spite of these rising costs, and a growing number of people relying on the social security system for all or most of their income, the Westminster Government has failed to establish effective systems of financial support for families with children. The temporary £20 uplift to Universal Credit is a flat payment, which does not recognise (or adjust for) the additional costs associated with having children to clothe, feed and entertain. Furthermore, it is not being received by many households, including those who are on legacy benefits, and those subject to the benefit cap.[26] Significantly, many of the parents and carers that are working with the Covid Realities project are currently repaying advance payments of Universal Credit, and they describe how these debt repayments leave them still struggling despite the £20 uplift.[27] Indeed, new analysis by Covid Realities shows that over a million new claimants to Universal Credit (since April 2020) are having deductions taken from their benefits.[28]

As Victoria B, a single parent whom we heard from earlier, said:

> *"I miss being on income support. I miss the low but steady and secure income. Funny how a hundred or two every week or two felt like so much more than the thousand and change once a month. I miss not having to worry about bills, not stressing over food. Covid wasn't the big issue, just made a tough issue even harder, the big problem is Universal Credit. It's not enough to do more than not die on. Especially not during a pandemic. Especially not for families with children, single parent households without options. It's not enough for my children to thrive."*

The most pressing and most obvious policy decision the Government could take to protect the incomes of families on a low income is to confirm that the £20 a week uplift to Universal Credit will continue beyond April. At the Resolution Foundation, we have said several times before that removing £1,000 a year from over 6 million families at a time when unemployment is set to reach its peak represents poor macroeconomics, as well as being devasting for the finances of families on a low income. Continuing the uplift would provide a small recognition that the pandemic has made life considerably harder and more expensive for those on a low income. The increase should also be extended to

26 130,000 families with children were subject to the benefit cap in August 2020 (https://www.gov.uk/government/publications/benefit-cap-number-of-households-capped-to-august-2020/benefit-cap-number-of-households-capped-to-august-2020), although that number will have risen considerably when those who newly-claimed UC when the pandemic began in March 2020 came to the end of their nine month grace period (see K Handscomb, Safe harbour?

Six key welfare policy decisions to navigate this winter, The Resolution Foundation, October 2020).

27 DWP estimate that two-in-five (41 percent) of UC recipients in August 2020 had some sort of deduction (either repaying an advance payment, or a deduction for historic benefit debt, or a third-party deduction). See https://questions-statements.parliament.uk/written-questions/detail/2020-11-09/113275.

28 R Patrick & T Lee, Advance to Debt: Paying back benefit debt: What happens when deductions are made to benefit payments? Covid Realities, January 2021.

those on legacy benefits, and it should be passed on in full to those subject to the benefit cap (with there being a broader argument about whether the cap should exist at all at any time, but especially in pandemic times). [29]

But there is a strong case to do more here and to go further. The Covid Realities project has documented the everyday realities for families on a low income, realities which starkly demonstrate the negative impact of hardship and going without, both for parents and for their children. As a result, the Covid Realities research team called last year for an increase to Child Benefit of £10 per week per children.[30] The Government should also consider whether greater support for families with children, whether delivered through Child Benefit or Universal Credit, is required to provide a decent level of support to families on a low income, and to prevent rising levels of hardship.[31] It should also look at the impact of the two-child limit on families with three or more children, who will face particular pressures at any time, but especially at these times.[32]

Brought together, this evidence presented in this note shows the importance and value of bringing quantitative and qualitative evidence bases together, in this case to create a more nuanced and richer picture of the differential impact of Covid-19. While the quantitative evidence depicts the broader trends, the qualitative accounts are able to provide explanatory detail; taken together, they create a compelling case for why action to support families with dependent children is so urgently required. Overall, the evidence reported here shines an unforgiving light on the absence of targeted, adequate support for families on a low income, who face the combined insecurity of Covid-19 and their financial precarity and everyday struggles. It underlines how important it is to understand properly differential experiences, and to document the uneven and unequal impacts of the pandemic on changes to spending patterns and their consequences. This is especially pressing in a context of a third national lockdown and the return to home-schooling, and the resultant need to encourage policy makers to better support families with dependent children living on low incomes.

29 R Patrick, A Reeves & K Stewart. Has the Government forgotten children during Covid-19?, CPAG, May 2020.

30 M Power, R Patrick, K Garthwaite & G Page. COVID realities - everyday life for families on a low income during the pandemic, July 2020. The Resolution Foundation also argued last year that, to provide an effective fiscal stimulus during the pandemic crisis, rates of UC should be increased by a further £10 a week for children and a further £20 a week for couples; see L Gardiner, J Leslie, C Pacitti & J Smith, Easing Does It, The Resolution Foundation, July 2020.

31 Early estimates of how poverty might change in April 2021 if the £20 a week is not maintained can be found in H Parkes and C McNeil Estimating poverty impacts of the coronavirus pandemic, IPPR, June 2020. The Resolution Foundation will produce its own estimates later in January 2021.

32 For more discussion of the impact of the two-child limit, see www.welfarereform-largerfamilies.org.uk

Covid Realities
Families on low incomes
during the pandemic

Resolution Foundation

The Resolution Foundation is an independent think-tank focused on improving living standards for those on low to middle incomes. We work across a wide range of economic and social policy areas, combining our core purpose with a commitment to analytical rigour. These twin pillars of rigour and purpose underpin everything we do and make us the leading UK authority on securing widely-shared economic growth.

The Foundation's established work programme focuses on incomes, inequality and poverty; jobs, skills and pay; housing; wealth and assets; tax and welfare; public spending and the shape of the state, and economic growth.

Covid Realities is a research programme funded by the Nuffield Foundation to explore the impact of the pandemic on families on a low-income. It is a collaboration between parents and carers themselves, the universities of York and Birmingham and Child Poverty Action Group. The research programme encompasses participatory research with the parents and carers, who are completing online diaries; taking part in monthly virtual discussion groups; and responding to weekly 'big questions of the week'. It further includes support and resources for the wider research community; and synthesis activities; bringing together research projects with a focus on poverty to share and disseminate covid-19 specific findings. You can find out more at www.covidrealities.org, where you can also find the live archive of parents and carers experiences through the pandemic; which includes hundreds of entries from the over one hundred parents and carers the research team are working with.

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