CASE STUDY

Universal Credit and the pandemic

Independent think tank uses Understanding Society to assess claimants' financial difficulties

Almost half of long-term Universal Credit claimants fell behind on household bills during the Covid pandemic, according to analysis by the think tank Bright Blue.

Understanding Society

When the pandemic forced the UK into lockdown, the government responded with a number of measures, including an 'uplift' to Universal Credit (UC) and Tax Credits. Most existing benefit claimants and all new claimants of working age saw their payments increase by £20 a week. This was extended several times, and eventually withdrawn at the end of September 2021.

Other research has suggested that the pandemic had a much greater negative economic impact on lower income households than higher income ones. Bright Blue, which describes itself as "the independent think tank for liberal conservatism", wanted to compare the financial impact on UC claimants to the effect on the rest of the public. It used Understanding Society data to compare the financial situations of three groups:

- those who do not claim Universal Credit (UC)
- those who were already claiming UC before the pandemic
- those who started claiming UC during the pandemic.

How they used the data

Bright Blue used data from our Covid-19 Survey, which began in April 2020 to explore how the pandemic is affecting individuals, families and communities, and from Wave 10 of our main survey, dating from 2018-19. This allowed them to compare household finances during the pandemic with how things stood before it.

They looked at five time points:

- before the pandemic in 2018-19
- May 2020
- July 2020
- November 2020
- March 2021

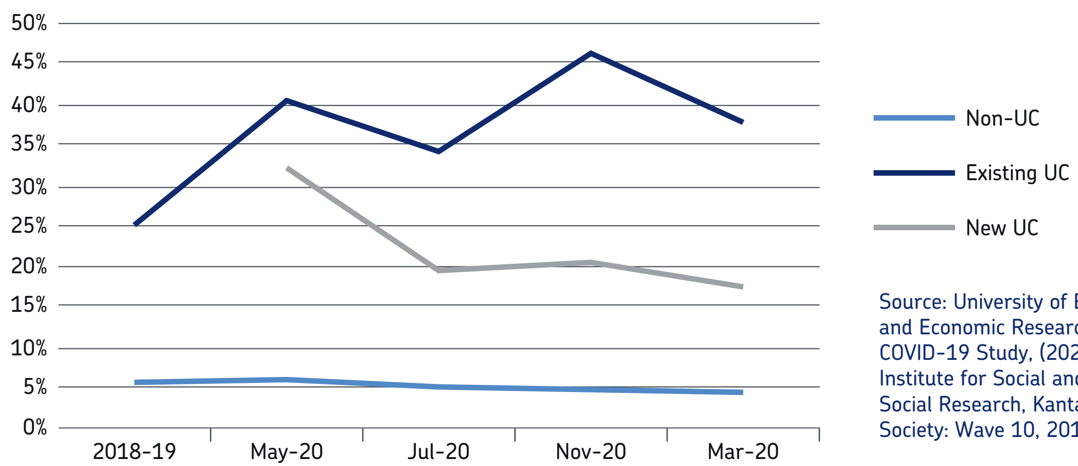
The author of the analysis, Anvar Sarygulov, Senior Research Fellow at Bright Blue, also wanted to consider people's actual financial situation and their perception of the situation. He examined objective measures of financial security such as debt levels and household bills, as well as subjective measures such as how difficult people found it to manage financially. He also used our data on people's reported life satisfaction.

Financial pressure on UC claimants

The analysis showed that a significant minority of UC claimants reported not being up to date with household bills. This was true both of households which were already claiming UC and of those which started claiming it during the pandemic.

- For existing UC claimants, the number went up from 25% in 2018-19 to 46% in November 2020, before moving back down to 38% in March 2021.
- In May 2020, near the beginning of the pandemic, 32% of new UC claimants reported not being up to date with at least some household bills, but as the pandemic progressed this fell – to 17% by March 2021.
- Figures for those who didn't claim UC stayed largely unchanged throughout: 5% in 2018-19, 6% in May 2020 and 4% in March 2021.

Proportion of respondents reporting not being up to date with at least some household bill payments



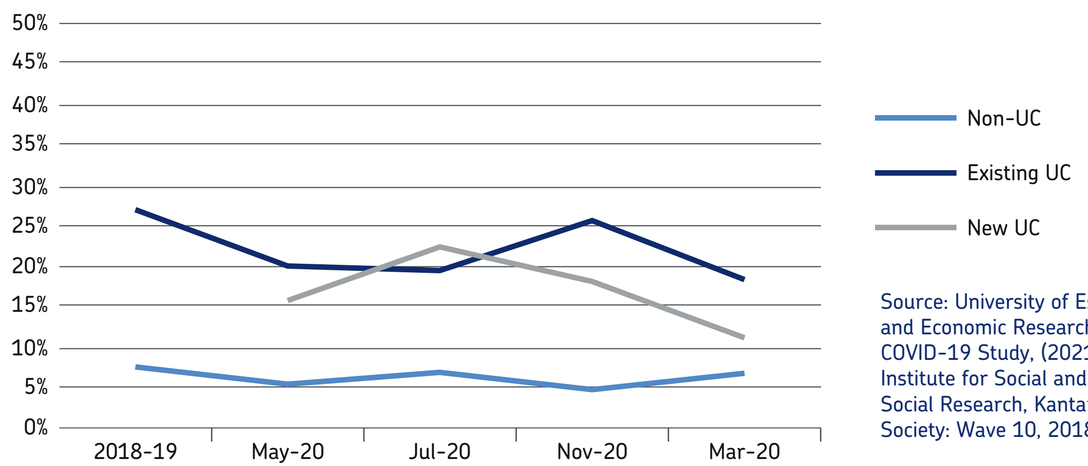
Source: University of Essex, Institute for Social and Economic Research. Understanding Society: COVID-19 Study, (2021) and University of Essex, Institute for Social and Economic Research, NatCen Social Research, Kantar Public. Understanding Society: Wave 10, 2018-2020, (2020).

Bright Blue also found that a significant minority of both new and existing households which were claiming UC said they were not up to date with rent or mortgage payments.

- In November 2020, 26% of existing UC claimants reported this, although the figure fell to 18% in March 2021.
- In May 2020, 16% of new UC claimants said this was happening, rising to 23% in July 2020, before falling to 11% in March 2021.
- Only 7% of non-claimants reported falling behind on housing payments in 2018-19, and this did not increase during the pandemic.

Existing UC claimants were also more likely to face worsening, rather than improving, personal debt in the first part of the pandemic.

Proportion of respondents reporting not being up top date with housing payments



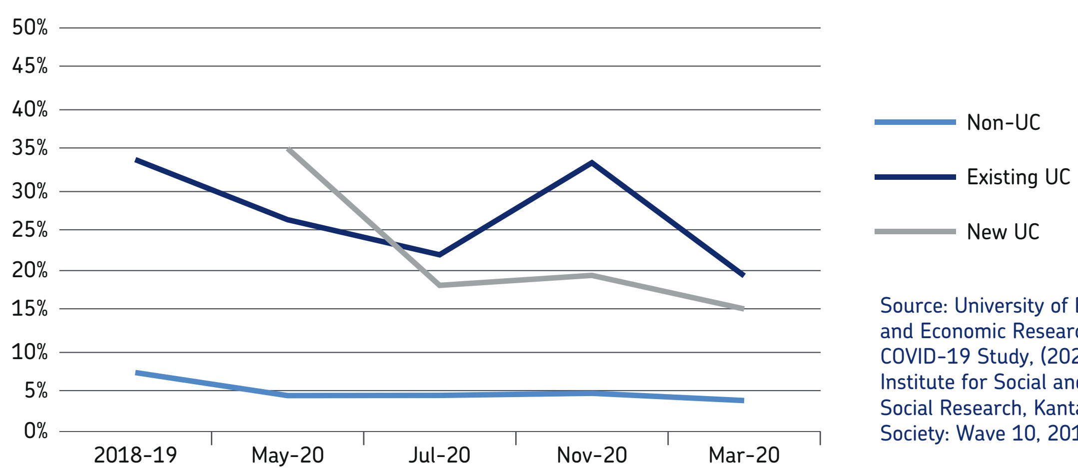
Source: University of Essex, Institute for Social and Economic Research. Understanding Society: COVID-19 Study, (2021) and University of Essex, Institute for Social and Economic Research, NatCen Social Research, Kantar Public. Understanding Society: Wave 10, 2018-2020, (2020).

How people feel about their financial situation

Looking at subjective measures of how people are managing, although the number of people who reported finding it 'quite' or 'very' difficult to manage financially fluctuated during the pandemic, Bright Blue described them, too, as "a significant minority".

- In 2018-19, 34% of existing UC claimants said they found it 'quite' or 'very' difficult to manage, falling to 22% in July 2020, before rising to 34% in November 2020, and falling again to 19% in March 2021.
- In May 2020, 35% of new UC claimants reported this, but the number fell to 18% in July 2020, reached 19% in November 2020 and fell again to 15% in March 2021.

Proportion of respondents finding it 'quite difficult' or 'very difficult' to manage financially



Source: University of Essex, Institute for Social and Economic Research. Understanding Society: COVID-19 Study, (2021) and University of Essex, Institute for Social and Economic Research, NatCen Social Research, Kantar Public. Understanding Society: Wave 10, 2018-2020, (2020).

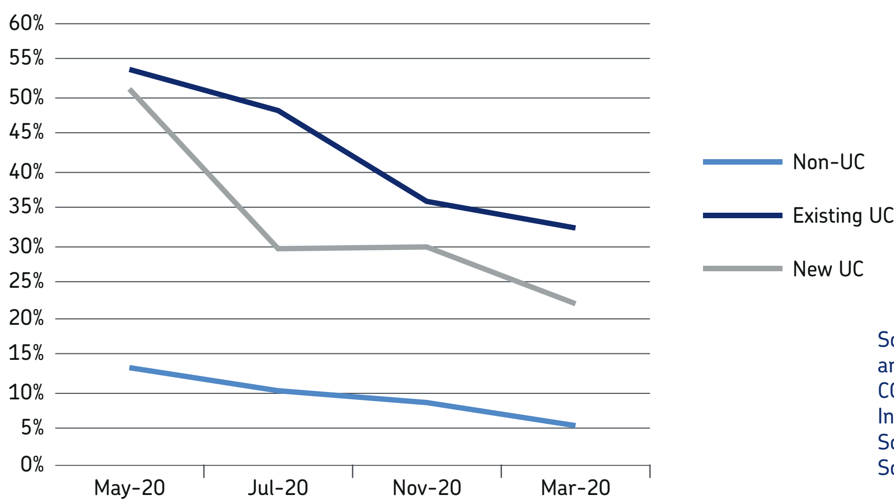
When asked to think about the future, there was a decline in the number of people in all categories who thought it was at least 50% likely that they would have difficulty paying bills and expenses in the following three months. However, both existing and new UC claimants were still significantly more likely than non-claimants to think they would face this problem.

- The number of existing UC claimants worried about their financial future fell from 54% to 32% between May 2020 and March 2021
- For new UC claimants, this figure fell from 51% to 22% in the same time period
- The number of non-claimants who thought this was 13% in May 2020, falling to 6% in March 2021.

Non-claimants also reported better life satisfaction scores than new and existing UC claimants throughout the pandemic.

- The gap between non-claimants and new claimants was 30 percentage points in May 2020
- The gap non-claimants and existing claimants was 35 percentage points in November 2020
- By March 2021, the gap between non-claimants and both types of claimants had narrowed, but still stood between 15 and20 percentage points.

Proportion of respondents thinking it is at least 50% likely they will have difficulty paying for bills and expenses in the next three months



Source: University of Essex, Institute for Social and Economic Research. Understanding Society: COVID-19 Study, (2021) and University of Essex, Institute for Social and Economic Research, NatCen Social Research, Kantar Public. Understanding Society: Wave 10, 2018-2020, (2020).

Policy response

Researcher Anvar Sarygulov said in June 2021 that "the financial situation for existing and new UC claimants has shifted throughout the pandemic, with some evidence for improvement as the pandemic progressed", but that, even with increased government support, "many claimants have continued to face significant financial difficulties". He called on the government to keep the Universal Credit uplift beyond September 2021 at least until more targeted support was offered through the benefit system.

The withdrawal went ahead, but as part of the Autumn Budget2021, the Chancellor Rishi Sunak announced a reduction of the Universal Credit taper rate from 63% to 55% and an increase in working allowances to £500 a year.

> "Even with the Government increasing financial support provided through Universal Credit in March 2020, many claimants have continued to face significant financial difficulties."
>
> Anvar Sarygulov, Senior Research Fellow at Bright Blue

You can read the full Bright Blue report, Benefit to All? on their website.

Visit the Understanding Society website to find out more about the impact of our data.

This case study is part of a series aimed at potential users of Understanding Society data, including policy makers, researchers and people in a position to influence social policy. If you would like to discuss how we can help to support and raise awareness of the policy impact of your research, please email ccoates@essex.ac.uk