UNDER PRESSURE:
THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN JUNE 2022

Findings from the 6th Coronavirus Financial Impact Tracker Survey

Jamie Evans and Sharon Collard
July 2022

abrdn Financial Fairness Trust has commissioned YouGov to conduct a periodic cross-sectional tracker survey on the financial situation of UK households since the start of the coronavirus pandemic in early 2020. The latest wave of this survey – conducted in May-June 2022 – gives insight into the nation's finances as the pandemic gradually recedes from memory but new challenges emerge, such as the increased cost of living. The findings are based on responses from 5,716 households about their income, payment of bills, borrowing, debt, savings and ability to pay for other essentials such as food. A team from the University of Bristol analysed the respondent data collected from YouGov's panel and produced these findings.

KEY FINDINGS

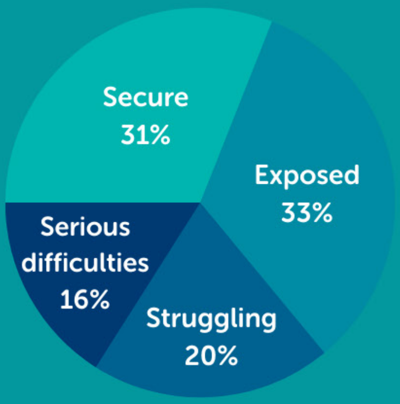
The sixth wave of the survey reveals the largest decrease in the financial wellbeing of UK households that we have seen throughout all six waves since the start of the pandemic. As of June 2022, one-in-six households (16% or 4.4 million) are now 'in serious difficulties', compared to one-in-ten (10% or 2.8 million) in October 2021 (the previous wave) – an additional 1.6 million households. There has also been an increase in the proportion of households who are 'struggling' – up from 17% to 20% – while the proportion who are 'secure' has fallen from 38% to 31%. As a result, 36% are facing significant financial hardship (either in serious financial difficulties or struggling) – a one-third increase. Half of households (51% or 14.3 million) now consider their overall financial situation to be 'worse' than at the start of the pandemic. This is a significant rise from October 2021, when just one-third thought their situation had deteriorated.

This is driven in part by a widespread decline in financial confidence and general economic anxiety, but there is also evidence of serious pressure on a significant proportion of households. A quarter (25%), for example, have no savings and less than half of households (45%) could cover a large, unexpected expense (equivalent to one month's income). More households owe money on four or more credit cards (up from 6% to 8%) and a greater proportion of households are only making the minimum repayment on their cards (up from 12% to 14% - equivalent to 33% of cardholding households).

Nearly all households in the UK are feeling the pinch to some extent: 93% have seen spending increase on at least one type of expenditure. This is primarily driven by increases in energy bills (affecting 80% of households), transport costs (68%) and grocery spending (62%). Four-in-five households (81%) have cut back their spending as a result. Over half (56%) of all households and nine-in-ten (93%) households in serious difficulties have seen some material impact on their quality of life.

abrdn Financial Fairness Trust

University of BRISTOL



14.3m

households consider their financial situation to be worse than at the start of the pandemic

10m

households struggling or in serious financial difficulties

93%

have seen their spending increase

driven by

Energy bills **80%**

Transport **68%**

Groceries **62%**

82%

have tried to counteract rising energy prices

by

Turning off heating **60%**

33% Reducing cooker/oven use

Showering/bathing less **31%**

Households are worried about their ability to pay

29% Rent or mortgage

39% Food costs

50% Energy bills

Many households are worried about their financial situation

58% All

72% Disabled households

77% Receiving/applying for benefits

INTRODUCTION

By June 2022, almost all adults in the UK had antibodies to COVID-19 and the UK had the least restrictions on social and economic activities of G7 countries.

At the same time, the cost of living crisis that was evident in Autumn 2021 – driven by rising food, fuel and energy prices – had tightened its grip on UK households. The Consumer Prices Index (CPI) rose by 9.1% in the 12 months to May 2022, up from 9.0% in April – its highest level since 1982 and nearly five times the 2% target set for the Bank of England by the government. There were fears that inflation could reach 11% later in the year, with energy costs set to rise further in October 2022.

In March 2022, the Government introduced the 'Council Tax Rebate' scheme to refund households living in council tax bands A to D the sum of £150 to help with rising energy bills. Shortly after the Tracker survey was launched on 25 May 2022, it announced further measures to help households with the cost of living[1], described by the Institute for Fiscal Studies as "*a genuinely big package of support for households*". Despite these welcome measures, our survey data shows worrying increases in household financial stress and anxiety, particularly for those who are in serious financial difficulties.

Fieldwork for the 6th Coronavirus Financial Impact Tracker Survey took place between 25 May and 6 June 2022, with the findings in this report based on responses from 5,716 people. Approximately 40% of respondents completed the survey prior to the Chancellor announcing new support packages. Analysis of the data indicates no meaningful difference in financial wellbeing between those who completed the survey before and after the announcement.

The first part of this report examines the financial wellbeing of UK households in June 2022, compared with October 2021. We look in detail at those households with the highest rates of financial difficulty, which include single parents, social renters and householders with a disability.

The second part looks at the effects of the cost of living crisis on UK households. The survey data highlights that while price increases are felt equally across the population, the impacts are not. It suggests that rising prices are comprising basic standards of living for some parts of the population.

Explanatory notes

- While 6,545 people responded to the survey, most figures in this report are based on the 5,716 householders who are responsible for their household finances. In other words, we exclude those who weren't in charge of paying any bills or knew little about the state of the household's finances.
- Households are grouped into four financial wellbeing categories, depending on how they score from 0 to 100 on our financial wellbeing score. This score is based on a composite measure using four measures of financial strain (assessment of current financial situation; how much of a struggle to pay for food and other necessities; how much of a struggle to pay bills and other commitments; arrears including payment holidays on bills and household commitments) and three of financial resilience against income shocks (ability to cover an unexpected bill equivalent to a month's income; how long could make ends meet if experienced a fall in income of a third or more; amount held in savings).
- For example, 81% of households in our 'in serious difficulties' category find it a 'constant struggle' to meet their bills, whereas 80% of households in our 'struggling' category say they 'struggle from time to time' – and this falls to 57% of those in our 'exposed' category.
- For further details see the technical note at the end of this report.

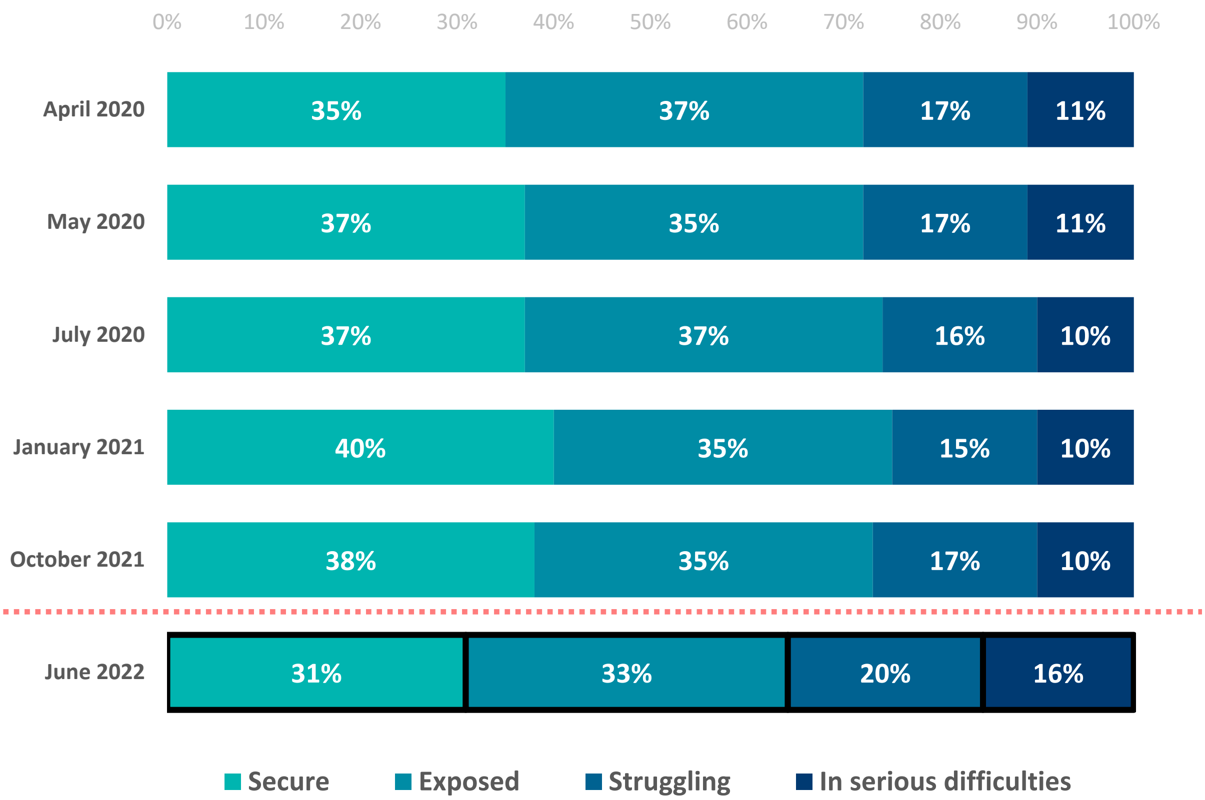
[1] GOV.UK (2022) Millions of most vulnerable households will receive £1,200 of help with cost of living. Main measures also described in the 'Government Support' section of this report on page 18.

THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN JUNE 2022

The sixth wave of the survey reveals the largest decrease in financial wellbeing that we have seen throughout all six waves since the start of the pandemic. One-in-six households (16% or 4.4 million[2]) are now 'in serious difficulties', compared to one-in-ten (10% or 2.8 million) in the previous wave (October 2021). There has also been an increase in the proportion of households who are 'struggling' – up from 17% to 20% – while the proportion who are 'secure' has fallen from 38% to 31%. Over half (51% or 14.3 million) of households now consider their overall financial situation to be 'worse' than at the start of the pandemic.

The UK's financial wellbeing substantially worsened in June 2022

Figure 1 – Percentage of UK households in our four financial wellbeing categories in each wave of the coronavirus financial impact tracker



Throughout the first five waves of the survey, covering from the first lockdown in 2020 to Autumn 2021, the financial wellbeing index remained relatively unchanged. This is not to say that there was no financial difficulty during this period, rather that the proportions of the population in each category remained fairly stable.

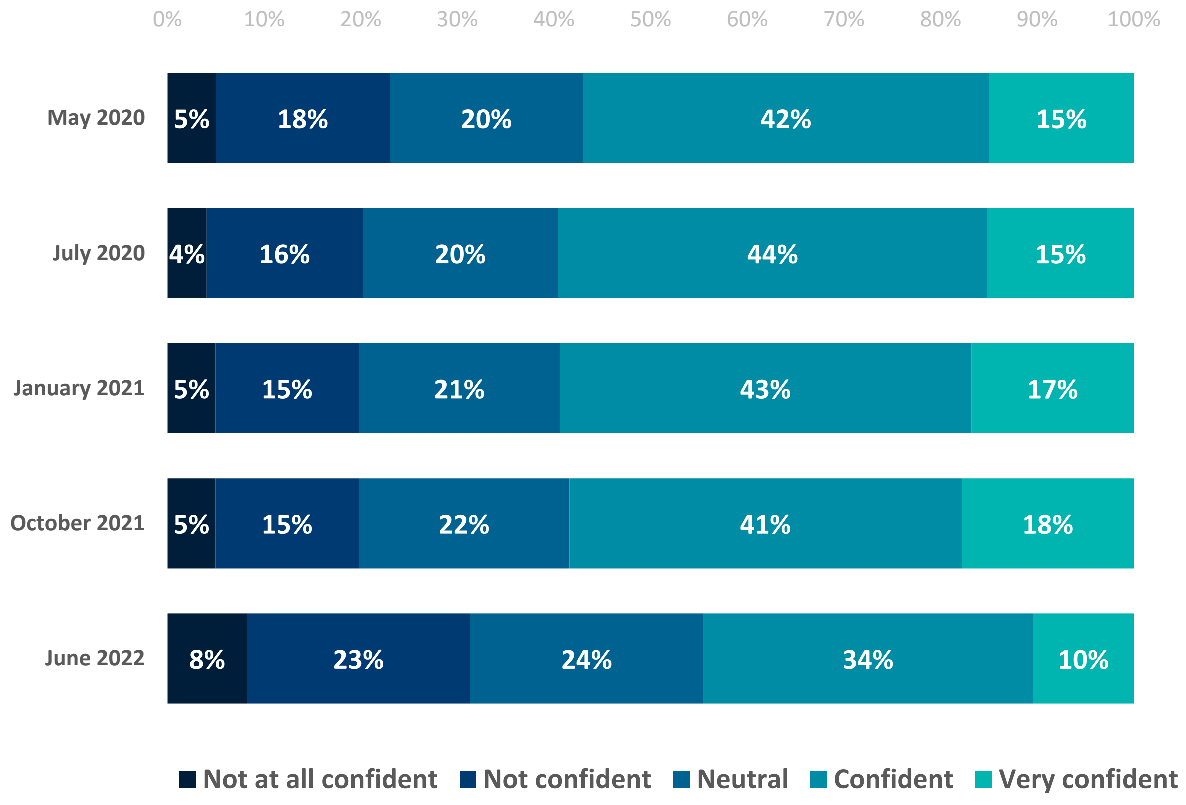
In 2022, however, the UK finds itself in a more concerning position – as shown in Table 1. The 'cost of living crisis' has led to more households holding a negative view of their own financial position, with one-in-five (20%) now describing their current financial situation as 'bad' or 'very bad', up from

[2] This and the following household number estimates are based on a total of 28.1 million households in the UK. Source: ONS (2022) Families and households in the UK: 2021.

15% in October 2021. For the first time in six waves of the survey, less than half (45%) of households feel they can meet their bills and credit commitments ‘without any difficulty’. This leaves 15.5 million households who describe meeting these commitments as a ‘constant struggle’ (16% or 4.6 million) or who ‘struggle from time to time’ (39% or 10.9 million). This appears to be causing widespread anxiety, with 56% of households now agreeing that thinking about their finances makes them anxious (previously 46%).

Looking to the future, as shown in Figure 2, 8% of households are ‘not at all confident’ about their financial situation in the next three months and 23% are ‘not confident’. Meanwhile, a quarter (24%) describe their future outlook as ‘neutral’, with 34% and 10% being ‘confident’ and ‘very confident’ respectively. This represents a decrease in confidence since October 2021 when 41% were ‘confident’ and 18% were ‘very confident’ about the next three months. It also represents the lowest level of confidence of the last five waves of the survey.

Figure 2 – Percentage of UK households in each survey wave, by level of confidence about their finances in the next three months



Note: April 2020 survey not included due to lack of availability of comparable data.

Household’s financial resilience is also being put to the test. A quarter (25%) of households report having no savings – a four percentage point rise compared with October 2021– and a further 12% have less than the equivalent of one month’s income saved. This means that less than half (45%) of households could cover a large, unexpected expense (equivalent to one month’s income) without needing to borrow.

The cost of living crisis is beginning to have some impact on household's ability to pay their bills. In October 2021, 9% reported that they had missed at least one payment of a household bill (including water, energy, council tax, broadband/phone and TV licence). By June 2022, this had risen to 14%.

Moreover, we see changes in how households are using and repaying credit. While the proportion of households who owe money on credit cards remains relatively unchanged (31% using credit cards, 59% not), there are signs that more households owe money on a greater number of credit cards: in October 2021, 5.8% of households had four or more cards, but this had risen to 7.8% by June 2022. With regard to repayment behaviour, the proportion of households making only the minimum payment on at least one card meanwhile has increased significantly, from 12% to 14% (or 30% to 33% of cardholding households). This represents an extra 800,000 households making only the minimum repayment each month, thereby increasing the time and total amount that they will repay on their credit card.

When asked to reflect on how their finances have changed since before the pandemic, we also see a worsening of the situation. For example, while in October 2021 just a third (33%) of households described their overall financial situation as 'worse' now than it had been, this had risen to over half (51%) of households by June 2021.

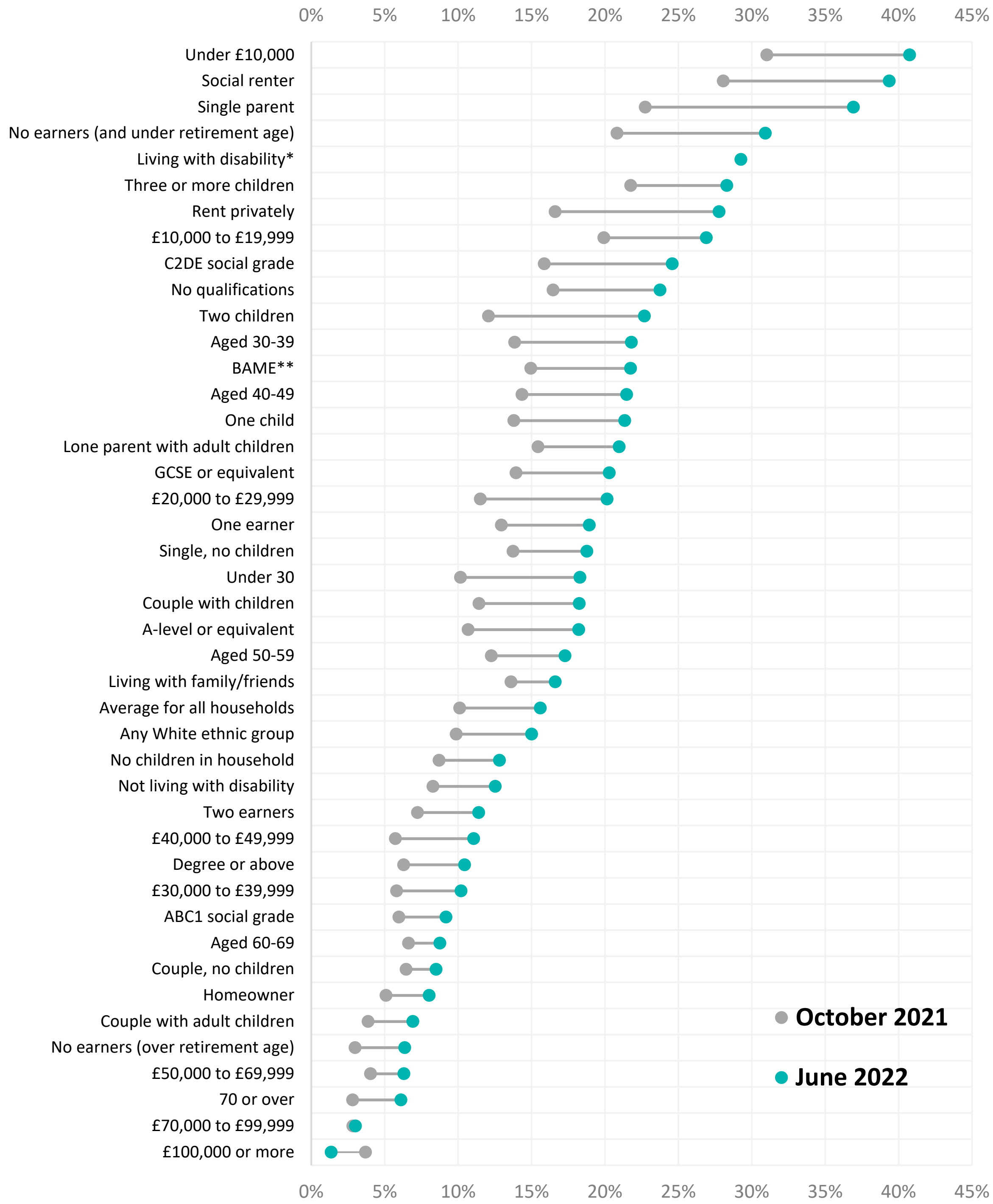
All the above figures are of course significantly worse for the households in our serious financial difficulties category. For example, more than a third of these households (36%, representing 1.6 million households) are making the minimum payment or less on at least one credit card (compared to 14% of all households), and 45% – equivalent to 2 million households – are behind with at least one household bill (compared to 14% of all households).

Table 1 – Comparing the percentage of UK households in different financial states, October 2021 to June 2022

		October 2021	June 2022
How is your current financial situation?	Very bad	3%	4%
	Bad	12%	16%
Current ability to pay bills and credit commitments	Constant struggle	12%	16%
	Struggle from time to time	33%	39%
	Without any difficulty	55%	45%
Currently struggling to pay for food and necessary expenses	Strongly agree	5%	8%
	Agree	8%	13%
Thinking about my financial situation makes me anxious	Agree / strongly agree	46%	56%
Savings in terms of number of month's income in February 2020	Nothing	21%	25%
	0-1 months	11%	12%
	Between 1-3 months	16%	15%
	Between 4-6 months	12%	12%
	Between 7-12 months	11%	10%
	More than 12 months	29%	26%
How much of an unexpected expense equivalent to one month's income could you cover without needing to borrow?	None of it	18%	22%
	Some of it	32%	33%
	All of it	49%	45%
Behind with at least one household bill?	No	91%	86%
	Yes	9%	14%
Number of credit cards owe money on	None	60%	59%
	One	18%	17%
	Two	12%	11%
	Three	5%	5%
	Four or more	6%	8%
Paying the minimum or less on at least one credit card?	No	28%	27%
	Yes	12%	14%
	Don't owe money on any credit cards	60%	59%
How savings compare to pre-pandemic	Increased	25%	24%
	About the same	30%	24%
	Decreased	32%	40%
	Not applicable - no savings pre-pandemic and still none	13%	12%
How borrowings compare to pre-pandemic	Increased	16%	21%
	About the same	30%	26%
	Decreased	11%	12%
	Not applicable - owed nothing before pandemic and still don't	43%	41%
How overall finances compare to pre-pandemic	Better	20%	17%
	About the same	46%	33%
	Worse	33%	51%

Some groups are struggling more than others

Figure 3 – Percentage of households in different socio-demographic groups who are 'in serious difficulties' with their finances



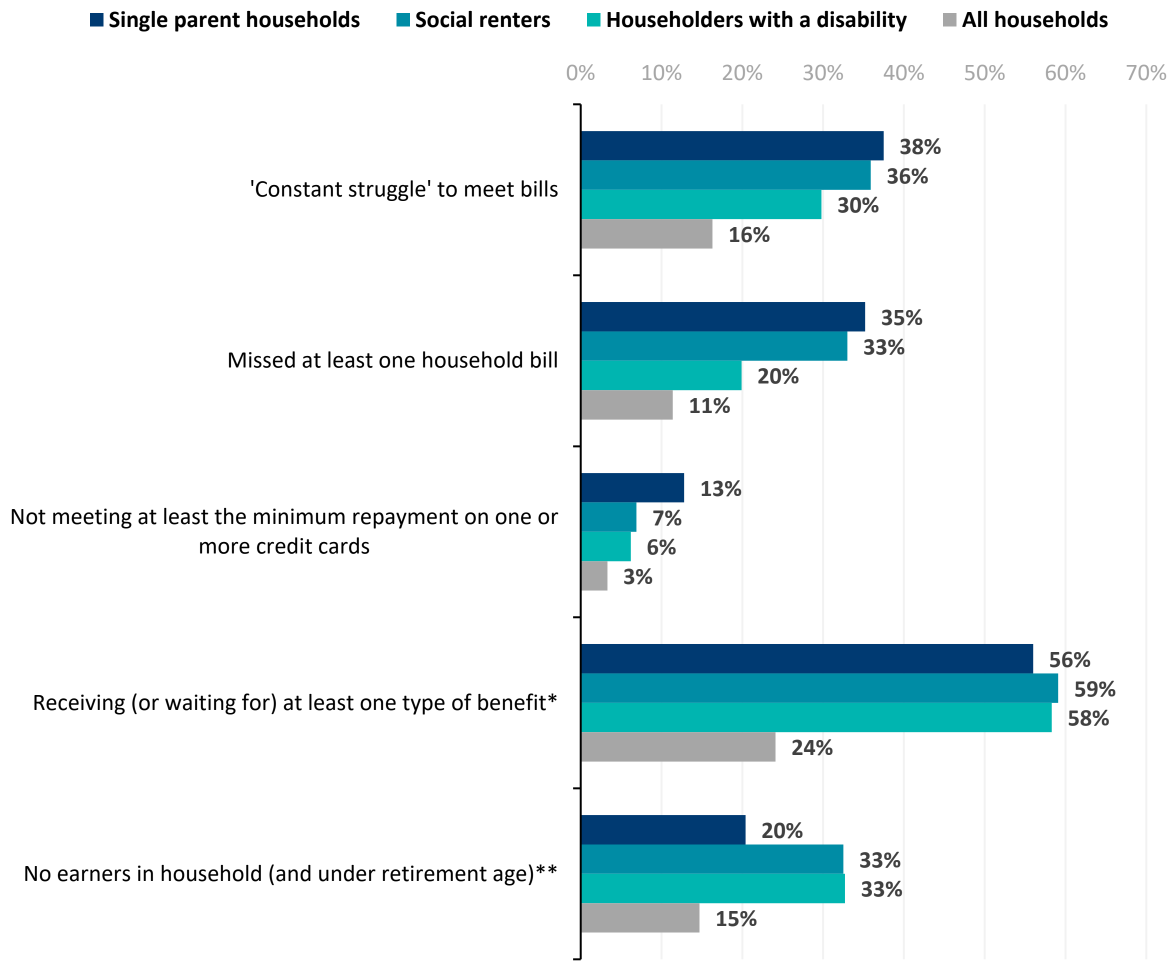
* We have excluded the October 2021 figure for disability because in this wave, we asked whether the respondent was living with a disability, whereas in June 2022 we asked whether anyone in the household was living with a disability. This means these results would not be directly comparable between waves.

** There may be considerable variation between different ethnic groups, but due to the small number of respondents who were not from white ethnic backgrounds, it was necessary to group a large number of ethnic groups under the umbrella term 'BAME', which we appreciate is far from ideal.

As Figure 3 reveals, financial difficulties are not spread evenly across the UK population. The five groups who have the highest rate of difficulty will not come as a surprise to most: those with an annual household income under £10,000 (41% in serious difficulties), social renters (39%), single parents (37%), working-age households with no earners (31%), and households with someone living with a disability (29%). Figure 4 includes examples of the various ways that some of these groups exhibit greater signs of financial difficulty than the typical household. At the other end of the scale, higher income households, older households and homeowners appear less likely to be in serious difficulties.

Comparing the June 2022 figures with October 2021 in Figure 3, single parent households saw the biggest increase in financial difficulty, rising by 14 percentage points from 23% to 37%. This is followed by social renters, private renters and households with two children (all 11 percentage point increases). The only group seeing a reduction in financial difficulty was households earning over £100,000 per year (2 percentage point decrease).

Figure 4 – Percentage of households of different types experiencing various financial difficulties



* Benefits asked about are: Universal Credit, Working Tax Credit, Child Tax Credit, Jobseekers Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Pension Credit, Personal Independence Payment, Disability Living Allowance, Carer's Allowance.

** Please note that 'no earners in household' is based on there being no earners out of the respondent and their partner (if they have one). Some of these households will other family members or friends with whom household finances are shared. The ONS estimate that in the first quarter of 2022, 13.4% of working age households were 'workless'.

There is some geographic variation in rates of serious difficulty. While overall 16% of UK households are in serious difficulties, this rises significantly to 22% and 21% for Wales and Scotland. In October 2021, these figures were 10% of all UK households and 13% for both Wales and Scotland.

Among graduates with student loans – and who are earning enough to start repaying it – a third (35%) say that their student loan repayments are unaffordable, with most (65%) describing them as affordable. Overall, however, two-in-five (40%) graduates with loans were below the income threshold for making repayments.

THE IMPACT OF THE COST OF LIVING CRISIS

Nearly all households in the UK are feeling the pinch to some extent: 93% have seen spending increase on at least one type of expenditure. This is primarily driven by increases in energy bills (affecting 80% of households), transport costs (68%) and grocery spending (62%). Four-in-five households (81%) have cut back their spending as a result. Over half (56%) of all households and nine-in-ten (93%) households in serious difficulties have seen some material impact on their quality of life.

Price increases are largely felt equally, but the impacts are not

Figure 5 – Percentage of households in each financial wellbeing category who have seen expenditure increase on each category of spending,

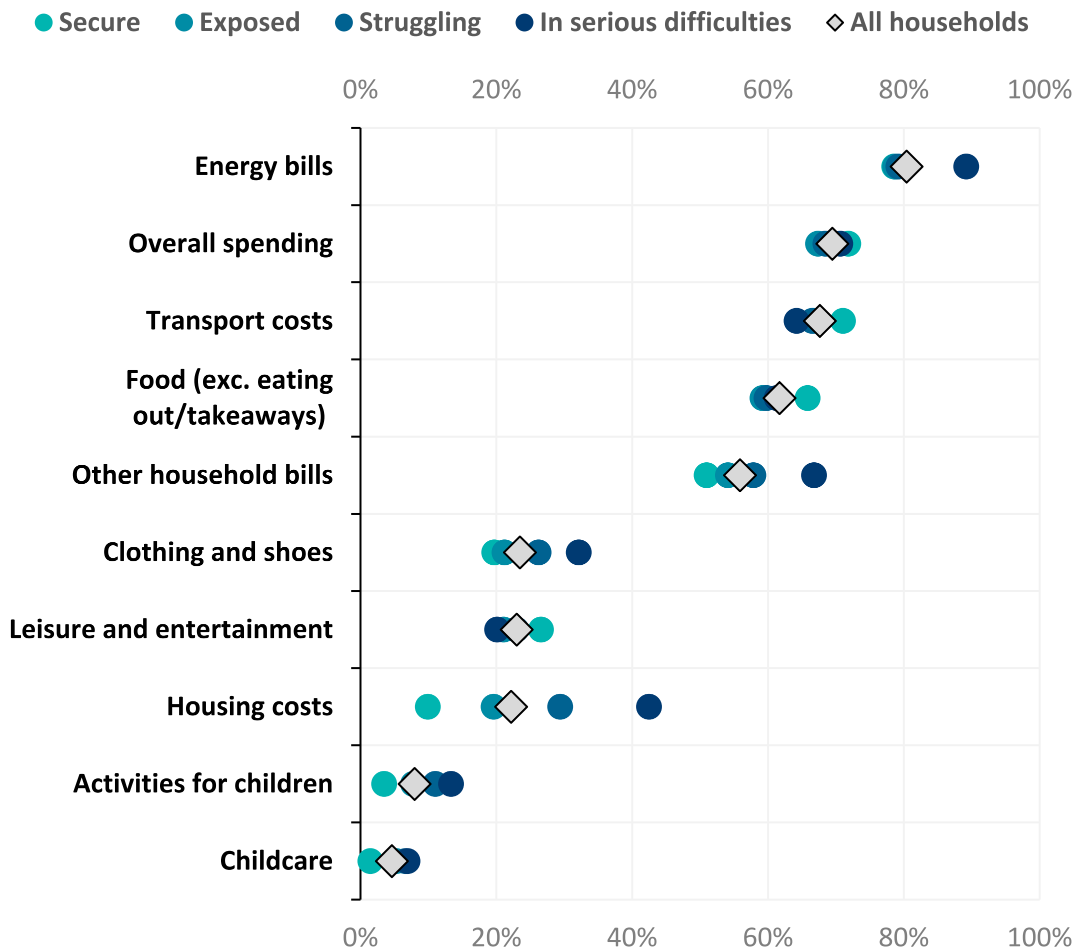


Figure 5 shows not only how many households are being affected by different aspects of the cost of living crisis, but also how these impacts affect households differently depending on their level of financial wellbeing. We see, for example, that 80% of households feel that their spending on energy bills has increased. The price increase on energy has been experienced similarly by 'secure' households (79%) as it has by 'exposed' (79%) and 'struggling' households (79%). Those 'in serious difficulties', however, were more likely to report their energy bills increasing (89%), which may reflect such bills comprising a greater proportion of household spending or may reflect experience of the 'poverty premium' – for example, greater dependence on prepayment meters, or being less likely to have been on a fixed term deal which might have insulated them from immediate price rises.

After energy bills, households have been affected by rising transport costs (increasing for 68% of households) and increased grocery bills (increasing for 62% of households). Interestingly, 'secure' households were more likely than average to report an increase in their transport (71%) or grocery (66%) costs. Households living in more rural areas (76%) and those with children (71% of couples with children) were more likely to report transport costs increasing, while young adults (54% of under 30s) and households living in urban areas (especially London (54%)) were less likely to be affected. Households with children (e.g. 66% of households with two children) and those with a disabled householder (65%) were slightly more likely to report their food expenditure had increased (compared to 62% of all households).

Households are taking a range of steps to mitigate the rising cost of living

Households have been taking a range of steps to mitigate the rising cost in living since the start of January 2022. Four-in-five (81%) say they have tried to cut back their overall spending, with 25% saying they have cut back by 'a lot' and 56% by 'a little'. Looking at specific types of expenditure, a large proportion of households say they are cutting back, yet still spending more. For example, two thirds (68%) of households have cut back on energy use but have still seen their spending on energy increase. For transport and food these figures are 44% and 42% respectively.

As Figure 6 shows, the most common step taken by households to 'make ends meet' since the start of 2022 was to save less money than usual – with this affecting half (51%) of households. A third (33%) meanwhile had actively dipped into their savings to pay for daily living expenses. Other mitigations were relatively less common; however, as the chart shows, they were much more prominent for households in serious difficulties. Half (51%) of households in serious difficulties had borrowed money on a credit card, overdraft or from other formal lenders to pay for daily living expenses, 46% had depended on financial help from family or friends and two-in-five (38%) had tried to access (additional) benefits or support funds. Over a third (36%) of those in difficulty had sold or pawned possessions that they would have preferred to keep, while over a quarter (27%) had cancelled or not renewed at least one type of insurance product. One-in-six (17%) of those in serious difficulties – equivalent to nearly 750,000 households – had accessed a foodbank since the start of the year. As this is the first time the Tracker has collected data on foodbank use, we cannot say whether household use has changed since October 2021. For context, Trussell Trust data shows a 14% increase in the number of food parcels distributed in the financial year 2021-2022, compared with 2019-20.[3]

Unlicensed money lenders meanwhile had been used by around five-per-cent of those in serious difficulty (or 2 per cent of all households, similar to a recent estimate of 2.4% for England made by the Centre for Social Justice[4]).

One finding with potentially long-term significance is that 9% of households with at least one earner had stopped or reduced their pension contributions. This rises to 21% of those for whom 'gig economy' work is their main income.[5] We see less of a difference for those whose main income is from self-employment (12%). The silver lining is that these households were more likely to fall into

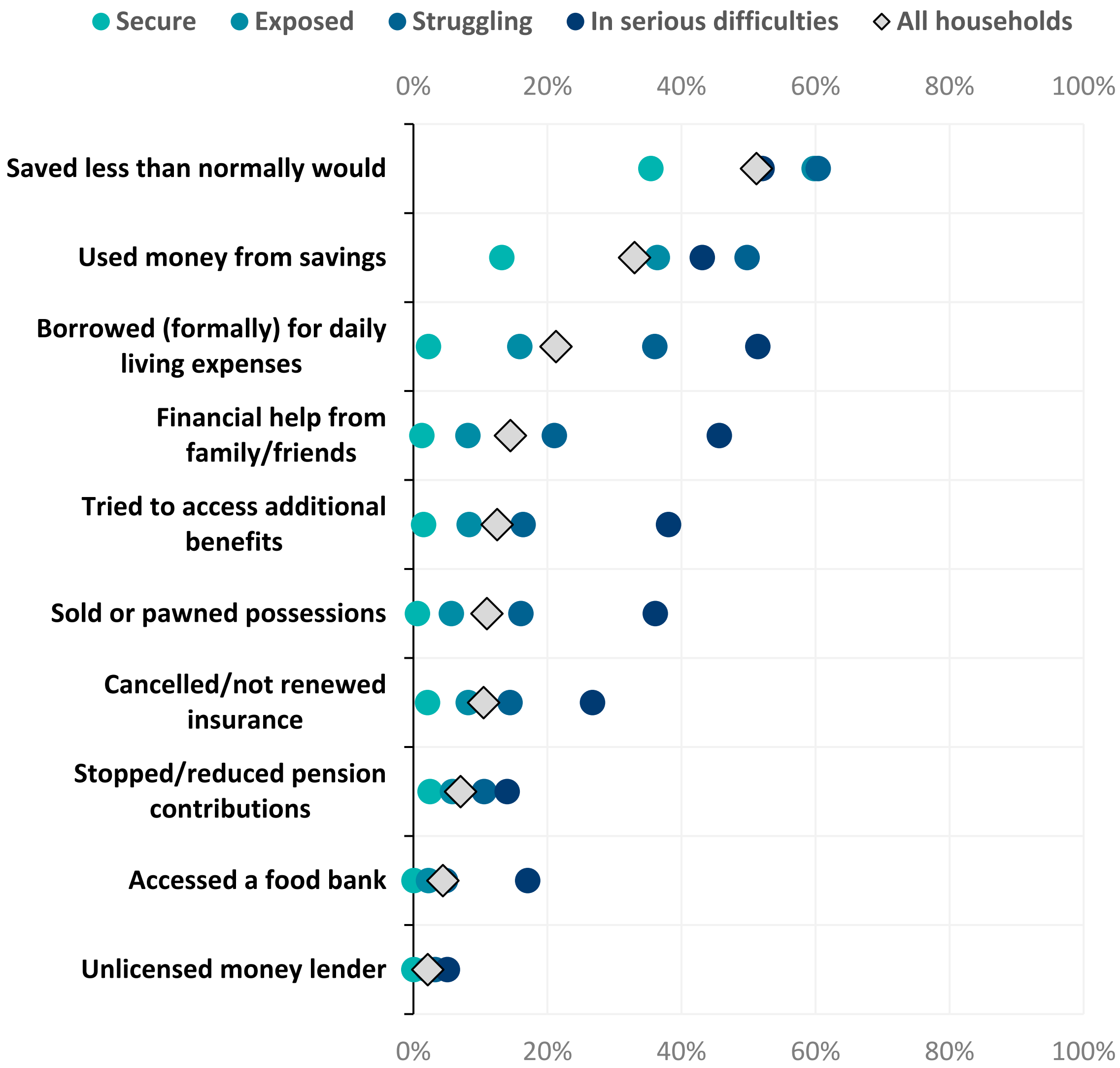
[3] Trussell Trust (2022) Trussell Trust data briefing on end-of-year statistics relating to use of food banks: April 2021 – March 2022.

[4] CSJ (2022) Swimming with sharks. Tackling illegal money lending in England.

[5] In this definition we include those: on a zero hours contract, working through an agency, working through an online platform or on a temporary contract.

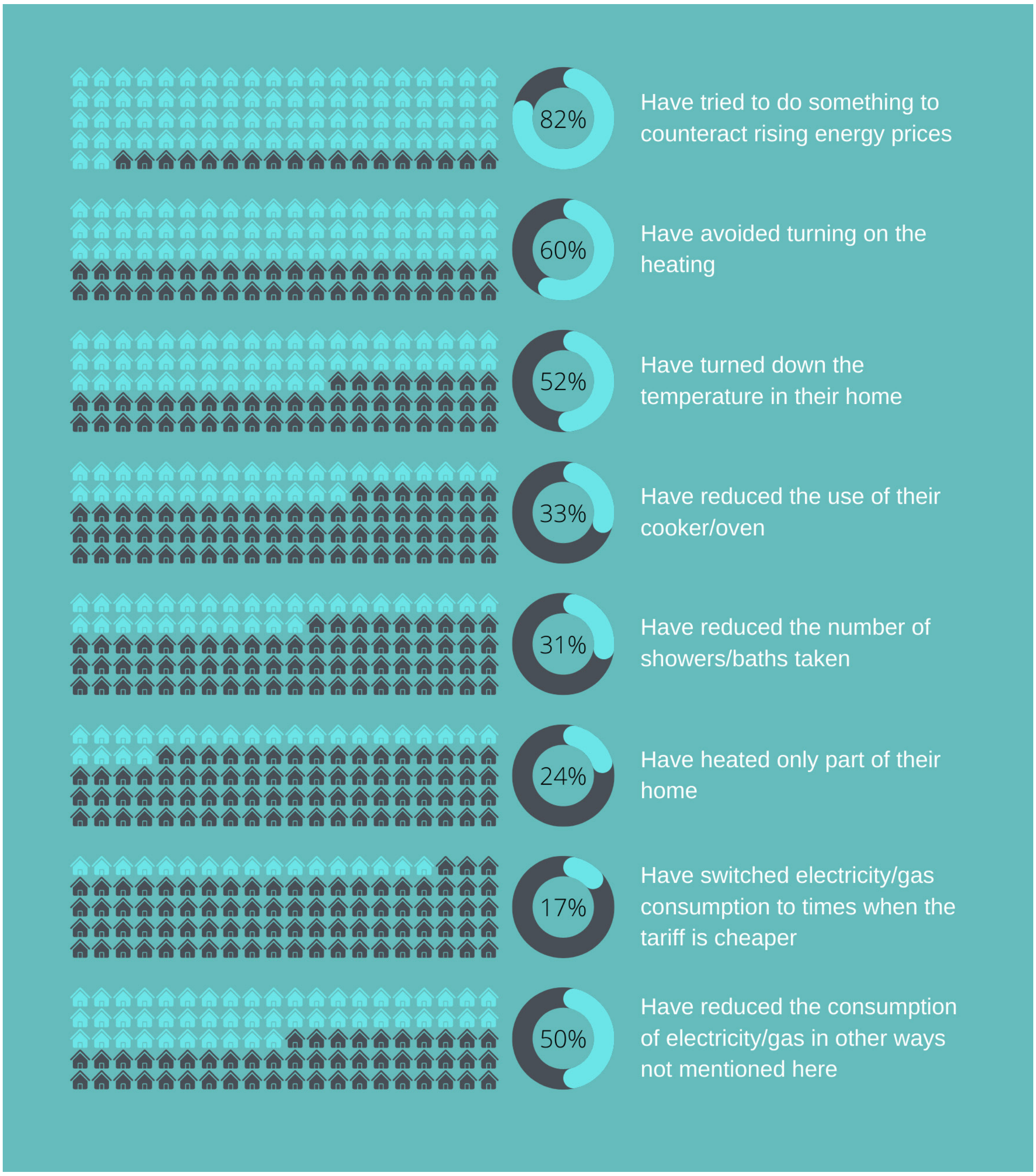
younger age categories, meaning that there is potentially more time for them to catch-up on missed contributions.

Figure 6 – Percentage of households in each financial wellbeing category who have taken different steps in 2022 to 'make ends meet'.



To tackle rising energy bills, households had undertaken a wide range of measures to save money since the start of January 2022 (Figure 7). Just under one-in-five (18%) households had not undertaken any of these actions, meaning that the vast majority (82%) had tried to do at least something to counteract rising energy prices.

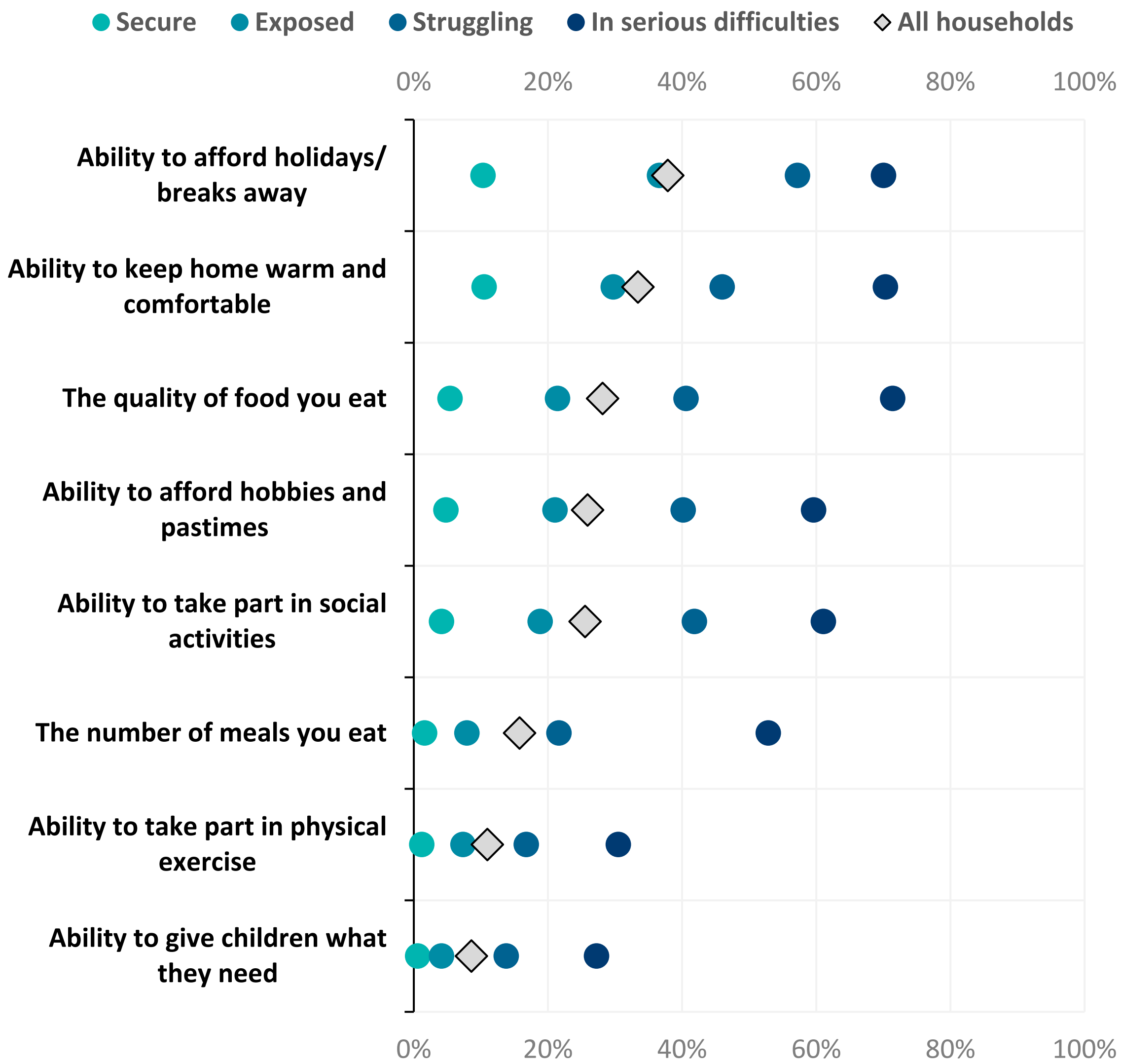
Figure 7 – Actions taken by households to counteract rising energy bills



Quality of life is worsening in unequal ways

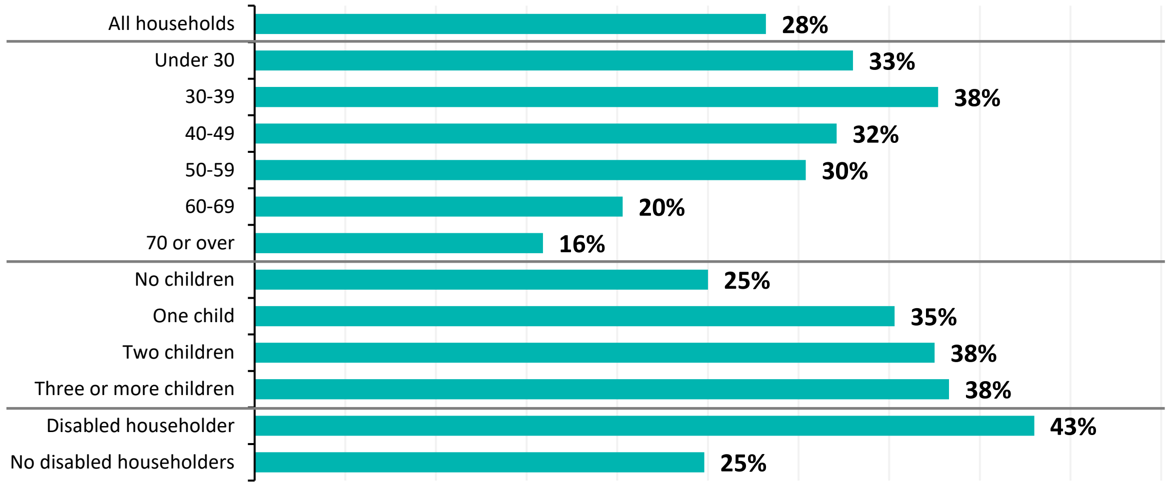
More broadly, many households had seen their quality of life 'negatively affected' by the rising cost of living. As Figure 8 highlights, 38% of all households had seen their ability to afford holidays or breaks away affected, while 33% had seen a worsening in their ability to keep their home warm and comfortable. 28% had seen a decline in the quality of food they eat, but this increases hugely to 71% of those in serious difficulties.

Figure 8 – Percentage of households in each financial wellbeing category who have had their quality of life 'negatively affected' in various ways by the rise in cost of living.



Certain socio-demographic groups were more likely to be negatively affected – as shown in Figure 9. For example, of those with a disabled person in the household (whose activities are limited 'a lot' by their condition), 48% have found it harder to keep their home warm and comfortable, 43% have seen their quality of food affected and 31% have had their number of meals affected (compared to 16% of all households). For most impacts, those aged 30-39 were most likely to report being negatively affected, with the extent of the impact decreasing with age. Households with children have also been more heavily impacted, and this appears to increase to some extent with number of children.

Figure 9 – Percentage of households in different groups who have seen the quality of food they eat 'negatively affected' by the rising cost of living.



Incomes have largely stagnated

Overall, one-in-five households (19%) have seen their household income go up in line with the rising cost of living, meaning that for four-in-five it has not (81%). Just over a third (36%) have had a below-inflation pay rise, 35% have seen no change in their income and 10% have seen their income go down. This picture remains largely the same even if we exclude non-working households; for example, 23% of households with two earners have seen their income rise in line with inflation, 34% have had a below-inflation pay increase, 35% have had no change at all, and 9% have had an income decrease.

Despite this, a significant minority of households are doing what they can to try and maximise their income – as shown in Table 2. One-in-six (17%) had worked more hours in the past four weeks (with an additional 8% doing so during 2022 but not within the last four weeks). This was particularly common among those aged under 30 or 30-39 and among parents – both single parents and couples with children.

Table 2 – Percentage of households in different groups who have tried to increase income by working more hours, changing job, taking on a second job or securing a pay rise / promotion

	Worked more hours		Changed job		Taken on a second job		Been able to secure a pay rise/ promotion	
	Last four weeks	In 2022	Last four weeks	In 2022	Last four weeks	In 2022	Last four weeks	In 2022
All households	17%	25%	3%	11%	3%	7%	5%	16%
Under 30	28%	46%	8%	29%	8%	20%	11%	32%
30-39	29%	40%	6%	20%	4%	11%	10%	27%
40-49	22%	30%	3%	13%	3%	8%	7%	20%
50-59	18%	27%	2%	8%	3%	7%	4%	15%
60-69	7%	12%	1%	3%	1%	2%	1%	6%
70 or over	2%	2%	0%	0%	0%	0%	0%	1%
Single, no children	14%	22%	4%	11%	3%	8%	5%	13%
Couple, no children	17%	25%	4%	14%	4%	8%	6%	21%
Single parent	25%	40%	7%	23%	8%	16%	9%	23%
Couple with children	30%	40%	4%	16%	3%	10%	9%	25%
Lone parent with adult children	9%	11%	2%	4%	2%	3%	2%	5%
Couple with adult children	8%	13%	1%	3%	1%	2%	2%	6%

Note: 'In 2022' includes the combined figure for 'in the last four weeks' and 'since the start of 2022 but not in the last four weeks'.

Worries for the future

Many households appear concerned about their future finances. We find that, looking to the next three months:

- Half (50%) of households are worried about their ability to meet their gas or electricity bills.
- Two-in-five (39%) are worried about their ability to cover food costs.
- Two-in-five (39%) households are also worried about the possible effects of tax changes on their finances in the next three months, with a further 12% who don't know how worried they are, presumably because they are unsure how they will be affected.
- Three-in-ten (29%) are worried about their ability to meet their housing costs (rent or mortgage).

Overall, as previously shown in Figure 2, 8% of households are 'not at all confident' about their financial situation in the next three months and 23% are 'not confident'. Meanwhile, a quarter (24%) describe their future outlook as 'neutral', with 34% and 10% being 'confident' and 'very confident' respectively. This represents a decrease in confidence since October 2021 when 41% were 'confident' and 18% were 'very confident' about the next three months.

On our combined index[6] of questions showing households' outlook for the next three months we see a six percentage point rise in the proportion of households with a 'poor' outlook, from 17% in October 2021 to 23% in June 2022. A further 21% have an outlook that is 'quite poor' (previously 22%). Unsurprisingly, the vast majority of those in serious financial difficulty have a 'poor' (94%) or 'quite poor' (5%) outlook, but it is also concerning that so many of those in the 'struggling' (37%

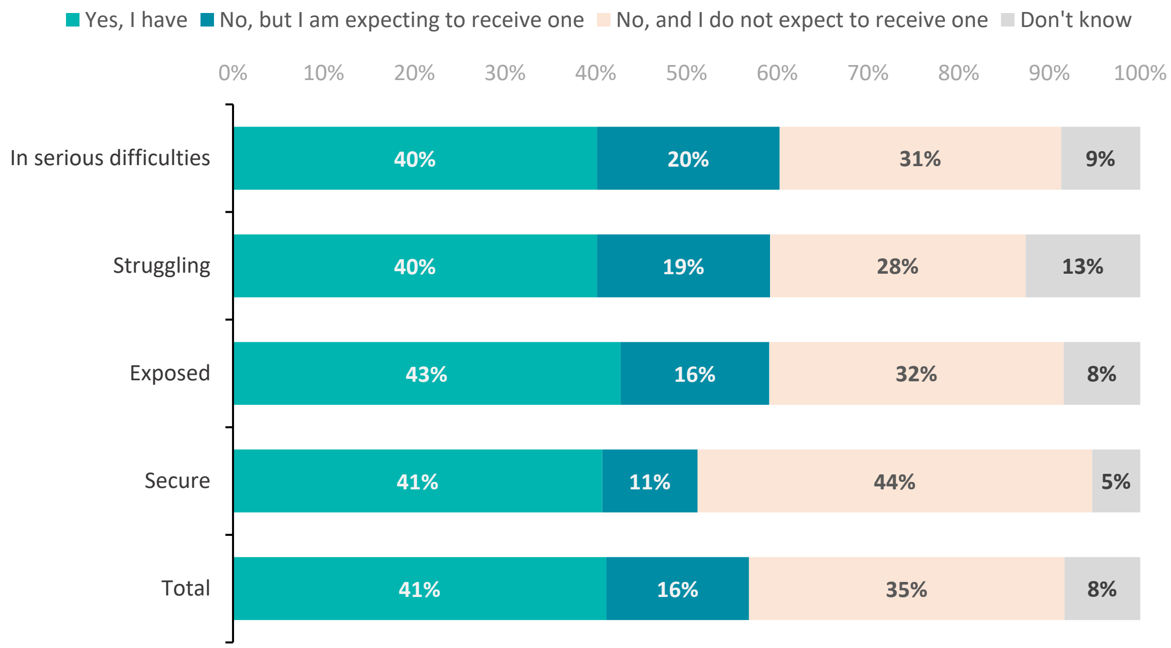
[6] Calculated from a Principal Components Analysis of questions: likelihood of income fall, confidence in financial situation in next three months, ability to pay bills in next three months, ability to meet a large unexpected expense, how long could cope without borrowing if faced income fall and number of months savings.

‘poor’ and 56% ‘quite poor’) and ‘exposed’ (2% and 28% respectively) groups also do so. This implies a risk that more people will slip into difficulties in the coming months.

Government support

To help with rising energy bills, in March 2022, the Government announced the introduction of the ‘Council Tax Rebate’ scheme to refund households living in council tax bands A to D the sum of £150. At the time of our survey, 41% of households reporting having received a non-payable council tax rebate since the start of January, with a further 16% expecting to receive one at some point. As Figure 10 shows, reported receipt of the rebate appears to vary little depending on households’ financial situation. In fact, a very slightly higher proportion of ‘secure’ households (41%) reported having received a rebate than had those in serious financial difficulties (40%). We also note that as much as a quarter (26%) of households with a gross annual income over £100,000 saying they had received the rebate, which – while this rises to 46% among households on £10,000-19,999 – does raise questions about how well targeted this policy was.

Figure 10 – Percentage of households in each financial wellbeing category who reported having received a non-repayable council tax rebate or expected to receive one.



Shortly after the survey was launched, the Government announced further measures to help households with the cost of living.[7] [8] All households were told they would receive a £400 now non-repayable discount on their energy bills from October 2022, while certain groups would receive additional support. This included a £650 payment to households on Universal Credit (UC), Tax

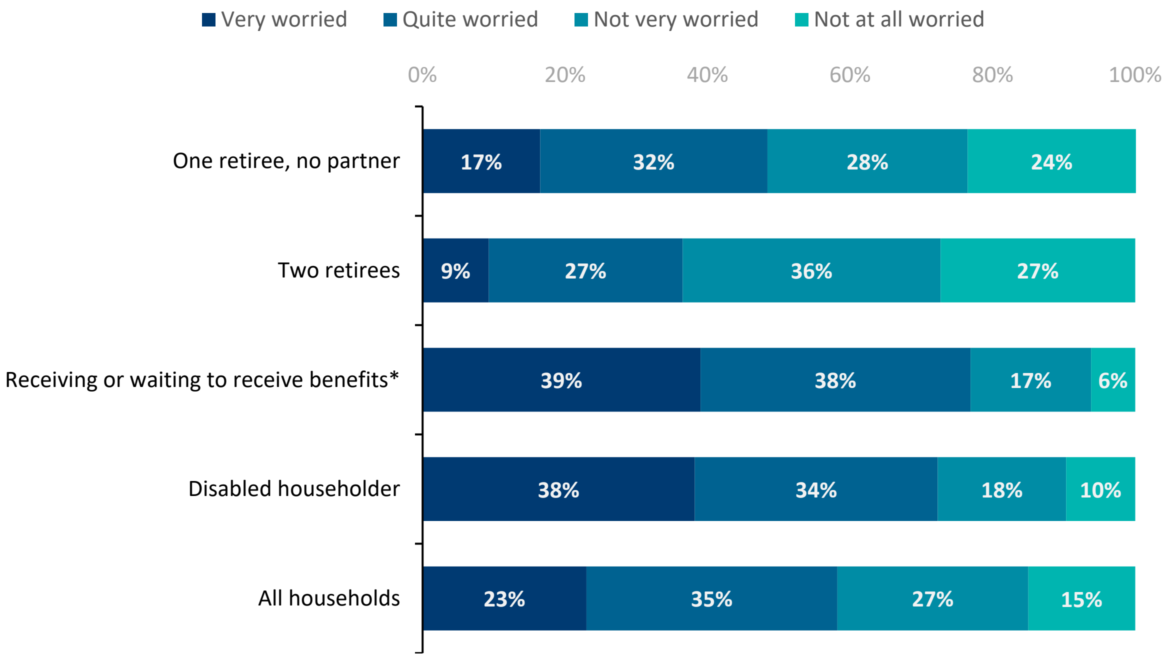
[7] Gov.UK (2022) Millions of most vulnerable households will receive £1,200 of help with cost of living.

[8] Approximately 40% of respondents had completed the survey prior to the Government’s announcement. We explored whether there were any significant changes in respondents’ attitudes or confidence in future financial situation depending on whether they had completed the survey after the announcement or not. This showed no significant change, even when controlling for the changing profile of respondents over time.

Credits, Pension Credit and legacy benefits, with pensioner households receiving £300 and individuals receiving disability benefits receiving £150.[9]

Figure 11 explores the level of worry for the next three months being expressed by some of the groups set to benefit from additional Government support. Households were also told they would receive a £400 now non-repayable discount on their energy bills from October 2022. It highlights the concern of those receiving benefits and households with a disabled householder, but reveals that retired households are relatively less worried about the immediate future than the general population. The survey did not, however, ask about concern over a longer-term period, so it remains to be seen how households' feelings will change as we head into what could be a challenging Autumn and Winter for many households.

Figure 11 – **Percentage of households in different groups set to receive additional Government financial support who are worried about their financial situation in the next three months**



* Benefits asked about are: Universal Credit, Working Tax Credit, Child Tax Credit, Jobseekers Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Pension Credit, Personal Independence Payment, Disability Living Allowance, Carer's Allowance.

Level of worry determined by highest level of worry given to separate questions about: energy bills; vehicle running costs; housing costs; and food costs.

[9] According to analysis by the Institute for Fiscal Studies, the government's package of measures means that on average the poorest households will now be approximately compensated for the rising cost of living. However, the flat rate nature of payments to benefit recipients means that the package is less generous to poor families with children than to those without.

Technical note

The survey was undertaken by YouGov between 25 May and 6 June 2022 for the abrdn Financial Fairness Trust and was conducted online. It is the sixth in a series of cross-sectional surveys tracking the financial impact of the coronavirus pandemic on UK households, by asking key questions repeated at several time points. In each wave, these key questions are supplemented by new questions that aim to capture and reflect the evolving situation.

The sample for this report consists of 5,716 respondents randomly recruited from YouGov's online panel. It includes booster samples for Scotland, Wales and Northern Ireland, that have been weighted back to their correct proportions for the tables in this report. The base for analysis is people who are responsible for the household finances. Non-householders who are responsible only for their own personal finances (most of whom were aged under 25 and lived at home with their parents) are not included in the analysis for this report.

The segmentation of households into four categories is based on scores from a principal component analysis of seven survey questions that cover the extent to which households could meet their financial obligations and the resources they had for dealing with an economic shock. Those with a score of less than 30 out of 100 were deemed to be in serious financial difficulty; scores of 30-49 were taken as indicative of struggling to make ends meet and scores of 50 to 79 of being potentially exposed financially. Full details of the methodology employed can be found in Kempson, Finney and Poppe (2017) Financial Wellbeing: A Conceptual Model and Preliminary Analysis. The estimation of households' future outlook for the next three months was also based on scores from principal component analysis in the same way. This analysis is based on two questions relating to income shocks experienced or anticipated in the next three months, two questions relating to financial resilience and two questions about expected ability to meet financial obligations over the next three months.

All analysis was tested for statistical significance. This report only covers findings that were found to be statistically significant (at least p<.05 chisq), unless otherwise stated. The tables on which this report is based are available to view via Google Sheets or by emailing pfrc-admin@bristol.ac.uk.

University of BRISTOL

Personal Finance Research Centre

Authors:
Jamie Evans and Sharon Collard

Jamie Evans is a Senior Research Associate at the Personal Finance Research Centre.

Sharon Collard is Professor of Personal Finance and Research Director of the Personal Finance Research Centre.

Acknowledgements
Our thanks to the team at YouGov, and to the members of their online panel who answered the questions willingly and honestly. We hope that this report accurately reflects the situations they are experiencing.

There are also many people whose input was important to this report. First, thanks to Nick Smith who helped to design the questionnaire, to Christian Poppe and Elaine Kempson who have been crucial in designing and setting-up the study, and to David Collings and Katie Cross who helped prepare this report. Our thanks also to Mubin Haq, Charlotte Morris, Karen Barker and the team at abrdn Financial Fairness Trust for their ongoing input, feedback and support. Thank you all of you.

About the Personal Finance Research Centre (PFRC)
PFRC is an interdisciplinary research centre specialising in social research across a diverse range of personal finance issues, mainly from a consumer perspective.

www.bristol.ac.uk/geography/research/pfrc/

About abrdn Financial Fairness Trust
abrdn Financial Fairness Trust is an independent charitable foundation supporting strategic work which tackles financial problems and improves living standards. Its focus is improving the lives of people on low-to-middle incomes in the UK.

www.financialfairness.org.uk/