

# Cutting Back and Falling Behind?

An analysis of the financial impact of Covid-19

Society of St Vincent de Paul

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# Introduction and Background

- As well as the tragic loss of life, the Covid-19 pandemic is imposing significant socioeconomic costs on those already struggling to make ends meet. Research and data shows that across the world the impacts are highly unequal and are exacerbating existing inequalities (Adams- Prassl et. al. 2020).
- In Ireland, job losses have disproportionately impacted those employed in low paid sectors, young people, renters, migrants and those with the least financial buffers to endure an unemployment shock (Byrne et. al. 2020a)
- Furthermore, data from the Central Bank of Ireland (2021) indicates that household expenditure has declined and saving have increased during the pandemic, with higher income households are likely to have seen the largest, proportionate, spending falls and savings increases (Byrne et. Al. 2020b).
- The policy response to the crisis has mitigated significant income losses by cushioning workers incomes through the Pandemic Unemployment Payment and Employee Wage Subsidy Scheme (Beirne et. al. 2020). However, without data on other indicators of financial strain or deprivation, the full extent of the crisis may be not be known.

## Financial Strain & Covid-19: Evidence from the UK

- To-date relatively little research in Ireland has focused on levels of financial strain or deprivation associated with Covid-19 and the financial impact on different social groups during the pandemic.
- Research studies in the UK show that low-income households are more likely to have gone into debt, cut back on basics and used savings to cope with the impact of the Covid-19 crisis (Handscomb and Judge, 2020).
- The normal coping strategies used by families on a low income (e.g. getting support from family, friends, and charities) have been severely disrupted during the pandemic (Brewer and Patrick, 2021).
- Low-income families with children, people with a disability and renters are more likely to have had trouble paying household bills and cutting back on spending on essentials due to income loss and increased household expenditure from being home more (Joseph Rowntree Foundation, 2020a & 2020b).

# Aims and Objectives

1. Examine the nature and extent of financial difficulties associated with the Covid-19 pandemic.
2. Generate up to date information on the proportion of individuals reporting an income loss, increased household expenditure, cutting back on basics due to costs and falling behind on regular bills and payments due to the Covid-19 pandemic.
3. Identify the groups most at risk of financial strain and difficulties due to the Covid-19 pandemic.

## Data and methods

- SVP commissioned RED C to collect data on financial strain due to Covid-19 using their Online Omnibus Service.
- RED C interviewed a random sample of 1026 adults aged 18+ online between 22<sup>nd</sup> and 28<sup>th</sup> January 2021.
- Interviews were conducted with people across the country and the results weighted to the profile of all adults. Panellists were chosen at random to complete the survey with quotas set and weights allocated on age, gender, class, region, education level & working status to ensure a nationally representative sample.

# Limitations

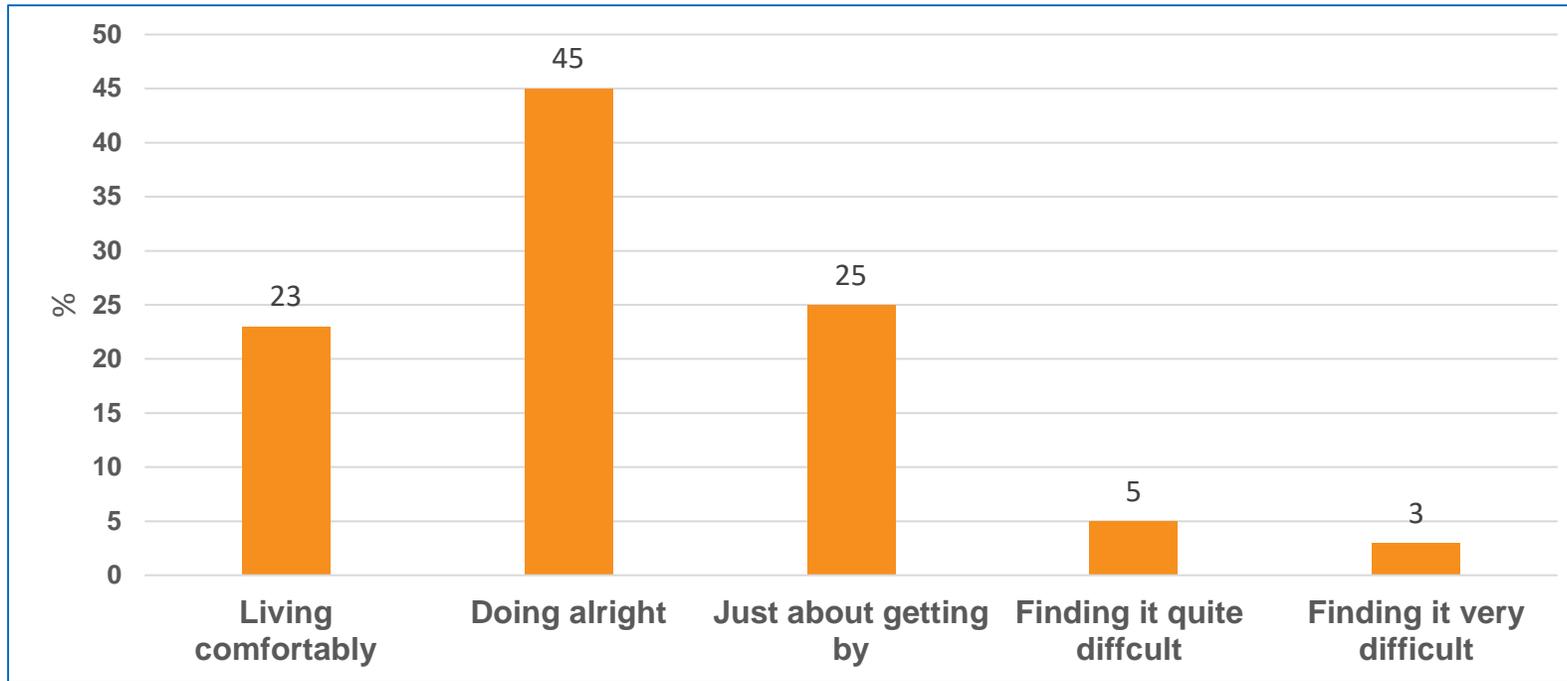
- Income is not captured in the interviews due to issues of underreporting. As this is an important factor when examining financial strain, SVP asked RED C to include a measure of how a person was managing financially prior to Covid-19 as a proxy measure of income (living comfortably, doing alright, just about getting by, finding it quite difficult, finding it very difficult).
- The nature of the online survey may mean groups who are most marginalised and who do not have access to technology may be underrepresented in the sample. This may also lead to an underestimate of levels of financial strain experienced among the total population.

# Main findings

What is the financial impact of Covid-19 restrictions in Ireland?



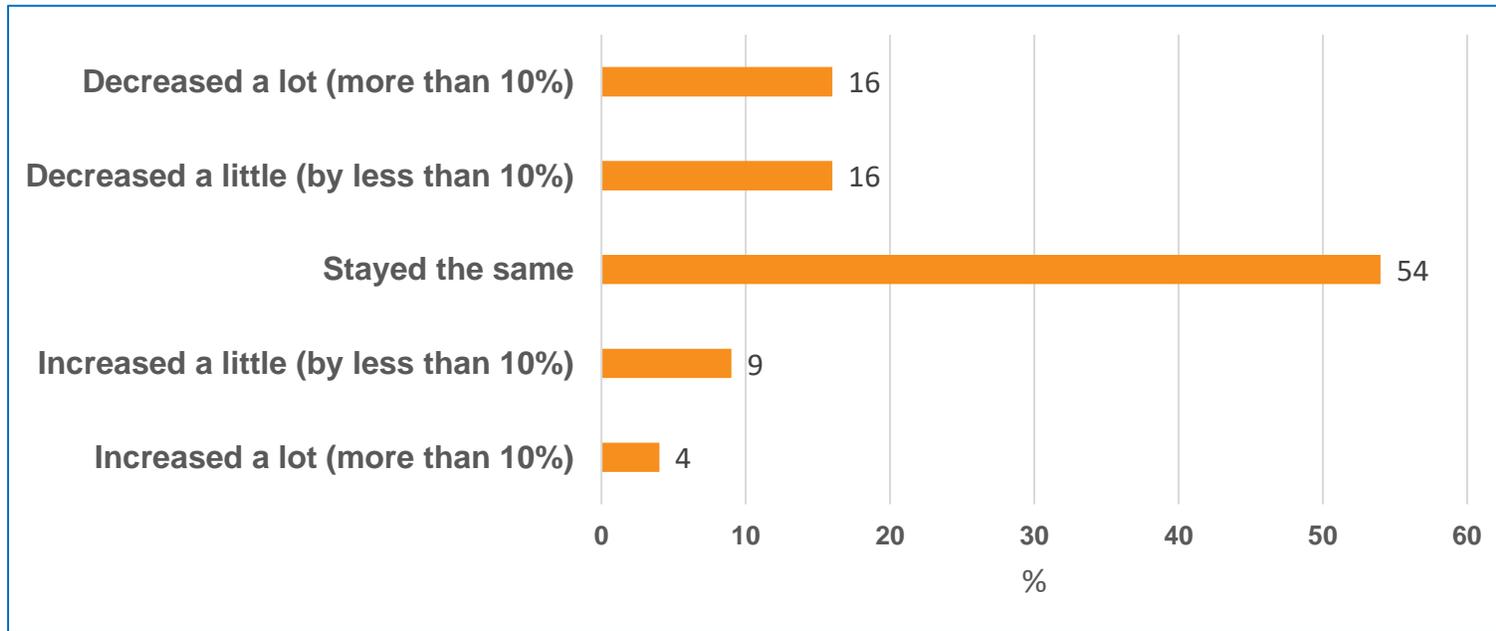
## Financial Situation Prior to the Pandemic



Most people (68%) stated they were “living comfortably” or “doing alright” but one quarter were “just about getting by” and 8% were “finding it difficult”

Q. Before the Covid-19 outbreak began, how would you say your household was managing financially?  
(N=1024)

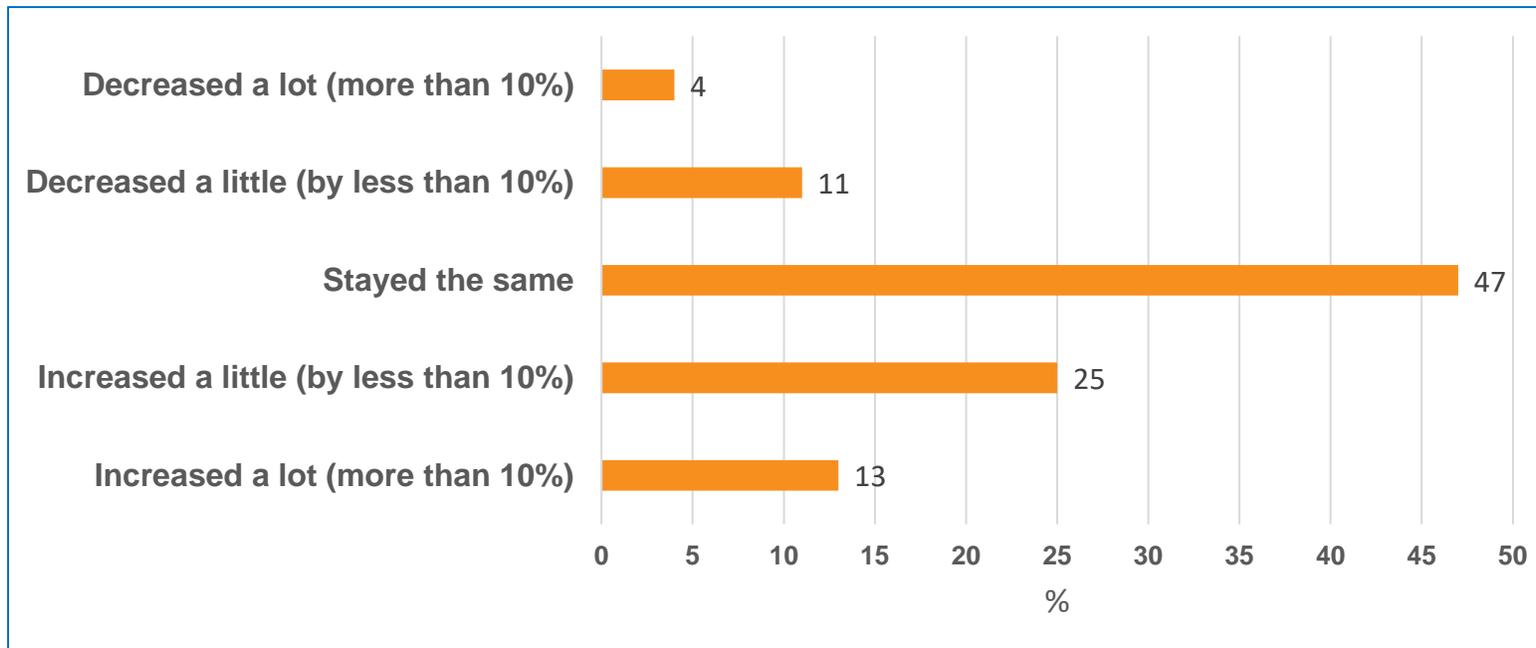
## Change in household income due to Covid-19 restrictions



Almost 1 in 3 people stated that their household income decreased since the start of the pandemic

*Q. To what extent has your household's income increased or decreased compared to your usual income before the Covid-19 outbreak started (i.e. the end of February 2020)? (N=1018). Note this does not capture the impact of pandemic income supports on household incomes.*

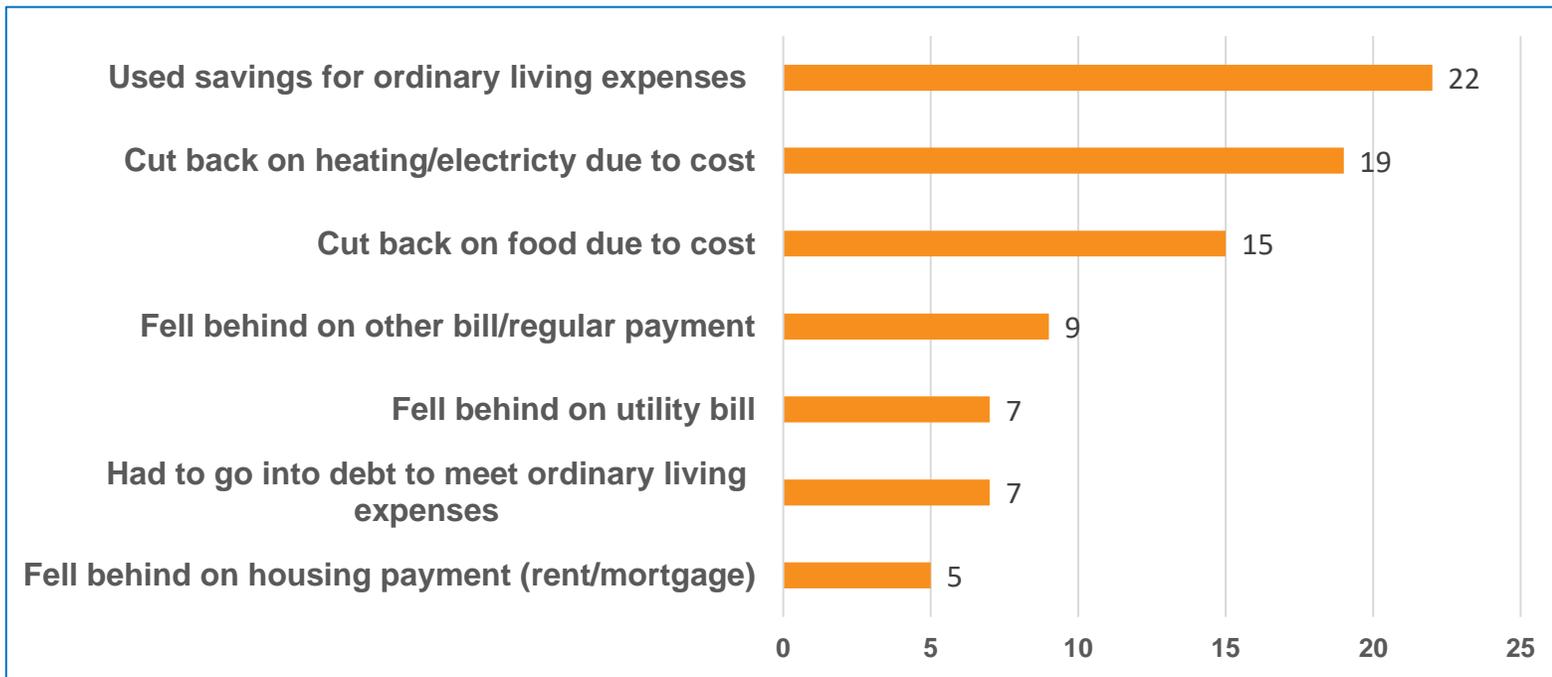
## Change in household expenditure on basics due to Covid-19 restrictions



38% of people said their household expenditure on basics had increased during the pandemic.

*Q. To what extent has your household's expenditure on food, utilities and other essentials increased or decreased compared to your usual expenditure before the Covid-19 outbreak started (i.e. the end of February 2020)? (N=1021)*

## Experience of financial strain due to Covid-19



43% of people reported experiencing at least one form of financial strain due to the Covid-19 pandemic, with quarter cutting back on food or utilities and 14% falling behind on bills.

Q. The Covid-19 pandemic has led to financial strain on some of the people in Ireland and around the world. Since the Covid-19 outbreak began, which of the following financial impacts, if any, has it had on you or your household? (Multiple choice – respondents could select more than one option as outlined in the graph above and could also choose “none of the above”.) ( N= 1026)

## Sub-group analysis

Which groups are most at risk of negative financial impacts due to the Covid-19 pandemic?

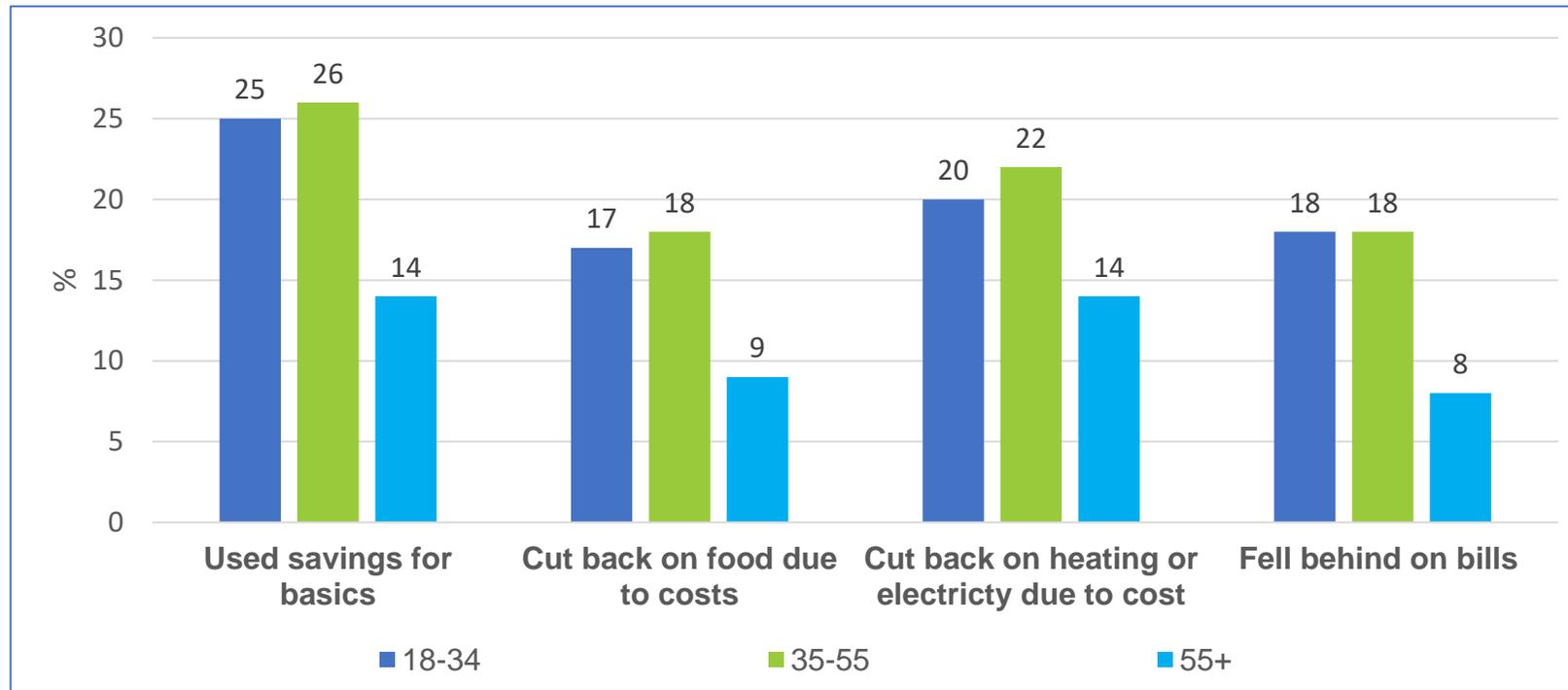


## Gender and Age

- A similar proportion of women (32%) and men (33%) reported a loss of income.
- However, a higher proportion of women reported increased expenditure on basics than men (42% compared to 34%).
- A higher proportion of people 18-34 reported a drop in their income and experienced at least one indicator of financial strain (i.e cutting back on basics or falling behind on bills) than those aged 55 or older.

\* Throughout this section all reported differences in the indicators of financial strain between groups are statistically significant at either the 95% or 99% level.

# Experience of financial strain due to Covid-19 by age group

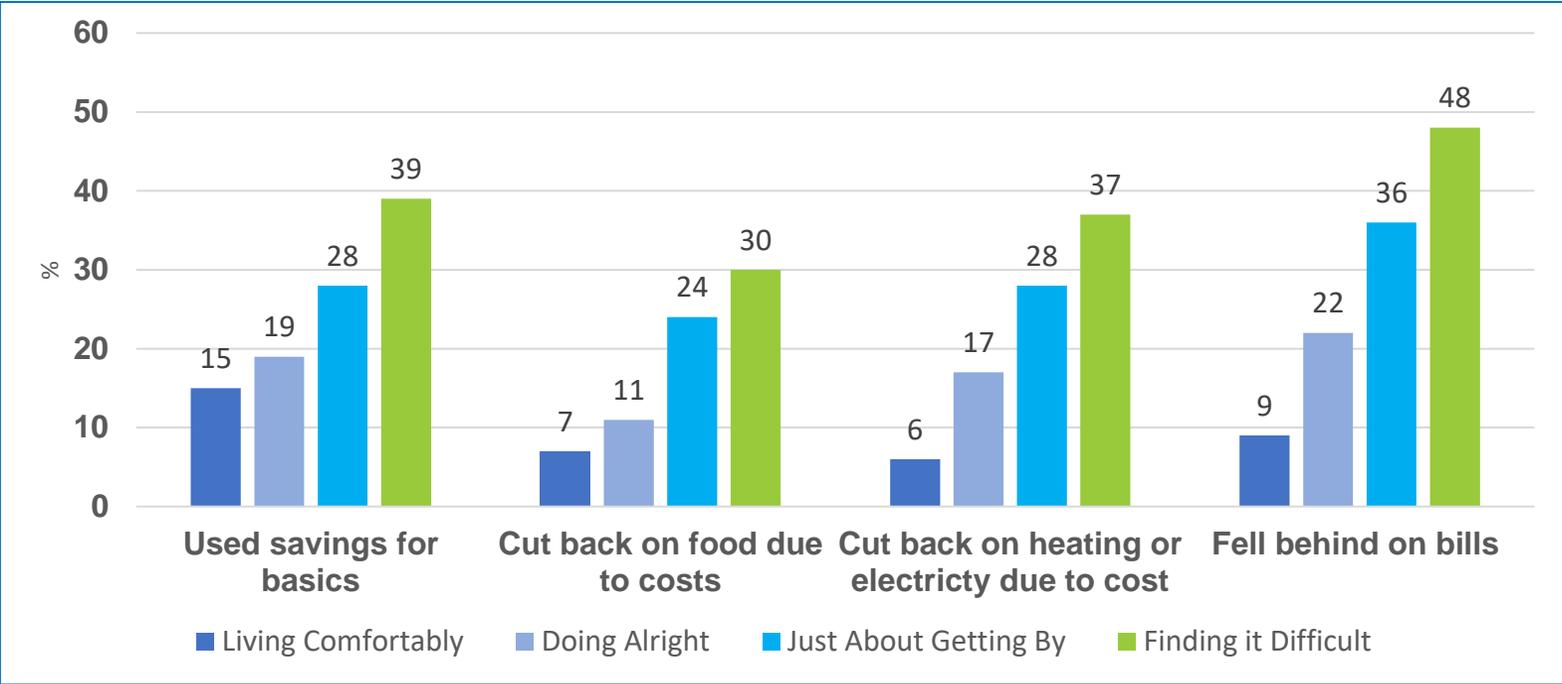


People aged 55 or older were least likely to report cutting back on food due to costs or falling behind on bills during the pandemic

## Financial situation prior to Covid-19

- Of those who were finding it very difficult to manage prior to Covid-19, 51% of had experienced a loss of income compared to 25% of those who were living comfortably.
- Of those who were finding it quite difficult or very difficult to manage prior to Covid-19, 49% were spending more on essentials compared to 35% of those who were living comfortably.
- 85% of those finding it difficult to manage prior to Covid-19 reported experiencing at least one form of financial strain (i.e. cutting back on basics or falling behind on bills or regular payments) compared to 23% of those who were living comfortably.

# Experiences of financial strain by financial situation prior to pandemic

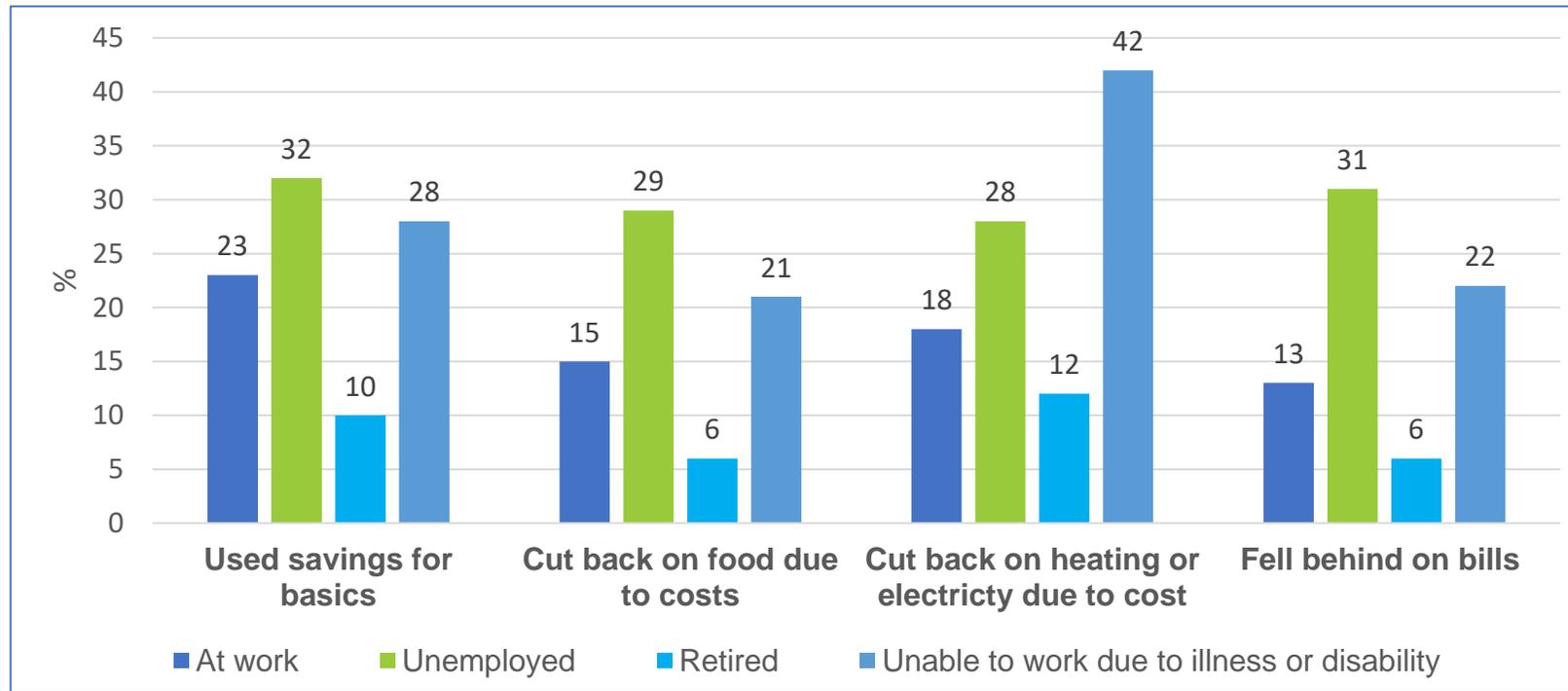


30% of those who were finding it difficult to manage prior to the pandemic report cutting back on food due to Covid-19 compared to 7% of those who said they were living comfortably.

## Work status

- A similar proportion of unemployed people (including those temporarily unemployed due to Covid-19) reported an increase in household expenditure (37%) compared those who were working (38%).
- However, unemployed people were more likely to report cutting back on basics due to cost (42% compared to 25%) and falling behind on bills or regular payments (31% compared to 12%) than those in work.
- 42% people unable to work due to a disability reported cutting back on heating or electricity due to cost. This compared to 18% among those at work.

# Experience of financial strain due to Covid-19 by work status



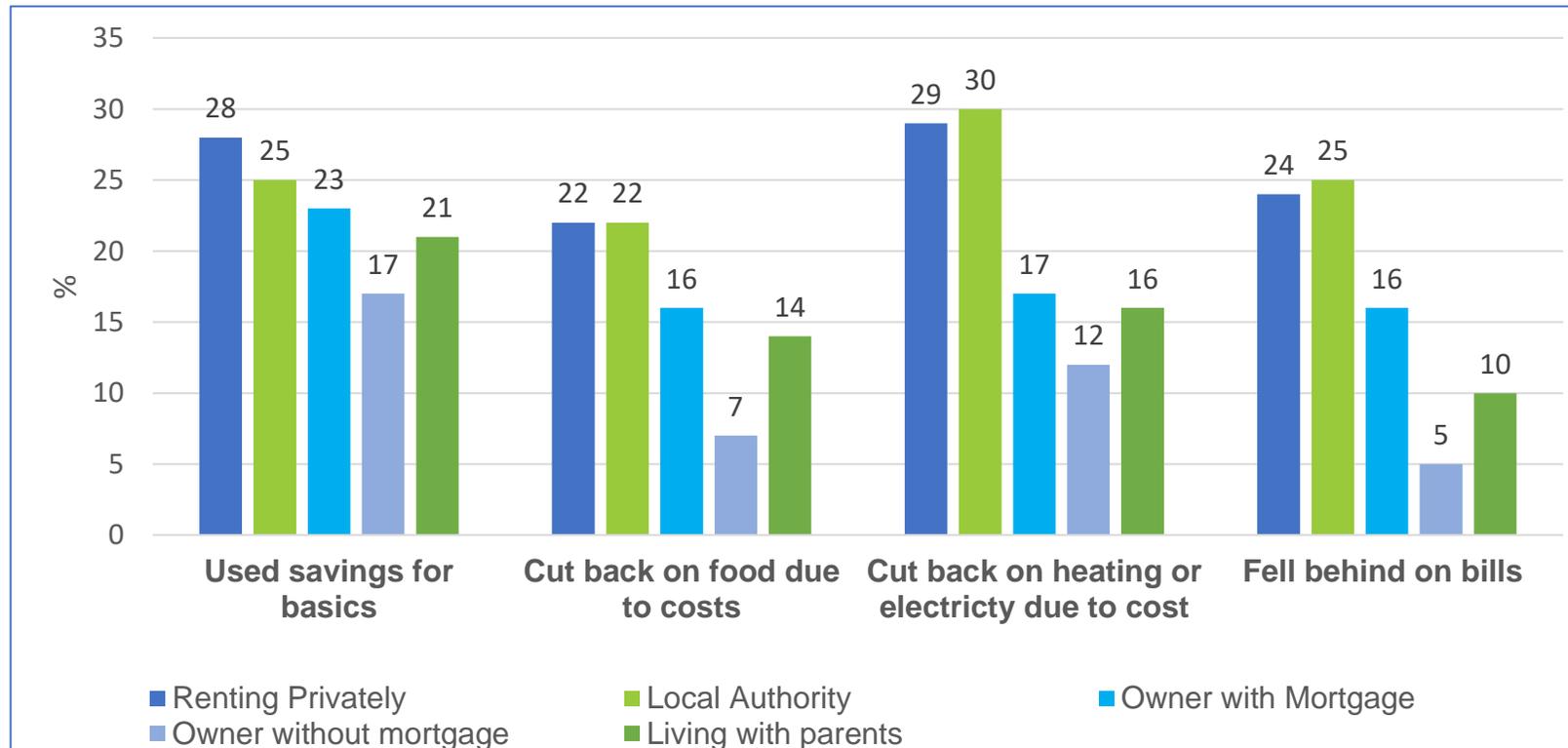
Unemployed people were more likely to have cut back on basics and fallen behind on bills.

## Renters and mortgage holders

- A quarter of renters reported falling behind on their bills and 9% were behind on their rent payment and 7% of mortgage holders had fallen behind on their payments.
- Renters both in the private sector and those in local authority housing were more likely to report experiencing at least one form of financial strain due to Covid-19 (i.e. cutting back on basics) – 55% and 58% respectively, compared to 28% of people living in their own home without a mortgage.
- 15% of those who had “temporarily lost their job due to Covid-19” reported that they have fallen behind on the housing payments (rent or mortgage).

Almost 1 in 10 renters reported falling behind on their rent payment since the pandemic began

# Experience of financial strain due to Covid-19 by tenure type

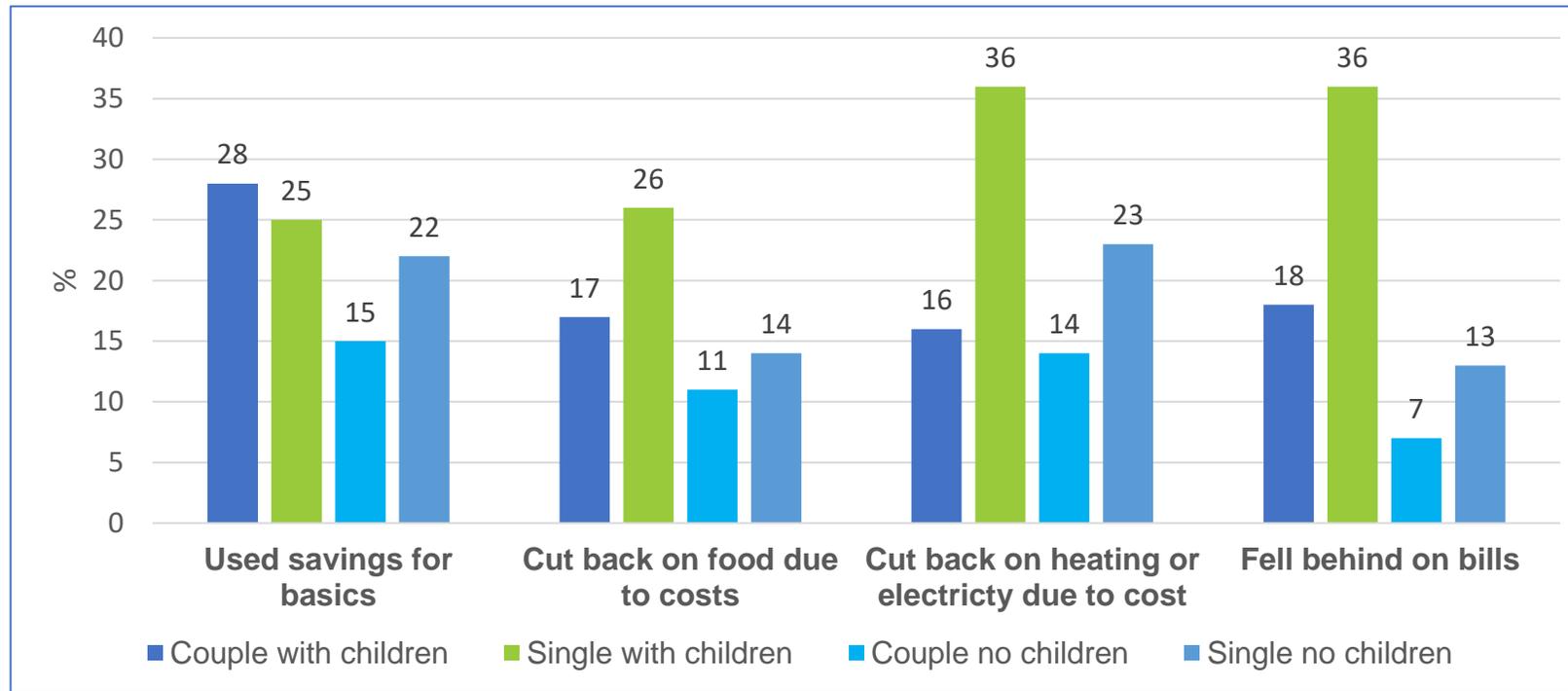


Almost 1 in 3 renters (private & local authority tenants) had cut back on heating due to cost during the pandemic

## Family type

- People with dependent children were more likely to report experiencing at least one form of financial strain (53%) than people without dependent children (48%). This increases to 63% for people who are single with dependent children.
- Unemployed people with children were almost three times more likely to report falling behind on bills or regular payments (30% compared to 11%) than those without dependent children.
- 36% of those single with dependent children reported falling behind on their bills and a quarter had cut back on food due to cost, compared to 11% of couples with no children.

# Experience of financial strain due to Covid-19 by family type



A third of single people with children cut back on utilities or fell behind on bills due to Covid-19 and a quarter had cut back on food due to costs



## Conclusions (1/5)

- The majority of people surveyed were living comfortably prior to the pandemic but a significant proportion of the population were just about getting by or finding it difficult to manage financially, indicating that almost a third of people were in a precarious financial position prior to the Covid-19 crisis.
- People struggling financially prior to the Covid-19 crisis were more likely to have lost income, reported an increase in household expenditure on basics and experienced more adverse financial impacts than those who were living comfortably prior to the pandemic.
- The results provide further evidence that the impacts of coronavirus have been felt unevenly across the country and in some cases have exacerbated existing inequalities.

## Conclusions (2/5)

- Recent data from the Central Bank showing an overall fall in spending accompanied by a rise in household saving is not an accurate guide to the situation of all individuals and families as this data points to a divergence in experiences during lockdown.
- While the pandemic income supports have prevented significant financial impacts, a large proportion of Irish society are facing a multitude of financial pressures including loss of income, erosion of savings to meet ordinary living expenses, and being forced to cut back on essentials.
- This divergence of experience is unlikely to be limited to the period of Covid-19 restrictions, and the unequal financial impact during the pandemic could lead to instability and inequality for the long term, unless remedied as soon as possible.

## Conclusions (3/5)

- This data shows that those who are experiencing the most adverse financial impacts are many of the groups that were more vulnerable to poverty prior to the pandemic including low-income families with children, lone parents, renters, and people with disabilities.
- Low-income families with children are finding it particularly difficult to manage financially with increased essential household costs associated with lockdown and school closures. As these families spend a larger proportion of their income on basics (see Coffey et. al. 2020), low-income families and those who are unemployed with children were more likely to have fallen behind on their bills than other groups.
- As the group most at risk of poverty in Ireland today, lone parents entered the pandemic in an extremely precarious financial situation. The data presenting in this report indicates that the Covid-19 restrictions is disproportionately impacting these families and may be exacerbating issues of food and energy poverty.

## Conclusions (4/5)

- Despite putting in place a more flexible form of Rent Supplement, evictions bans and extra protections for those in rent arrears, there are warning signs that some renters are at risk of significant financial distress. One-in-eleven renters had fallen behind on their rent and a quarter were in arrears on other regular payments, indicating when rental protections are removed many people in the private rented sector could be at risk of homelessness if a mechanism to address rent arrears isn't put in place.
- Even without the impact of the pandemic, people with a disability are more likely to live in poverty and face additional costs due to their disability. Now Covid-19 has introduced further financial pressures on this group who are struggling significantly to pay for basics like adequate heat.

## Conclusions (5/5)

- The data underlines how important it is to understand the differential experiences during the pandemic, and to document the uneven and unequal impacts Covid-19 is having on living standards. This will ensure Government supports reach the people experiencing the most adverse effects and prevent a further erosion of living standards among those already struggling to make ends meet.
- The findings point to the need for comprehensive interventions in the areas of utility debt and rent arrears, and for income support for the lowest income households experiencing enforced deprivation and significant hardship during the latest wave of Covid-19 restrictions. Once the pandemic has ended, income support should be tapered towards those most at risk of financial distress and hardship. Proactive action now will ensure the public health crisis is not followed by a deeper debt, homelessness and poverty crisis.
- The pandemic has heightened and exposed long-term issues for people living on low incomes and in financial precarity. But there is an opportunity to build back better and bolster the financial resilience of households in Ireland by investing in our social infrastructure and supports.

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## Appendix: Sample Description

	Frequency	Percentage
<b>Gender</b>		
Male	503	49%
Female	523	51%
<b>Age</b>		
18-25	113	11%
25-34	174	17%
34-54	400	39%
55-64	339	33%

## Appendix: Sample Description

	Frequency	Percentage
<b>Work status</b>		
At work	531	52%
Unemployed	33	3%
Temporarily unemployed due to Covid-19	53	5%
Retired	176	17%
Homemaker	121	12%
Student	56	5%
Unable to work due to illness/disability	53	5%

## Appendix: Sample Description

	Frequency	Percentage
<b>Dependent Children</b>		
Yes	359	35%
No	660	64%
<b>Tenure Type</b>		
Living in Private rented sector	223	22%
Living in Local Authority housing	68	7%
Owner with mortgage	257	25%
Owner without mortgage	322	31%
Living with parents	148	14%