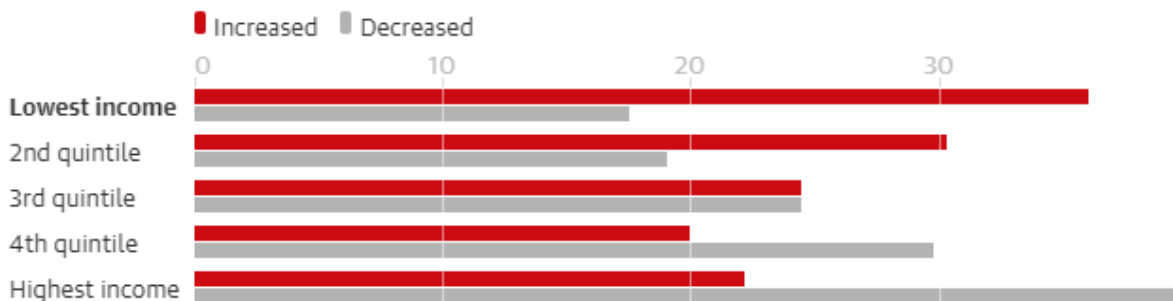


## Covid-19: The economic effects on individuals and families

The UK's biggest food bank charity, The Trussell Trust, gave out a record 2.5m food parcels to people in crisis during the first year of the pandemic as low-income families experienced what it called "historic" levels of need. The Trust said that while its outlets had experienced a 33% increase in the number of food parcels which they distributed, this was only a fraction of the total food aid handed out in the UK by thousands of other charities, schools and councils. Very low income is a key factor in driving people to food banks. In 2020 the average monthly household income after housing costs for people who needed to use a food bank was £248, or £8 a day for a couple without children. This had to cover energy costs, council tax, food, and other essentials – this is just 13% of the average national income. <sup>1</sup>

Low-paid workers have suffered the most due to the pandemic. In March 2021 workers in receipt of the lowest hourly pay were three times as likely as higher paid workers to have lost their jobs, been furloughed or faced a reduction in hours and pay. This is mainly because the economic activities which were stopped or restricted during lockdowns were in lower paying sectors such as hospitality and leisure activities. Hospitality for example employs 1.5 million workers half of whom are low paid at around £8.64 per hour.

Pubs and hotels had over 80% of their staff on furlough in March 2021, while by contrast the highest paid sectors made very little use of furlough. While low-paid workers have been more likely to be furloughed than higher paid workers, they have been less likely to receive a top-up from their employers above the 80% subsidy from the Government. Despite furlough jobs have still been lost - employment in hospitality was 20% lower in January 2021 than it was in January 2020 while employment in the leisure sector was 21% lower. <sup>2</sup>



Low-income families have also been worse affected by the pandemic crisis in relation to household spending. While household spending in general has fallen and savings have increased during the Covid crisis, this has not been true for most low-income families. <sup>3</sup> The chart shows that those on the lowest incomes have had to increase their spending, while those on the highest incomes have been able to save what they would normally have spent on things like commuting to work, eating out and holidays. <sup>4</sup>

Over a third of low-income families have seen their incomes squeezed during lockdowns. Parents with children at home 24 hours a day have seen higher food and energy bills, while the need to entertain them during lockdowns has also brought additional costs. Home-schooling has meant extra costs to acquire laptops, pay for internet access and obtain additional study materials. <sup>5</sup>

One likely lasting effect of the pandemic therefore has been an increase in wealth inequality between families. The largest increases were between those at the bottom with least wealth

and those in the middle who benefitted most from house price rises – the price of housing being the most important wealth asset for UK families. But it's not just about wealth per se. Wealth and income inequalities have a direct impact on people's happiness, with large differences leading to lower levels of happiness and well-being. The increases in wealth inequality brought about by the pandemic moreover are on top of increases which have been going on for over 40 years. The result is a *“sizeable minority of the population coming out of the pandemic more vulnerable to future income falls.”* This makes it all the more important that low-income families should continue to get the pandemic support benefit of £20 per week which was introduced in March 2020. The Government has confirmed that it will cease to be available from the end of September. 6

When the pandemic started UK families were already in a weaker position than those in say France and Germany. Almost one-in-five British adults were in a household with incomes lower than 60 per cent of the median income – in France it was one-in-eight adults. Average hourly rates of pay in the UK were much lower than in Germany or France - the UK rate was £11.20, while Germany's was £12.33 and that of France was even higher at £13.89.

Levels of UK welfare support were also lower in comparison with France or Germany. A single adult in the UK who had previously earned two-thirds of the average wage, would find that his or her income from unemployment benefit came to just 17% of his or her previous earnings. The same person in Germany would receive a benefit income of 59% of his or her previous earnings and 64% if they lived in France. The gap narrows when UK housing-related benefits are included, with the UK's benefit rate rising to 46% of previous earnings. However this is still significantly less than the 59% in Germany and 64% in France. 7

## Sources

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