

## Chwarae Teg submission to the Equality and Social Justice Committee:

### Level of indebtedness during the pandemic

September 2021

#### Introduction

Chwarae Teg is Wales' leading gender equality charity. We work to secure a fairer Wales where all women achieve and prosper, ensuring that women enjoy economic equality, are fairly represented in all walks of life and are no longer at risk of poverty, violence and exclusion.

As has been well documented, the Covid-19 pandemic has had a profound impact on the lives of many. The crisis has brought into sharp focus the deep rooted inequalities that continue to shape our society and our economy. These inequalities left many groups, including women, more vulnerable to the health and economic impacts of the pandemic.

Numerous organisations have produced vital evidence on the impact of the pandemic on indebtedness. Some of these have explicitly highlighted the experiences of women, although the full extent of financial hardship is yet to be seen as we continue to navigate the economic impact of the pandemic. We have chosen to highlight how existing inequalities faced by women left them in a precarious financial situation pre-pandemic, leaving them at higher risk of hardship and indebtedness. Financial insecurity is part of the broader issue of poverty, and only by recognising the gendered nature of poverty can we tackle indebtedness.

In response to the Committee, this paper sets out some of the issues faced by women in relation to financial insecurity and indebtedness more generally. It highlights areas where the pandemic has compounded these issues.

It should be noted that it is difficult to get a fully rounded picture of how women in Wales are impacted by indebtedness. This is due to i) the assumption that assets and income are equally shared within households, and ii) the relative lack of data disaggregation for both Wales and gender. Despite the challenge of capturing the full picture of indebtedness amongst women, we know that women generally access debt advice services at a higher rate than men.

## Key messages

1. It is difficult ascertain fully how women in Wales are impacted by indebtedness and how this has been compounded by the Covid-19 pandemic due to data challenges. However, from available data and our understanding of women's poverty, we do can say that women are at a higher risk of debt<sup>1</sup>.
2. The impact of debt on women can also differ. Many women are responsible for managing household budgets and thus go without when trying to make ends meet<sup>2</sup>. This can lead to negative health impacts and leaves many women in low income households living on a knife-edge, where any life change – loss of income, loss of housing, relationship breakdown, significant unexpected cost – could result in them being pushed into poverty, or into debt.
3. Prior to the pandemic, many women were in a precarious financial position. The Covid-19 pandemic and lockdowns had a larger economic impact on women, exacerbating many underlying issues as well as creating new ones<sup>3</sup>. As a result women were more vulnerable to the economic impacts of the crisis, leaving them at greater risk of falling into debt.

## Detailed Response

### 1. Understanding indebtedness amongst women

- 1.1. We do not have a complete picture of women's experiences of indebtedness. Despite a number of studies into the issues which will be referenced here, overall it is currently challenging to have a full picture of women's experiences of indebtedness due to:
  - 1.1.1. Lack of data specifically on women and indebtedness
  - 1.1.2. Limited disaggregation in existing data on debt, both by gender and location
  - 1.1.3. Continued assumptions on the pooling of household resources
  - 1.1.4. Research suggests that women are more likely to borrow from family and friends than from formal lenders
- 1.2. Furthermore, it is impossible to have a true picture of debt amongst different groups of women. Given we know disabled women, BAME women, refugee and asylum seeking women, LGBT+ women, older women and women from deprived areas all experience even greater labour market inequality, it is likely that they are also at a higher risk of indebtedness.
- 1.3. Subsequently, most of the evidence on women's experience of indebtedness comes from reports on who is accessing debt advice services and those filing for debt relief and insolvency. In 2019, 60% of people accessing advice from StepChange were

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<sup>1</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>2</sup> *ibid*

<sup>3</sup> Chwarae Teg (2020) *Covid-19, Women, Work, and Wales*.

women<sup>4</sup>. This data often does not take account of the experiences of different women, yet we know that women experience debt differently, with lone mothers and low-paid women facing indebtedness at higher levels<sup>5</sup>.

- 1.4. Most of the data available is quantitative presenting additional challenges in understanding the lived experiences of women from diverse backgrounds and circumstances in Wales.

## 2. Women are more likely to experience indebtedness

- 2.1. Utilising existing evidence and data, it is clear that women are at a higher risk of indebtedness<sup>6</sup>. This increased risk to indebtedness is due to a number of factors which present themselves differently for different women. Women's experience of indebtedness is intrinsically linked to poverty which is driven by women's experiences of work and the labour market, the social security system, childcare, access to essential services, household financial arrangements and often, women's relationship status.

### 2.2. **Poverty**

- 2.3. Poverty remains a particular challenge in Wales. Poverty rates have remained largely static for a number of years, with around 23% of households living in relative income poverty<sup>7</sup>. This varies for different groups - single parent households are at much higher risk of living in poverty, with 42% living in relative income poverty. Wales also has particular challenges with low pay, being among the lowest paid parts of the UK<sup>8</sup>.
- 2.4. From a gender perspective, data on poverty presents a number of challenges. Measured at the household level, an assumption is made that resources are shared equally within that household. It can therefore be challenging to gain a true picture of poverty among women. Looking across a number of key indicators however, we are able to conclude that women are at a slightly higher risk of poverty<sup>9</sup>.
- 2.5. Pre-pandemic, many women had lower level of preparedness to manage an economic shock, increasing further the risk of going into debt to manage household budgets and make ends meet.
- 2.6. For women, work is not always a route out of poverty. We know that women are over-represented in lower-paid roles while also being responsible for the majority of caring responsibilities, limiting their earning potential. Single parents in Wales have the highest in-work poverty rates<sup>10</sup>.

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<sup>4</sup> StepChange (2019) *Wales in the Red*

<sup>5</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>6</sup> *ibid*

<sup>7</sup> Chwarae Teg (2021) *State of the Nation 2021*

<sup>8</sup> In Brief "Poverty and supporting low-income households" <https://research.senedd.wales/research-articles/poverty-and-supporting-low-income-households/>

<sup>9</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>10</sup> Joseph Rowntree Foundation (2020) *Briefing: Poverty in Wales 2020*

- 2.7. The gender pay gap demonstrates the extent of income inequality between women and men. Wales' gender pay gap currently stands at 11.6%<sup>11</sup> with women being more likely to be employed part-time or working on zero hour contracts<sup>12</sup>. This inequality reduces women's ability to be protected from an income shock such as the Covid-19 pandemic.
- 2.8. Research from Chwarae Teg on the pandemic's impact on women in the workforce also showed how women were more likely to work in sectors which were shut down by social distance requirements or be key workers in non-shutdown sectors<sup>13</sup>. Subsequently either reducing incomes or increasing risk of contracting Covid-19.
- 2.9. Relationship status also clearly links to women's experiences of poverty and thus risk of indebtedness. In pre-pandemic research, Chwarae Teg noted:

*"Women without a partner were three times as likely as women with a partner to say it was very or fairly difficult to pay their rent or mortgage, and were twice as likely to say that it was fairly or very difficult to afford to pay for heating, council tax, food and toiletries. More than a third of women living without a partner said that they struggled to pay for these basics, with nearly half struggling to afford heating and food. Both groups of women said that transport costs, such as bus fare or running a car, could be very or fairly difficult to afford, as was buying clothes, but women who lived without a partner were much more likely to do so."*

- 2.10. The dynamics of household relationships mean that women may not have access to their savings or be responsible for debts accumulated in their name<sup>14</sup>. Some women are left with an ex-partners debt if they remain in the family home while their ex-partner avoids creditors<sup>15</sup>. In cases of domestic abuse, access to money can be a significant issue, with 43.1% of domestic abuse survivors being in debt as a result of abuse.

#### 2.11. **Single Parents**

- 2.12. Certain groups of women are disproportionately impacted by poverty and thus accrue debt in the process of meeting the cost of living.
- 2.13. Single parents have an increased risk of indebtedness<sup>16</sup>. StepChange reported in 2021 that 22% of their clients in were single parents compared to 6% of the UK population

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<sup>11</sup> Chwarae Teg (2021) *State of the Nation 2021*

<sup>12</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>13</sup> Chwarae Teg (2020) *Covid-19: Women, Work and Wales*

<sup>14</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>15</sup> *ibid*

<sup>16</sup> StepChange (2021) *The single parent debt trap*

being single parents<sup>17</sup>. While the data is not readily available disaggregated by gender we know that 83% of lone parents in Wales are women<sup>18</sup>.

- 2.14. Recent research by the Child Poverty Action Group has shown how many lone parent and low income families experienced a drop in income due to lockdowns while household expenditure had increased due to the closure of schools. 90% reported spending more on essential bills while children were at home<sup>19</sup>.
- 2.15. Evidence also notes that when families see an increase in the cost of living it is women who often go without, with women skipping meals or going without basic toiletries to provide for children in the household<sup>20</sup>.
- 2.16. Women are more likely to incur debt to pay for everyday necessities. According to StepChange, 61% of those getting into debt to purchase everyday necessities are women<sup>21</sup>.

### 2.17. **Social Security**

- 2.18. Women's experiences of Universal Credit been further compounded by the Covid-19 pandemic. We know that women have seen the brunt of changes to the social security system over the past decade. In Wales, 52% of Universal Credit claimants are women with 43% of women claimants being in work compared to 33% of men claimants.
- 2.19. In the context of indebtedness, the initial five week waiting period to receive payment risks further pushing vulnerable women into indebtedness. In 2019, Chwarae Teg found that women who had issues claiming legacy benefits would borrow from family or friends rather than formal lenders<sup>22</sup>.
- 2.20. The problems with advances as part of Universal Credit should also be noted. Advance payments are repayable loans which claimants may receive during the initial five-week waiting period. These are then repaid in monthly deductions from ones' Universal Credit payments. These 'debt deductions' were not suspended in April 2020 in line with other types of deductions and have pushed families further into poverty<sup>23</sup>.
- 2.21. There are similar issues with the Discretionary Assistance Fund. Although we welcome the current relaxation of rules around the DAF, a permanent change is needed to ensure that people no longer have to exhaust all other options for borrowing before they are eligible for financial support.
- 2.22. The well documented flaws in the current social security system and Universal Credit have further been exacerbated by the pandemic and as has already been highlighted

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<sup>17</sup> StepChange (2021) *Debt advice during coronavirus*

<sup>18</sup> Chwarae Teg (2021) *State of Nation 2021*

<sup>19</sup> Child Poverty Action Group (2021) *The Cost of Learning in Lockdown: March 2021 update*

<sup>20</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>21</sup> StepChange cited in Women's Budget Group (2020) *Household debt and gender: A pre-budget briefing from the Women's Budget Group*

<sup>22</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>23</sup> Ruth Patrick and Tom Lee (2021) *Advance to debt: Paying back benefit debt – what happens when deductions are made to benefit payments?* Available at: <https://covidrealities.org/learnings/write-ups/debt-deductions>

women have either been going without, or as evidence from others suggests, experiencing indebtedness as a means to make ends meet.

2.23. The removal of the £20 uplift to Universal Credit risks further compounding the already well known and well established problems with the benefit.

### 3. Women and household budgets

- 3.1. With the need to understand poverty being central to understanding indebtedness, it should be noted that most measures of poverty assume that household resources are equally distributed, yet we know this to not be the case<sup>24</sup>.
- 3.2. Research has shown that in some low-income households women were responsible for managing household finances budgeting to within the last penny to live within their means<sup>25</sup>.
- 3.3. Although pre-pandemic, the research noted how when it came to cutting back on household expenditure, low-income women did not now have haircuts or purchase clothing or toiletries for themselves. In some cases women were cutting back on heating their homes and going without meals in order to feed their partners and children<sup>26</sup>.
- 3.4. In cases where unexpected events occurred, the meticulous budgeting of women would be hit off course leading them to either have to borrow from friends and family to replace broken white goods or make ends meet<sup>27</sup>.
- 3.5. In our research with women living in poverty, council tax emerged as an issue and an area of concern<sup>28</sup>. Over the last decade the number of households in debt to public bodies in Wales has been increasing and now significantly outweighs those who have outstanding consumer debts, such as credit card bills<sup>29</sup>.
- 3.6. Unlike other elements of the social security system, the Council Tax Reduction Scheme is the responsibility of Welsh Government. Increasing take up of means-tested reliefs such as council tax reduction and discretionary housing payment would ease pressure on families<sup>30</sup>.
- 3.7. It is worth reiterating comments made by the Joseph Rowntree Foundation, that the reduction in households receiving support with their council tax bills is due to a lack of

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<sup>24</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

<sup>25</sup> *ibid*

<sup>26</sup> *ibid*

<sup>27</sup> *ibid*

<sup>28</sup> *ibid*

<sup>29</sup> WCPP (2019) "Responding to those in difficulty with council tax debt in Wales: what does the evidence show?" <https://www.wcpp.org.uk/commentary/responding-to-those-in-difficulty-with-council-tax-debt-in-wales-what-does-the-evidence-show/> [Accessed 23/09/21]

<sup>30</sup> Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

understanding of the Council Tax Reduction Scheme, rather than an improvement in the finances of claimants<sup>31</sup>.

## Recommendations

1. **There is a clear need for comprehensive disaggregated evidence on women’s experiences of indebtedness. This evidence should concern the scale and nature of indebtedness, be intersectional and collected on a regular basis.**
2. **To address the issue of indebtedness a gendered approach to debt policy is needed. Full implementation of the recommendations of the Gender Equality Review, set out in *Deeds not Words*, would equip Welsh Government with the skills and expertise to do this.**
3. **Poverty and indebtedness are inextricably linked. We need an effective, cross-government strategy focused on addressing the root causes of poverty, that recognises the different characteristics, circumstances and barriers facing people in poverty.**
4. **Reform existing Welsh benefits, including free school meals, Council Tax Reduction Scheme and the Discretionary Assistance Fund to expand eligibility and improve take-up.**
5. **Given the well documented problems with Universal Credit, Welsh Ministers should request the UK Government devolve administrative powers over Universal Credit to give women choice and flexibility in managing their own finances.**

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<sup>31</sup> Joseph Rowntree Foundation (2020) *Briefing: Poverty in Wales 2020*