

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

### Debt and the cost of living

January 2023

#### Introduction

Chwarae Teg is the leading gender equality charity in Wales. 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.

Women are more vulnerable to the impacts of the rising cost-of-living and are at greater risk of indebtedness. Women, particularly women from minority ethnic and racialised backgrounds, disabled women and lone parents are more likely to be working in precarious, low paid jobs, are often juggling paid work with unpaid caring responsibilities and have lower levels of wealth and savings.

The precarious financial position that women face leaves them more vulnerable to indebtedness and poverty. The rising cost of living is placing pressure on low-income women who have low financial preparedness for economic crises. We know from our research that when faced with these pressures women will borrow money from friends and family or use credit to pay for essentials<sup>1</sup>. The cost of living crisis is exacerbating women's economic precarity and therefore increasing the likelihood of indebtedness.

#### Key messages

1. Women are more likely to be living in poverty in Wales. They are more likely to have precarious and under-paid jobs and less likely to have access to savings. As costs outstrip wages, women have less to fall back on and are more likely to use high-cost credit for essentials. The social security system is not sufficiently supporting people in the context of rising costs.
2. The social security system is not fit for purpose and is trapping women on low incomes with children. Universal Credit does not adequately support working women with children as it only pays 85% of childcare costs in arrears. The current conditionality for receiving benefits and lack of affordable childcare risks forcing women to choose between leaving the labour market or using credit to pay for childcare.
3. Support for women experiencing indebtedness is not sufficiently accessible. The cost of living crisis will aggravate indebtedness. Measures to support people to claim benefits,

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

secure childcare, afford essentials and manage problem debt must be made more available. Urgent action is needed to protect women from indebtedness by addressing spiralling costs.

4. To address the impact of the cost of living crisis on indebtedness amongst women, we need better gender disaggregated data. Evidence should be collected regularly. It should be intersectional as we know that different groups of women are impacted by economic crises differently.

## Detailed Response

### **1. The priorities that need to be reflected in the Welsh Government's Draft Budget 2023-24 relating to the rising cost of living, including preventing and relieving debt.**

- 1.1. Although we appreciate that the Welsh Government has had to make difficult decisions in the process of setting its draft budget for 2023-24, we believe that there is more which could be done for those most at risk from the cost-of-living crisis.
- 1.2. The focus on public services, those most impacted by the cost-of-living crisis, and supporting the economy through challenging times is welcome, however, the omission of childcare as a frontline services is disappointing.
- 1.3. The increasing cost of childcare risks pushing more women out of the labour market. Although we welcome investments in childcare via Flying Start, investments should be accelerated to ensure that adequate provision is available to all parents across Wales.

### **2. How effective Welsh and UK government support has been in supporting those most in need with cost of living pressures, and in preventing and managing debt.**

- 2.1. As a result of social and economic inequalities women are particularly vulnerable to the pressures of the cost-of-living crisis and indebtedness. Welsh and UK government support must take an equalities perspective to ensure all women are protected from inflationary pressures and problem debt.
- 2.2. Poverty has been a persistent issue in Wales, and poverty rates for many household are higher now than in 2019. There are limitations to this data, as it's only measured at a household level, but we can see that households headed by women are generally at higher risk of poverty:
  - 2.2.1. 23% of households in Wales live in relative poverty<sup>2</sup>.
  - 2.2.2. 46% of single parents, the majority of whom are women<sup>3</sup>, in Wales are living in poverty<sup>4</sup>.

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<sup>2</sup> Chwarae Teg (2022) State of the Nation 2022

<sup>3</sup> The ONS estimates that 86% of lone parents in the UK are women. Source: ONS (2021), Families and households Dataset, Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholdsandhouseholds/current> [Accessed December 2022]

<sup>4</sup> Chwarae Teg (2022) State of the Nation 2022

- 2.2.3. Single parents are more likely to be at risk of indebtedness. StepChange found that 82% of single parents were borrowing money to meet rising living costs (2021)<sup>5</sup>.
- 2.3. Women are more likely to work part-time in low paid and precarious jobs, to have primary caring responsibilities and therefore are at greater risk of poverty:
- 2.3.1. The gender pay gap in Wales currently stands at 11.3% and indicates the entrenched inequalities which leave women more vulnerable to the cost-of-living crisis and indebtedness.
- 2.3.2. The cost of living crisis is already disproportionately falling on women's shoulders. The Living Wage Foundation found that 42% of low paid women had already fallen behind on household bills, compared to 35% of low paid men. 35% of low paid women had skipped meals regularly for financial reasons compared to 29% of low paid men<sup>6</sup>. This data was collected in March 2022, since then inflation reached a peak of 11.1% in October 2022 and is only now slowly coming down.
- 2.4. Whilst we welcome support from the Welsh Government for the most financially vulnerable, we are clear that this support could be expanded and more effectively targeted.
- 2.4.1. Although we welcome the current relaxation of rules around the Discretionary Assistance Fund, 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.
- 2.4.2. Initiatives such as the Claim What's Yours Campaign are welcome to support women to navigate the benefits system. This campaign should be renewed with a focus on reaching vulnerable groups for example disabled women.
- 2.4.3. With childcare costs increasing, the investment in Flying Start is welcome but more urgent action is needed to protect women from having to leave the labour market because they cannot afford childcare.
- 2.4.4. There is clear evidence that debt associated with housing and council tax is a serious problem for many low-income households. Chwarae Teg found that the pressures of paying council tax bills arrears an issue of concern for many women.
- 2.4.4.1. The number of households who hold debt to public bodies in Wales, for example through council tax arrears, has grown significantly in recent years. The average Band D council tax rate for 2022/23 is set at £1,777<sup>7</sup>. Combined

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<sup>5</sup> StepChange (2021) Single parents more likely to experience problem debt and to live in persistent poverty, Available at: <https://www.stepchange.org/media-centre/press-releases/single-parents-problem-debt.aspx> [Accessed December 2022]

<sup>6</sup> Living Wage Foundation (2022) "Low paid work and cost of living crisis disproportionately affecting women", Available at <https://www.livingwage.org.uk/news/cost-living-crisis-affecting-women> [Accessed December 2022]

<sup>7</sup> Welsh Government (2022) Council Tax Levels in Wales: 2022-23, Available at: <https://www.gov.wales/sites/default/files/statistics-and-research/2022-03/council-tax-levels-april-2022-march-2023-003.pdf> [Accessed December 2022]

with rising prices of energy and food council tax can become a huge financial pressure for families.

2.4.4.2. StepChange found that 38% of women clients were in council tax arrears compared with 33% of men<sup>8</sup>.

2.4.4.3. Welsh Government should consider further how it can use its powers in relation to the Council Tax Reduction Scheme and Discretionary Housing Payment to protect women and families from debt to public bodies and ease the pressure of rising costs.

### **3. The impact of inflation and cost of living pressures on take-up of debt advice services, and the implications for future demand and Welsh Government policy.**

3.1. There is limited gender disaggregated data on the impact of the cost of living on debt advice services. However, there is evidence that women are more vulnerable to inflationary pressures and indebtedness because they are less likely to have access to savings, are on lower incomes and carry the burden for managing household essentials.

3.2. A survey of low-paid women found that 33 per cent have no savings at all, and that nearly half (43 per cent) have less than £100 saved<sup>9</sup>. The National Survey for Wales 2020-21 states that 21% of women said they would like to have savings of £10 a month but can't afford it compared to 15% of men<sup>10</sup>.

3.3. In many households, women may not have access to joint savings. Women domestic abuse victims are often put at risk by their perpetrators withholding access to shared finances. According to Refuge, around one in six women in the UK have experienced financial abuse in a relationship<sup>11</sup>. Economic abuse is increasing in Wales; in 2022 Welsh Women's Aid reported a 48% increase in the number of survivors who reported economic abuse<sup>12</sup>.

3.4. Victims of economic abuse are extremely vulnerable to the pressures of the cost of living. Surviving Economic Abuse report that women who can't cover a surprise cost of £100 are 3.5x more likely to experience domestic abuse<sup>13</sup>.

3.4.1. Perpetrators of domestic abuse are using the cost-of-living crisis to increase control over victims' finances. Women's Aid report that three quarters of women victims said that the cost of living was making it harder for them to leave<sup>14</sup>

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<sup>8</sup> StepChange (2019) Wales in the Red, Available at: <https://www.stepchange.org/Portals/0/assets/pdf/Wales-in-the-Red-2019-English.pdf> [Accessed December 2022]

<sup>9</sup> Fawcett Society (2018) No safety net for Britain's worst paid women. Available at: <https://www.fawcettsociety.org.uk/news/no-safety-net-for-uks-worst-paid-women> [Accessed December 2022]

<sup>10</sup> National Survey for Wales (2022) Available at: <https://gov.wales/national-survey-wales> [Accessed December 2022]

<sup>11</sup> Refuge (2020) Know economic abuse, Available at: <https://refuge.org.uk/wp-content/uploads/2020/10/Know-Economic-Abuse-Report-2020.pdf> [Accessed December 2022]

<sup>12</sup> [WW267A1.pdf \(welshwomensaid.org.uk\)](https://www.welshwomensaid.org.uk/WW267A1.pdf)

<sup>13</sup> Surviving Economic Abuse (2020) Statistics on financial and economic abuse. Available at: [Statistics-on-economic-abuse\\_March-2020.pdf \(survivingeconomicabuse.org\)](https://www.survivingeconomicabuse.org/Statistics-on-economic-abuse-March-2020.pdf) [Accessed December 2022]

<sup>14</sup> Women's Aid (2022) The cost of living is preventing women from fleeing domestic abuse. Available at: [The cost of living - Women's Aid \(womensaid.org.uk\)](https://www.womensaid.org.uk/The-cost-of-living-Women's-Aid) [Accessed December 2022]

- 3.4.2. Furthermore, victims of domestic abuse are more likely to have taken out coerced debt. This includes making someone take out a loan against their interests. Coerced debt can lead to financial scarring which impedes women from borrowing in the future. Refuge found that 39% of victims of financial abuse were still in debt from the abuse they experienced<sup>15</sup>.
- 3.5. The use of high-cost credit is predicted to rise due to the cost of living crisis. According to research by StepChange, high-cost credit to pay for essentials was more likely to be used by women (27%) than men (10%), and more likely to be used by parents (25%) than those without children (17%)<sup>16</sup>.
- 3.5.1. High-cost credit can lead to financial scarring which can lock people into cycles of indebtedness. Women are particularly vulnerable to this form of debt during the cost-of-living crisis as other avenues such as Universal Credit and other loans are exhausted.
- 4. How different groups are experiencing cost of living pressures, and how this is impacting debt issues. How effectively are policy interventions addressing these challenges, and what changes may be needed to meet the needs of particular groups.**
- 4.1. The brunt of the cost of living pressures are falling on low-income women. Within this group, Black and minoritized ethnic women and disabled women are particularly vulnerable.
- 4.2. The social security system is not working and is placing low-income women at risk of poverty and indebtedness. More women now claim Universal Credit than men. In 2022, 57% of Universal Credit claimants were women, and 43% were men whereas in 2018, 50% of Universal Credit claimants were women and 50% were men. Employed women are more likely to be claiming Universal Credit than employed men; 43% of employed people on Universal Credit were women compared to 33% of men<sup>17</sup>.
- 4.2.1. The initial advance payments made during the assessment period puts claimants at further risk of indebtedness as they are paid back through benefit reductions for up to 24 months<sup>18</sup>. This reduces the amount of money paid to claimants for essentials like rent and food. The maximum reduction from the main allowance should be reduced from the current 40%.
- 4.2.2. The additional conditionality announced in the UK Autumn budget will put working women claiming benefits under more pressure. A further 600,000 people are required to attend sessions with work-coaches to increase their working hours.

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<sup>15</sup> Refuge (2020) Know economic abuse, Available at: <https://refuge.org.uk/wp-content/uploads/2020/10/Know-Economic-Abuse-Report-2020.pdf> [Accessed December 2022]

<sup>16</sup> StepChange, (2022) Falling behind to keep up: the credit safety net and problem debt, Available at: <https://www.stepchange.org/Portals/0/assets/credit-safety-nets/Falling-behind-to-keep-up-the-credit-safety-net-and-problem-debt-StepChange.pdf> [Accessed December 2022]

<sup>17</sup> Publication forthcoming: Chwarae Teg (2023), State of the Nation 5 Year Review

<sup>18</sup> Patrick, R., Garthwaite, K., Power, M., Kaufman, J., Page, G., Pybus, K., & Howes, S. (2022) Covid realities: Documenting life on a low income during the pandemic. Nuffield Foundation.

This places huge pressure on many working women with caring responsibilities as they struggle to afford childcare to take on more work whilst risking losing their benefits. This decision may push women into indebtedness, whether through formal lending or borrowing from family and friends.

- 4.2.2.1. StepChange found that single parents on Universal Credit were almost twice as likely to cite childcare costs as a reason for problem debt than those not on Universal Credit<sup>19</sup>.
- 4.2.2.2. Universal Credit only covers 85% of childcare costs and therefore does not make adequate provision for working mothers claiming Universal Credit.
- 4.3. Whilst we welcome investments in childcare via Flying Start, more steps must be taken to realise the ambition for free universal childcare in Wales.
- 4.4. Black or racially minoritized women are more likely to be unemployed or economically inactive than white women and therefore face further risk of indebtedness as a result of the pressures of the cost of living.
- 4.5. Our research has highlighted the disproportionate impacts of austerity and changes to social security on Black and racially minoritized women<sup>20</sup>. Recent findings from The Runnymede Trust indicate that in Wales, Black and minority ethnic people are 3.5 as likely to be living in poverty than white people and therefore vulnerable to the cost-of-living crisis and indebtedness<sup>21</sup>.
- 4.6. Support must be targeted to the people most in need. Better data disaggregated by gender and ethnicity must be collected to build a better understanding of the intersectional experiences of poverty and debt.

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<sup>19</sup> StepChange (2021) Single parents more likely to experience problem debt and to live in persistent poverty, Available at: <https://www.stepchange.org/media-centre/press-releases/single-parents-problem-debt.aspx> [Accessed December 2022]

<sup>20</sup> Chwarae Teg (2019) Triple Glass Ceiling: Barriers to Black, Asian, and Ethnic Minority Women from participating in the economy

<sup>21</sup> Edmiston, D., Begum, S., & Kataria, M. (2022) Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK.

### **Who are we?**

Our vision is for a fairer Wales where all women can achieve and prosper. Our mission is to inspire, lead and deliver gender equality in Wales.

Chwarae Teg is committed to a Wales where all women are represented, empowered and able to prosper at all levels in the economy and public life regardless of their background or social status.

Chwarae Teg is registered charity. Charity number: 1084466 – FAIRPLAY (Workforce) Ltd.

