# UK: Pandemic produces surge in household debt, accelerates child poverty

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The COVID-19 pandemic will plunge workers into greater levels of indebtedness, concludes a study from the debt advisor charity, Step Change.

Its report, “Coronavirus and personal debt: a financial recovery strategy for households” begins, “Compared to the Great Recession [2008] households with low-to-middle incomes entered the present crisis more likely to be facing problem debt and struggling to pay for essentials. In December 2019, 3.2 million people in the UK were in severe problem debt and 9.8 million were showing signs of financial distress.”

At the end of May, the charity commissioned a poll to determine the impact of the pandemic on personal finances. It estimates:

* 28 percent of adults, 14 million people, have experienced a direct negative effect on their income.

* 4.6 million people have accumulated £6.1 billion of arrears and debt, averaging £1,076 in arrears and £997 in debt per adult affected.

These figures reflect the situation in late May and are likely to increase substantially.

The survey found:

* 2.8 million people have fallen into arrears, with 1.2 million having arrears for utility bills, 820,000 for Council Tax and over half a million running up rent arrears.

* 4.2 million people have had to resort to borrowing to make ends meet. 1.7 million added to their credit card debt, 1.6 million used overdraft facilities and nearly a million availed themselves of high-cost credit products. Many have had to use savings, or asked family members to sell possessions.

A Resolution Foundation investigation showed 40 percent of high-income families have increased their saving during lockdown, while only 12 percent of those in low-income families have been able to do so.

Tens of thousands of jobs have already go the pandemic, and job losses are expected to mount as companies take advantage of the situation to impose long-term restructuring plans. Among these are car manufactures, airlines and other aviation companies operating within the UK.

In early June, the BBC interviewed James Reed, head of the UK’s largest job recruitment firm, Reeds, on its *Today* programme. He said unemployment could rise to 15 percent, meaning 5 million people would be out of work. He explained that “the number of jobs advertised is down two-thirds and had been consistently for two months now [which] suggests that there could be a lot more job losses to come.”

Asked if it would be like the 1980s recession, he replied, “I fear it could be a lot worse than that, it might be more like the 1930s.”

Child poverty is expected to surge, having already reached a new high. The UK’s Social Mobility Commission (SMC) found that 600,000 more children are now living in relative poverty than in 2012 and this number is set to escalate as a result of the pandemic.

The SMC is a non-departmental government body, whose remit includes advising ministries on the impact of government policies on social mobility. It warns the COVID-19 pandemic can only further slow social mobility that had already begun to falter.

The remit of its State of the Nation 2018 to 2019 report was to find out how the government had addressed slowing social mobility. It addressed 52 areas of concern and the government’s response. Using a traffic signal methodology, it noted nearly a third of questions of concern were given a red marking, indicating “little or no action.” Nearly half were given an amber marking, showing “some, but insufficient progress.”

In the report’s foreword, Chair Dame Martina Milburn referred to Conservative Prime Minister Boris Johnson’s empty election pledge of “levelling up” society with those at the bottom benefitting. “The Prime Minister has set as his goal ‘levelling up of opportunity’ across the country…there remains work to be done to understand what levelling up will mean in practice—especially as this will now take place in the context of the major economic and social dislocation caused by COVID-19…it is the poor and young who will suffer most from the economic downturn.”

Among its key findings, it noted, “600,000 more children are now living in relative poverty, compared to 2012. This is projected to increase markedly as a result of COVID-19.” It continued, “There is now mounting evidence that welfare changes over the past ten years have put more children into poverty. This is likely to have a big impact on social mobility. … Poverty rates are tied to inequalities in wealth and living standards, which have increased over the UK over the past two decades. The top 10 percent of people own almost half the total wealth.”

Of the Department of Work and Pension’s (DWP) introduction of the punitive Universal Credit benefits system, it claims, “The intention of Universal Credit was to lift more families out of poverty, but the DWP appears to have done little work to ensure it is not making child poverty worse.”

Of the government’s “early years” strategy, it notes, “Only 57 percent of pupils entitled to free school meals achieve a good level of development when starting school, compared with 74 percent of all other pupils.”

It continues, “By the age of five, children in disadvantaged areas already face limited life prospects. In some areas childcare is well resourced. In other areas, poor pay and career prospects drive a drain of early years workforce talent to other sectors of the economy. … Stabilising the early years workforce is the essential foundation to improving children’s life chances. …”

The warnings of the SMC are echoed by the Social Mobility Pledge organisation. Set up by former Tory education minister Justine Greening, it is a coalition of 450 businesses and 50 universities advocating for social mobility. It sends a friendly warning to the Johnson government of potential instability in the coming economic downturn.

Writing in the *Guardian* June 10, Greening “coronavirus and its economic impact is now making [the] opportunity gap significantly wider” in “communities across the country where people are being left behind…places such as Corby, Wellingborough and Norwich are all facing an economic double hit from existing poor social mobility made worse by the impact of the economic crisis of coronavirus.”

The London School of Economics published a report on May 28 by the LSE’s Centre for Economic Performance. What it termed the “COVID generation” were “young Britons mostly under the age of 25, who face declining mobility unless bold moves are made to create a fairer society. …” It noted, “before the crisis, younger generations were already facing declining ‘absolute mobility’: falling real wages, fewer opportunities and stagnant or declining living standards. Now that the crisis has drastically worsened economic and education inequality, young people are even less likely to fare better than past generations…less likely to fulfil their potential. … There is a genuine concern that these inequalities could become entrenched for some time.”

One of the authors of the report, Professor Lee Eliot Major, explained, “There are serious concerns that the pandemic will plunge the COVID-19 generation into a dark age of declining social mobility because of rising economic and educational inequalities…while the coronavirus health shock has particularly affected the over-60s, the longer-term economic and social damage is likely to hit young people disproportionately, especially the under 25s.”

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