

THE INEQUALITY OF POVERTY

EXPLORING THE LINK BETWEEN THE
POVERTY PREMIUM AND PROTECTED
CHARACTERISTICS

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ABOUT THIS REPORT

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EXECUTIVE SUMMARY

This report explores the connections between low income, poverty and protected characteristics, how these can shape the experience of poverty, and whether this can result in a similar inequality in terms of when and how poverty premiums are incurred. **COVID-19 has thrown light on the link between insecure work, low incomes and protected characteristics**, with an opportunity for this link to be formally recognised. The pandemic, and the economic consequences look likely to throw many more people into poverty, and this poverty is falling hardest on those with protected characteristics.¹

This targeted review of evidence examines the links between poverty and people with protected characteristics, focussing specifically on evidence relating to factors that can contribute to the poverty premium, together with secondary analysis of two consumer survey data sets examining low-income households and the poverty premium.

Our review found that there are some protected characteristics that are associated with an increased risk of poverty in the UK: **race, sex** (in the case of single mothers), and **disability**. In relation to age, while pensioner poverty has fallen over the last few decades – although it has started to rise again (Age UK, 2019) – **younger workers** are much more likely to be in poverty than other age groups. We also found that intersectionality plays a large role; **the more protected characteristics a person has, the more risk they bear**.

In terms of whether this translated to an increased likelihood of incurring poverty premiums, the evidence does suggest that certain groups with protected characteristics are more vulnerable, even compared with low-income households as a whole.

DRIVERS OF POVERTY

Sex

The higher levels of poverty among women (than men) stem primarily from two factors, which are themselves connected: women, on average, are paid less per hour, and work far fewer paid hours over a lifetime; and women lose income as a consequence of caring responsibilities. This pay gap may be compensated by male wages in couple households, however, this leaves single women; pensioners, and particularly single parents, very vulnerable to poverty-levels of income.

Women, particularly single mothers, are more reliant on benefits as a part of income, and consequently they are vulnerable to welfare cuts – they are also more likely to be eligible for means tested, rather than universal benefits, making it harder to get out of poverty.

For women with other protected characteristics, this intersectionalism heightens the impact of gendered poverty; for Black women, there is a higher chance of being a single parent, of working in low paid jobs, and Black, Pakistani and Bangladeshi households are more likely to have dependent children, and larger families, and are thus more vulnerable to cuts to Universal Credit. Women with disabilities are also lower paid on average, than those without

¹ <https://www.resolutionfoundation.org/app/uploads/2020/05/The-effect-of-the-coronavirus-crisis-on-workers.pdf>

disabilities, and disabled lone mothers are likely to lose out from welfare and benefits cuts as well.

Race

Black, Asian and minority ethnic poverty² arises largely from the position in the labour market:

- Overall BAME people are more likely to work in low-paid occupations, or earn below the living wage.
- There are higher unemployment rates in some BAME groups.
- Black workers are more likely to have insecure work.

While rates of poverty are higher among all Black and minority ethnic groups than among the majority white population, there is often considerable variation both *between* and *within* groups

- Bangladeshi and Pakistani households have the highest rates of poverty among the BME households, and are most likely to be paid less than the living wage.
- Black households have the highest rate of unemployment.

Faith

There is relatively little research into the connection between faith and poverty, however, there was some evidence that Muslims are more likely to be in poverty, when all other factors including race are accounted for. As such, there is the attendant risk of vulnerability to financial services-related premiums, however there are conversely examples of faith organisations seeking to develop alternatives to market-based products which might help alleviate poverty premiums.

Age

Pensioner poverty has dropped dramatically over the last twenty years, and pensioners are less likely to be in poverty than the population as a whole. However, some pensioners are more likely to be in poverty than others – notably those with other protected characteristics:

- Asian or Black pensioners
- Single female pensioners
- Pensioners with disabilities.

However, young people (aged under 35) are most at risk of poverty, and certainly more so than previous generations at the same age:

- They are more likely to be in low-paid work
- Housing costs are higher for this age group than they have been previously.

² A number of terms are routinely used by government departments, public bodies and the media to refer to the collective ethnic minority population, most notably "Black and minority ethnic" (BME) and "Black, Asian and minority ethnic" (BAME). This review reflects the language and terminology originally used in the studies to which we refer. However, we fully recognise the importance of the heterogeneity within these terms.

- They are not accruing wealth via homeownership as previous generations did.

Again, intersectionality plays a role: youth unemployment rates for young people from Black as well as Pakistani and Bangladeshi backgrounds were more than twice that for white, young people.

Disability

We found a very strong relationship between poverty and disability, regardless of which measure of poverty is used. Overall, almost half of working age adults in poverty have someone who is disabled in their households. The rate of mental health issues is far higher among those in poverty, either as a cause or a consequence. Compared with those with different protected characteristics, the poverty of those with disabilities is often related to the costs incurred for a disabled person or household to enjoy the same living standards as non-disabled people or households. Disability-related benefits are included in measures of net income, but are not offset to account for the additional costs incurred; in real terms; this means that many may appear to have sufficient income to lift them out of poverty, even though in reality this isn't the case.

THE POVERTY PREMIUM

Higher risk of poverty premium by protected characteristics (based on survey and evidence review)

	RACE	SEX (Lone parents)	AGE Under 35s	AGE 65+	DISABILITY
<i>Non-standard payment methods (energy)</i>	✓	✓	✓		✓
<i>Costly tariffs (energy)</i>			✓	[✓]*	
<i>Geographical based premium</i>	✓				
<i>Risk of underinsurance</i>	✓	✓	✓		✓
<i>High cost credit premium</i>		✓	✓		

* evidence on connection is weak

Energy poverty premiums

Poverty premiums related to **domestic energy** were more likely to be incurred in different ways by those with different protected characteristics. The survey data found:

- Lone parents were vulnerable to paying more through Pre-payment Meter (PPM) premiums.

- Those from BME households were more likely to pay more for energy through paying on receipt of bill, rather than by direct debit.
- Those with disabilities were more likely to pay by either of these methods than those without disabilities.
- Those under 35 had a higher likelihood of not having switched tariffs ever.

Insurance (and geographical) poverty premiums

Bangladeshi and Pakistani people, and Black people are disproportionately likely to live in deprived areas. This may impact on the cost of **insurance premiums**, as well as lead to a higher chance of **paying to access cash**. Lone parents were also more likely to pay to access cash.

However, based on the survey data, the risk of incurring **insurance-based poverty premiums** seems to be lower among people with protected characteristics, because **people from BAME groups, lone parents, and people with disabilities, particularly those with mental health issues, were less likely to hold any insurance**. Being uninsured may of course lead to worse detriment than paying over the odds. This **'going without'** is often the flip side of paying a poverty premium (Davies et al, 2016). It can signify a level of poverty or exclusion from the market that bars participation in even basic services and goods. This deprivation is not reflected in increased poverty premiums but needs to be accounted for. As it is difficult to measure, it is easily overlooked, but should be recognized as a feature of poverty as tangible as the poverty premium itself.

Credit based poverty premiums

High-cost credit poverty premiums are also more prevalent among some low-income households than others. The survey data found that lone parents and those under 35 were most likely to have used some form of high-cost credit, and there is wider evidence that those with mental health issues are also more likely to use high cost credit. There is also some wider evidence that **Asian households were more likely to have reduced access to bank loans**, while **Black households were more likely to be excluded from the credit card market**.

COMPOUNDING FACTORS

Tenure

There was a clear link between poverty and renting as a tenure; this may have been more of a consequence of poverty, than a cause, but it was a clear compounding factor in the production of poverty premiums. We found higher likelihood of renting among those from BAME households (evidence review), young people (survey data), lone parents (survey data) and those with disabilities (survey data). In turn, those who were renting had a higher likelihood than homeowners of using high cost credit, of paying to access cash, of paying monthly for insurances, and of not switching energy tariffs.

Digital capability

As with tenure, there is a connection between lack of digital capability, poverty and certain protected characteristics. In the survey data, we found that those of pension age and above were more likely to lack digital capability. In turn, this could impact on ‘getting the best deal’ online: it was the key driver of switching behaviour to better energy tariffs in the survey data.

POLICY IMPLICATIONS

The role of housing tenure

The role of **housing tenure** in creating or facilitating poverty premiums is one that needs further exploration. People living in rented accommodation may have less control over their energy provider;³ the survey data found that those in social rental accommodation were more likely than other tenures to use PPMs. Renting may negatively impact credit scores⁴ affecting the cost and quality of credit they can access, as may multiple moves; and renters are more likely to live in deprived neighbourhoods. All of these may increase the likelihood of someone in poverty experiencing poverty premiums. The lack of financial support offered to tenants during the lockdown is a further example of the disparity between renters and homeowners. Neither private landlords, nor most housing associations are subject to the Public Sector Equality Duty (PSED), however. So while supporting tenants should be part of implementing the principles behind the PSED (for example, tenants should be able to access the best tariffs and payment methods in energy as easily as those who own their own home), currently there is little that can be done. However, regulation such as the Tenants Fee Act⁵ has helped reduce the costs of renting, and further thought should be given to ways in which regulation or business practice could reduce the poverty premium for tenants.

Payment methods

The way in which **non-standard payment methods** contribute to the creation of poverty premiums is already recognised.^{6,7} However, the reanalysis of the survey data finds that this impact is falling hardest on those with certain protected characteristics, even among low-income households as a group. In line with the Equality Act, those who provide basic services should aim to demonstrate that there is no inequality arising from the costs incurred by those with protected characteristics.

Insurance and risk assessment

This issue of inequality in **insurance** cover is also one that needs closer examination. Firstly, there appears to be an issue with underinsurance amongst many of those with protected characteristics. Possible barriers to access are already known,⁸ including unsuitable products,

³ Davies, S and Trend, L (2020). “[The poverty premium: A customer perspective](#).” Fair By Design

⁴ Credit scoring criteria are opaque and vary, however, unlike mortgage payments, rental payments do not improve your rating, and moving frequently can have a negative impact

⁵ <https://www.gov.uk/government/collections/tenant-fees-act#guidance>

⁶ Davies, S, Finney, A and Hartfree, Y (2016). “Paying to be poor Uncovering the scale and nature of the poverty premium”.

⁷ Corfe, S and Keohane, N (2018) “Measuring the Poverty Premium”. Social Market Foundation

⁸ <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf>

ineligible or refused cover even though eligible, or high prices. Further research or exploration is needed to understand which of these are the biggest barriers, and to which groups before a regulator can begin to implement policies that could enable those affected to have fair access to insurance.

Secondly, existing concerns over the use of individualised assessment of risk⁹ may also be reflected in the inequality in **insurance premiums** experienced by some with protected characteristics. Many non-white ethnic groups have a higher likelihood of living in more deprived areas, and this factor increases the cost of motor insurance enormously¹⁰ and the differential is increasing over time.¹¹ While the issue of race discrimination has already been raised with the FCA,¹² further discussion may be needed on the extent to which area-based pricing is inherently unfair. The Flood Re initiative¹³ demonstrates the possibilities in removing the cost of individualised risk and spreading it across a wider pool; if those with certain protected characteristics are unduly impacted by underwriting practices, then implementing these sort of changes should be a priority.

Intersectional disadvantage

Finally, we have looked at each group individually to better understand how their particular experience of poverty may lead to a higher incidence of one poverty premium or another. However, that so many of those who have protected characteristics have a higher chance of being in poverty suggests that broader discrimination and socio-economic circumstances are interwoven; **the impact of inequality almost inevitably leads to a higher likelihood of poverty and the poverty premium**. This is particularly noticeable for those who have intersectional characteristics, who are the most vulnerable to both poverty and poverty premiums.

REGULATORY RESPONSE

Attending to socio-economic equalities

Our findings, therefore, suggest that returning to the original intention of the Equality Act 2010¹⁴ – in the need to attend to socio-economic inequalities as much as personal ones – would help guide regulators, the Competition and Markets Authority, and other public bodies such as HM Treasury and the Department of Business, Energy and Industrial Strategy to act in a way that would help reduce the poverty premium for those who are covered by the act. The enforcement of Part One of the Equality Act (2010) along with Section 14 of the Act¹⁵,

⁹ <https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2015/a-brave-new-world/a-brave-new-world.pdf>

¹⁰ Davies, S, Finney, A and Hartfree, Y (2016). "Paying to be poor Uncovering the scale and nature of the poverty premium."

¹¹ Davies, S and Trend, L (2020). "[The poverty premium: A customer perspective.](#)" Fair By Design

¹² <https://www.theguardian.com/money/2018/oct/31/insurance-regulator-look-possible-racial-bias-financial-conduct-authority>

¹³ <https://www.floodre.co.uk/>

¹⁴ Part 1 of the Equality Act required consideration to be given to the reduction socio-economic inequality, however, this was not enforced as part of the Act

¹⁵ Section 14 covered combined discrimination of two relevant protected characteristics but was also not enforced.

recognising intersectional disadvantage, would help to address many of the inequalities detailed above. In the absence of a legal obligation, however, there is no reason why regulators and public bodies cannot move towards respecting these principles regardless. In light of the inequality laid bare by COVID, this should be the opportunity to start taking measures to address this wherever possible.

Using equality and impact assessments to promote equality

Those subject to the PSED, and indeed those outside it, should be encouraged to use Equality Impact Assessments to focus as much on *advancing equality of opportunity* as on *eliminating discrimination*. In order to do this effectively, data on protected characteristics needs to be collected and used in any impact assessment. To date, very little has been published by regulators on the impact of their policies on those with protected characteristics, and it is not clear whether this is because the data isn't collected or is collected but not used. Our report has found many gaps in data, and understanding the experience of those with protected characteristics should be built into any research principles, from both a qualitative and quantitative perspective.

Using data to improve equality

Better use of data could, in fact, be a tool for regulators to improve equality within the public sphere. While the recent controversy of OFQUAL's algorithm¹⁶ highlights the danger of using data without due consideration to matters of equality, data may be key to identifying and addressing inequalities of outcomes. Shah (2018) argued that, with consideration to ethics in data use, "[a] facet of accountability would be to monitor outcomes for differential impacts, with a particular focus upon the poorest or minority communities" (p.3). Data, and the intelligence from data, could be shared within public bodies with the aim of improving outcomes for all, with an expectation on regulators to demonstrate this impact.

¹⁶ <https://www.theguardian.com/education/2020/aug/21/ofqual-exams-algorithm-why-did-it-fail-make-grade-a-levels>

INTRODUCTION



Fair By Design is a movement dedicated to ending the poverty premium. By collaborating with regulators, government, businesses, and the social justice sector, they aim to encourage 'inclusive design' within these sectors.¹⁷ Fair By Design commissioned this report to explore the extent to which groups who are protected under the Equality Act 2010 are disproportionately, and perhaps unfairly, incurring poverty premiums. The report is intended to inform their campaign, to help better understand the role that the Public Sector Equality Duty (PSED) can play in the business case for integrating inclusive design into the work of regulators and other public bodies to fulfil the requirements of the Equality Act. Our review finds that by exploring the connections between protected characteristics and poverty more broadly, we can begin to understand the intersection between different protected characteristics and the poverty premium.

BACKGROUND

The Equality Act (2010)

The Equality Act (2010) was introduced to protect people from discrimination, both in the workplace and in wider society. It was intended to harmonise and reform the numerous Acts and Regulations that had, up until that point, formed the basis of equality and anti-discrimination law in Britain. It brought together 116 separate pieces of legislation, including the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976 and the Disability Discrimination Act 1995 and Employment Equality Regulations 2003 and 2006. Currently, this confers legal protection on nine protected characteristics, as follow:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

The intention was to embed the idea of equality and fairness for all who may suffer discrimination (direct or indirect) into legal statute and to help prevent the disadvantage that arises from discrimination.

The issue of socio-economic inequality was also considered; Part 1 of the Equality Act attends to the issues of socio-economic detriment, as distinct from the above-mentioned protected characteristics, acknowledging the need for regulation to address economic inequalities as much as personal ones, with a Public Sector Duty Regarding Socio-economic Inequalities:

¹⁷ <https://fairbydesign.com/inclusive-design/>

“An Act to make provision to require Ministers of the Crown and others when making strategic decisions about the exercise of their functions to have regard to the desirability of reducing socio-economic inequalities” (Equality Act 2010)

When the Equality Act provisions came into force in April 2011, however, the newly formed Conservative-Liberal Democrat Coalition government chose not to enforce this Public Sector Duty. Nonetheless, its inclusion at all, in the spirit of Act as written, can be seen as recognition that poverty confers its own inequality (even if acting to reduce it is currently not a legal obligation); and that socio-economic inequality is linked to the characteristics that the Equality Act protects. Section 14 of the Act, which recognised the occurrence of combined discrimination or intersectional disadvantage, was not enforced either.

There remains a strong argument, and some political will, to bring the Socio-Economic Duty into force,^{18,19,20} and indeed the devolved governments have addressed this – in Scotland with the Fairer Scotland Duty²¹ and in Wales with The Well-being of Future Generations (Wales) Act 2015.²² In Scotland, public bodies must actively consider what more they can do to reduce the economic inequalities of outcome in any major strategic decision they make, and evidence in writing how they have done this, while in Wales, socio-economic background and circumstances must be considered as part of producing a ‘more equal Wales’, and major decisions are reviewed by the Future Generation Commissioner to ensure the act has been applied appropriately.

Outside of these nations for now, however, the legal obligations for the public sector are covered by The Public Sector Equality Duty (PSED). This requires organisations to consider how they can contribute to the progression of equality. It means that the integration of equality should be reflected in the design of policies and the delivery of services, particularly the day-to-day business of public authorities, to ensure that no one with a protected characteristic is discriminated against or unfairly disadvantaged.

The inequality of poverty

There is evidence that people with specific protected characteristics such as race and disability are more likely to experience poverty. We examine this evidence below. The issue has not been explored in much detail with reference to the Equality Act or in relation to protected characteristics as a whole.

However, this evidence can sometimes fail to convey the way in which poverty impacts on all aspects of life. In particular, that poverty is not just about having a low income, it is about where you live, how much autonomy you have over things like working hours, and how much security you have (for example, whether you have savings to see you through an unexpected bill or drop in income). All of these factors feed into, and can exacerbate, the experience of

¹⁸ <https://edm.parliament.uk/early-day-motion/51058>

¹⁹ <https://www.lag.org.uk/article/204130/the-duty-on-public-authorities-to-reduce-socio-economic-inequality-needs-to-be-brought-into-force>

²⁰ <https://ohrh.law.ox.ac.uk/the-socio-economic-duty-a-powerful-idea-hidden-in-plain-sight-in-the-equality-act/>

²¹ <https://www.gov.scot/publications/fairer-scotland-duty-interim-guidance-public-bodies/>

²² <https://gov.wales/sites/default/files/consultations/2019-11/a-more-equal-wales-commencing-the-socio-economic-duty.pdf>

poverty, particularly where they give rise to poverty premiums, which compound detriments for those who can afford it least.

Nothing has made this clearer than COVID-19. This public health emergency, and the UK government's response to it, has brought into sharp relief the structural inequality of poverty, and provides a stark case study of how poverty, protected characteristics and vulnerable circumstances are fundamentally linked.

COVID-19 and inequality

In response to COVID-19, the UK government implemented a lockdown from the evening of Monday 23rd March, closing all non-essential retail businesses, asking those who were able to work from home to do so, and expecting those in essential retail to implement COVID-19 safety guidelines in their workplace. Key workers (e.g. in health or social care) continued working and were able to send their children to school to facilitate this.

Industries that were most impacted by the lockdown include restaurants, leisure facilities – including cinemas or sports centres – and non-essential shops. As the key message was to 'stay at home', the transport industries, both leisure travel and public transport, were badly affected too. The Institute for Fiscal Studies assessed who was more likely to work in these industries, and therefore were most at risk financially (Joyce and Xu, 2020). Firstly, it was clear that low-income workers would be hit hardest; one third of employees in the bottom tenth of the earnings distribution work in shut-down sectors, compared with just 5 per cent of those in the top 10 per cent. Younger people are also unduly impacted, with the under 25s more than twice as likely to work in shut down industries than other employees. Women are likely to be more affected than men, with 17 per cent of women working in such sectors compared with only 13 per cent of men.

It was immediately evident, therefore, that the people most likely to be negatively affected were those with protected characteristics. For women, the social and economic impacts are wide-ranging. Women make up over three quarters (77%) of the workers who have the highest exposure to COVID-19,²³ as they comprise the majority of health and social care workers. Of workers in these industries with poverty-level wages (below 60 per cent median income), *nearly all* are women (98%).²⁴ The closure of schools and childcare facilities impact women's ability to work even if they are able to, and they are more likely than men to have or take on child care responsibilities as a result of COVID-19. Women are also more likely than men to lose their jobs (and therefore incomes) because of the crisis.²⁵

The UK Government has put in place several financial support measures including the Coronavirus Job Retention Scheme (employee furlough),²⁶ and the Self-Employment Income Support Scheme (a grant for self-employed people).²⁷ designed to support businesses struggling as a consequence of the lockdown, by covering wages of employees, or replacing

²³ [The at-risk Jobs index quoted in Women's Budget Group \(2020a\) Crises Collide: Women and COVID-19](#)

²⁴ Ibid

²⁵ <http://cep.lse.ac.uk/pubs/download/cepcovid-19-002.pdf>

²⁶ <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

²⁷ <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-COVID-19-self-employment-income-support-scheme>

income of those self-employed. As the crisis evolves, and more evidence is collected, the Resolution Foundation has confirmed that, overall, low-income workers are more likely to have been furloughed, to have lost hours or pay, or to have lost their jobs altogether.²⁸

While the furlough scheme is providing financial support to an estimated six million people,²⁹ it only covers 80 per cent of someone's normal wage. For those on low incomes this loss may not be sustainable. Young workers have been hit hardest: one third of under-24s have been affected in some way, and one in ten (9 per cent) have lost their job altogether. Young BAME workers may be affected even more, as BAME 25 years olds were nearly half as likely again (47%) to be on a zero hours contract than their white peers.³⁰ The disproportionate COVID-19 death rate among ethnic minorities is believed to be in part due to occupational exposure, higher levels of self-employment, and economic vulnerability.³¹

As with income loss, it is clear that the extra costs incurred as a result of COVID-19 will not be spread evenly. Higher energy bills from staying at home³² will fall harder on those who pay more for their gas and electricity, with the estimated average increase of £16 per month likely to be higher for people on expensive tariffs or in badly insulated homes, or for those with a physical disability who may need to use additional heating to stay warm. There has also been more support offered to homeowners than to those who rent; mortgage holders were allowed to apply for a three-month payment holiday, along with a ban on repossessions until 31 October. Tenants were offered some protection, with an extra three month notice period for landlords seeking possession, but no financial support in meeting their rent payments.

Although the immediate response of UK borrowers overall has been to pay down debt,³³ given the drops in income described above, it seems likely that some low-income households may need to turn to consumer credit (including high-cost credit) to make ends meet.

COVID-19, therefore, has thrown light on the link between insecure work, low incomes and protected characteristics, with an opportunity for this link to be formally recognised. The Independent Workers Union of Great Britain (IWGB) and Uber drivers have filed a legal challenge against the UK government,³⁴ on its failure to provide satisfactory income and sickness protection to millions of low-paid and self-employed workers, noting that this amounts to indirect discrimination against women and BAME workers.

This report explores these connections between low income, poverty and protected characteristics, how these can shape the experience of poverty, and whether this can result in a similar inequality in terms of when and how poverty premiums are incurred. In recent years, research has been conducted to better understand the different pathways to the

²⁸ <https://www.resolutionfoundation.org/app/uploads/2020/05/The-effect-of-the-coronavirus-crisis-on-workers.pdf>

²⁹ <https://www.ft.com/content/be2d317e-54f9-42b0-bf17-d4a9ae4d7489>

³⁰ <https://cls.ucl.ac.uk/wp-content/uploads/2017/02/Race-Inequality-in-the-Workforce-Final.pdf>

³¹ <https://www.ifs.org.uk/uploads/Are-some-ethnic-groups-more-vulnerable-to%20COVID-19-than-others-V2-IFS-Briefing-Note.pdf>

³² <http://www.social-policy.org.uk/spa-blog/tackling-fuel-poverty-the-implications-of-COVID-19-by-baker-et-al/>

³³ <https://www.bankofengland.co.uk/statistics/money-and-credit/2020/march-2020>

³⁴ <https://iwgb.org.uk/en/post/iwgb-and-uber-drivers-suing-uk-government-over-its-failure-to-protect-millions-of-precarious-workers>

poverty premium (Davies et al 2016, Corfe and Keohane 2018a/b). In this review, we explore the extent to which groups with protected characteristic may have particular behavioural preferences, or be subject to market factors, or compounding factors that mean they are at a higher risk of incurring particular premiums.

METHODOLOGY

This exploratory research looks at which protected characteristics, if any, are associated with higher levels of poverty and low income, and if the particular experience of poverty among these groups might mean they incur poverty premium(s). We did this through two methods:

- **A targeted review of recent key evidence** on the links between poverty and people with protected characteristics to understand why and how different groups are more vulnerable to poverty and its impacts, focussing specifically on evidence relating to factors that can contribute to the poverty premium, such as credit use, paying for energy, use of insurance, or levels of digital use, for example.
- **Secondary analysis of consumer survey data** from poverty premium research conducted by the University of Bristol's Personal Finance Research Centre in 2016³⁵ and 2019³⁶, to explore the extent to which different groups incurred different levels and types of poverty premium.

³⁵ Davies, S., Finney, A. and Hartfree, Y. (2016) *Paying to be poor Uncovering the scale and nature of the poverty premium*. Bristol: University of Bristol.

³⁶ Davies, S and Trend, L (2020). "[The poverty premium: A customer perspective](#)". London: Fair By Design.

1.

EVIDENCE REVIEW

OVERVIEW OF CURRENT POVERTY LEVELS AND PROTECTED CHARACTERISTICS

This section explores the evidence about the extent of poverty among people with protected characteristics in the UK.

Using the Households Below Average Income (HBAI) data for 2018/19 (Department for Work and Pensions, 2020), we can look at levels of poverty among pensioner households and among households where someone has a disability. Here, we are considering the number of households with relative low income (where the income is below 60 per cent median income) after housing costs (AHC):

- **16 per cent of pensioner households** were in relative low income AHC in 2018/19, lower than the rate among UK households as a whole (20%).
- **26 per cent of households where someone is disabled** were in relative low income AHC in 2018/19. The House of Commons Library briefing (Frances-Devine 2020) notes that, while disability benefits are included as income in the HBAI, the data does not take into consideration the additional living costs incurred by people with disabilities.

As poverty and income are generally measured at household level, it is difficult to establish the role of sex in poverty levels. In 2018, the Resolution Foundation noted that women still generally earned less than men. It found that 22 per cent of women were on low pay (below two thirds median hourly wage) compared with 14 per cent of men (D'Arcy, 2018). However, there are higher levels of poverty among single parent households, of which 95% are headed by women. JRF's Poverty in the UK 2020 showed that 20% of children in single parent families were in persistent low income BHC, rising to 36% AHC, much higher than average.

BAME households tend to have higher rates of poverty than white households (JRF 2020). Levels of persistent low income are higher in households where the head of household is from certain ethnic groups: 15% of people from a Black/ African/ Caribbean/ Black British background are in persistent low income BHC and 28% AHC. For people from an Asian / Asian British background, the figures are 17% BHC and 25% AHC.

Data on sexuality, gender reassignment, religion and pregnancy are rarely collected when measuring poverty, and it is consequently difficult to report on experience of poverty among these groups. In terms of sexuality, however, one report from the ISER (Uhrig, 2014) did find that gay men were 'somewhat' more likely to experience poverty than heterosexual men; lesbian women had the same likelihood as heterosexual women as experiencing poverty and in fact had a pay premium in comparison. The impact of religion on poverty is often connected to race, although not exclusively – as we explore in more detail below. We also consider the role of pregnancy and maternity as far as possible when we explore sex.

In summary, there are some protected characteristics that are associated with an increased risk of poverty in the UK: race, sex (in the case of single mothers), and disability. In relation to age, while pensioner poverty has fallen over the last few decades – although it has started to rise again (Age UK, 2019) - younger workers are much more likely to be in poverty than other age groups.

In the following sections, we explore in greater detail the levels of poverty among groups with these protected characteristics:

- Sex
- Race
- Faith
- Age
- Disability

We also examine *why* they have higher levels of poverty, and how this may result in them incurring poverty premiums. Where possible, we also explore evidence related to intersectionality - both *within* and *between* groups.

SEX AND POVERTY

The higher levels of poverty among women (than men) stem primarily from two factors, which are themselves connected: women, on average, earn less than men; and women lose income as a consequence of caring responsibilities.

In terms of numbers of men or women in poverty overall, women are only slightly more likely to be in poverty than men. Overall, 21% of adult women are living in poverty compared with 19% of adult men (Women's Budget Group, 2018a), findings consistent with previous analysis (Bennett and Daly, 2014; Dermott and Pantazis, 2014). However, a closer examination of the data highlights the importance of household structure to understanding the impact of sex on the experience of poverty in the UK.

Nearly half of single parent families (48%) are in poverty – around twice the level of couple households (24%) – and the majority of these households (86%) are headed by women (Women's Budget Group, 2018a). This is not just about the financial pressure of running a household with children on your own, however, as evidence suggests that male-led single parent households are far less likely to be in poverty than female-led ones. Dermott and Pantazis (2014), when applying the PSE poverty measure³⁷ (ibid p.9), found that female lone parent households had twice the poverty rate of male lone parents (64% cf. 31%). Equally women in two-adult families with children reported higher levels of poverty than men in similarly structured ones (33% cf. 29%) (see also Bennett and Daly, 2014).

Women's poverty can in part be attributed to their lower earnings and undertaking fewer hours of work. Notably, women comprise the majority of low earners (Daly and Bennett, 2014; Van Lanker et al, 2015; Women's Budget Group, 2018a;). In 2019, the overall gender pay gap was 17.3 per cent (Francis-Devine and Pyper, 2020), however this does not reflect the nuance of the interaction between gender and hours of work. Interestingly, the gender pay gap is lower for full-time work (8.9%) and is in fact negative for part-time work (-3.1%); men working part time have a lower hourly rate than women working part time. The overall higher gap reflects the extent to which women are so much more likely to work part time than men; 39 per cent of women were part time in 2019 compared with 11% of men. Given

³⁷ A measure that combines low income and high deprivation based on Poverty and Social Exclusion survey data.

that in April 2019, the median hourly pay for full-time employees at was £14.80 (excluding overtime), compared with £9.94 for part-time employees, the result is lower wages for women.

Moreover, women may choose self-employment over employment as a means of securing the flexibility they need to balance childcare needs; they are the majority (58 per cent) of the newly self-employed since 2008 (Women's Budget Group 2016), although more men than women are self-employed overall. However, it may disadvantage them financially to do so; in 2014, self-employed men earned £17,000 on average, while average earnings for self-employed women stood at just £9,800. (Ibid).

The evidence suggests that the main cause of labour market inequality is the weight of caring duties that fall to women. In couple households, almost as much as single parent ones, women shoulder the majority of unpaid caring responsibilities (Women's Budget Group, 2018a; Bennett and Daly, 2014). This impacts enormously on their opportunities for paid work, and the level of pay they can command; while at the same time women's unpaid labour is not valued by society at large:

“instead of women's resulting poverty being seen as caused by unequal responsibility for unpaid care – as well as inadequate income support, and/or labour market disadvantages – it may instead be framed as a problem of women's 'economic inactivity'” (Bennett and Daly, 2014 p.40)

This disadvantage lasts a lifetime. The gender pay gap grows once a first child is born and increases from 10 per cent before the first child to 30 per cent by the time the child is 13 (IFS, 2015 quoted in Francis-Devine and Pyper, 2020). Around half of this increase is because of mothers working less than full time hours. Consequently, it seems unlikely that earned income is the route to help women out of poverty, particularly given the lack of well-paid, part time work. Women are less likely to escape low pay than men (Darcy and Finch, 2017).

Benefits and welfare also play a big role in both causing or reducing poverty, and the impacts of reforms have not been felt equally between the sexes (Bennett and Daly, 2014; Portes and Reed, 2018). Consequently, the austerity-based cuts implemented by the Conservative-Liberal Democrat coalition through the 2010s have impacted negatively on women in poverty. Most (86%) of tax and social security changes (mostly cuts) will have been borne by women, with single mothers, women with disabilities and BAME women most affected (Women's Budget Group, 2018b).

Specifically, single parents were likely to be most harmed financially, with the level of poverty that they experience deepening (IFS, 2011; Wilson et al, 2012; Padley and Hirsch, 2014; all quoted in Bennett and Daly, 2014). On average, the poorest single parents (bottom quintile income) were estimated to lose around 25 per cent of their incomes from austerity cuts (Portes and Reed, 2018). In money terms, this amounted to an average £400 cut for women compared with £30 for men. The way benefits are structured also appears to privilege men:

“Historically, men were more likely to qualify for higher status individual benefits, with women tending to get derived benefits via their partners, or lower status means-

tested benefits. Whether benefits are individual or joint, and to whom they are paid, and how, are also important to gendered poverty risks.” (Daly and Bennett, 2014: p.8)

Intersectionality of sex with other protected characteristics

The Women’s Budget Group (WBG) has produced a number of reports looking at the intersectionality between gender and other factors, and the impact on the financial position of women. We draw on these below, along with other relevant sources.

Age: the impact on women of lower earnings throughout their lifetimes continues to be felt into retirement. While retired women overall have no higher levels of poverty, 23 per cent of single female pensioners are living in poverty compared to 18 per cent of single male pensioners (WBG, 2018a; Age UK, 2019). The recent increase in pension age for women born between 6 April 1950 and 5 April 1953 resulted in these women losing an average of £32 per week (Cribb and Emmerson, 2018). This was disproportionately felt by women on lower incomes, and among the women affected, there was a 6.4 percentage increase in poverty. However, the impact did not appear to last, and disappeared once they were able to claim their pension and were no longer reliant on earned income.

Race: There are a number of ways in which BME women are particularly vulnerable to poverty (Hall et al, 2017). Firstly, Black women are overrepresented among single parents, which increases their risk of poverty. Black, Pakistani and Bangladeshi households are more likely to have dependent children, and larger families, and are thus more vulnerable to cuts to Universal credit (ibid). Working age BAME women are also more likely than their white peers to be unemployed; and in the workplace they are clustered in low-paid jobs (ibid).

Finally, for migrant women of colour the likelihood of low pay can make it harder to afford the financial costs of securing their immigration status (Reis, 2020). The employment rate of migrant women is also lower (66 per cent) than that for UK-born women (72 per cent).

Disability: As with race, many of the disadvantages that women incur when compared against men are even starker for women with disabilities. Disabled women have a higher pay gap; they earn 22.1 per cent less than non-disabled men, and 11.8 per cent less than disabled men (WBG 2018b). Disabled lone mothers are likely to lose out from welfare and benefits cuts as well: by 2021 they will lose 21 per cent of their net income if they do not have a disabled child and 32 per cent if they do.

Finally, it appears that the more protected characteristics a person has, the more risk they bear. When considering gender, ethnicity and disability together, it was estimated that the greatest losers from the welfare reforms since 2010 were disabled women of ‘Mixed ethnicity’ or ‘Other’ ethnic groups, whose losses amounted to around £2,300 per year (Cribb and Emmerson, 2018).

The poverty premium and sex

The low income and poverty levels experienced by women, particularly single mothers, will undoubtedly be reflected in their consumption and spending patterns, and the need to cut

back to make ends meet (Young Women's Trust, 2020). Dermott and Pomati (2016) noted that single parents often cut back more than their coupled peers:

"a startling 27% of lone parents said that they had skimmed on food for themselves 'often' compared to 9% of couple parents. This finding is likely to reflect that lone parents are more likely to live in poverty as we might anticipate that more difficult financial situations would result in greater economising" (p.72).

This '**going without**' is often the flip side of paying a poverty premium (Davies et al, 2016). It can signify a level of poverty that excludes participation in even basic services and goods. There are generally slightly higher levels of material deprivation through unaffordability among women than men (Bennett and Daly, 2014). This deprivation is not reflected in increased poverty premiums but needs to be accounted for. As it is difficult to measure, it is easily overlooked, but needs to be recognized as a feature of poverty as tangible as the poverty premium itself.

However, there is also some evidence to suggest that women may face a **credit-related poverty premium** because of a need to borrow to compensate for their lower incomes. The Women's Budget Group report on gender and debt (WBG, 2020b) highlights worrying evidence that women might be more likely to be in debt, noting that:

"Compared to the UK as a whole, the over-indebted population is younger and more likely to be female (55%), have children (58%) and live in private rented accommodation" (quoting the Money Advice Trust).

They also note that women are more likely than men to be using debt to purchase everyday necessities – 61% of those doing so were women according to StepChange Debt Charity (2017). This leaves women at higher risk of incurring high-cost credit poverty premiums. Women in low-income households may be more vulnerable to high-cost credit use and are the most likely to use home collected credit (Bermeo and Collard, 2018), which results in one of the highest credit-related poverty premiums. Single parents were also the household type most likely to be in fuel poverty (BEIS, 2018).

RACE AND POVERTY

A number of terms are routinely used by government departments, public bodies and the media to refer to the collective ethnic minority population, most notably "Black and minority ethnic" (BME) and "Black, Asian and minority ethnic" (BAME). In most instances, for the sake of clarity, this review reflects the language and terminology originally used in the studies to which we refer. However, we fully recognise the importance of the heterogeneity within these terms.

While rates of poverty are higher among all Black and minority ethnic groups than among the majority white population (Platt, 2007; Barnard and Turner, 2011), there is often considerable variation both *between* and *within* groups. This variation makes it impossible and inappropriate to discuss poverty in relation to the BAME population as a whole. Some

groups do exhibit more consistent outcomes and behaviours – for example, Bangladeshis have the highest poverty and smallest spread of incomes, while among other groups, such as Chinese people, income varies considerably and the factors affecting these groups are broad (Barnard and Turner, 2011).

Recent analysis of Understanding Society (Hernandez et al, 2018) showed that Bangladeshis and Pakistanis have the highest rates of poverty (at 23-26 per cent), followed by Indian, Black Caribbean and Black African groups (9-11%) and the white majority (6%); and Indian and Pakistani groups have the highest poverty persistence rates (at 66%). The same study details considerable within-group heterogeneity (group heterogeneity was common among many of the studies reviewed in this section). Barnard (2014, p. 14) notes that:

“Inequalities within minority groups are often as large as, and sometimes greater than, inequality in the population as a whole. Platt (2011) looked at inequality within the Bangladeshi, Chinese, Indian and Caribbean groups, and found big differences between these four. The Bangladeshi group had the highest poverty rate, but were also the group with the least inequality within it. In contrast, the Chinese group also had a high poverty rate but there was very high inequality, with significant numbers of people on high incomes as well as large numbers on low income.”

Research looking at levels of poverty among BAME groups from the 2008/09 recession through the period of austerity found that average incomes fell in every group apart from Pakistani households, who saw a slight increase (after housing costs) (Fisher and Nandy, 2015). The same study notes that poverty among Bangladeshi and Pakistani households has fallen substantially over the last two decades and, while this has helped reduce the gap with other ethnic groups, they still face very high rates of poverty (at nearly 50 per cent).

Poverty among BAME groups often reflects their position in the labour market. BAME employees are, on average, more likely to be paid less than the living wage than white employees (Brynin and Longhi, 2015). They are also more likely to work in low pay occupations. Pakistani and Bangladeshi employees are more likely any other ethnic group to be paid less than the living wage (ibid). There are higher levels of unemployment among some BAME groups – 11.5 per cent for people from Pakistani and Bangladeshi backgrounds and 14 per cent across all Black groups, compared with 4.8 per cent for the White group (DWP 2016 quoted in Weekes-Bernard, 2017). BAME employees are also more likely to have insecure work;³⁸ the TUC estimated that 1 in 13 BAME employees are in insecure work, and strikingly 1 in 8 Black employees are in insecure work, compared with the average of 1 in 17 (Newsome et al, 2017)

Intersectionality of race with other protected characteristics

As we saw in the previous section, an individual or household's experience of poverty is not shaped by one characteristic alone (protected or otherwise), but rather by a complex interaction of these. In other words, the intersectionality of other characteristics with race is key to understanding the heterogenous experience of poverty between and within different

³⁸ Working on a contract that does not guarantee decent employment rights (including zero hours contracts, agency and casual work), or because they are in low paid self-employment (earning less than the government's National Living Wage)

BAME groups (Barnard and Turner, 2011). This includes the influence of age, disability, health, migration history and – in particular – sex and religion. However, the links between these are complex and, to date, not well understood. We looked at evidence related to the intersection of race and sex in the previous section, and we go on to explore the influence of religion in the following section.

As with sex, labour market inequality is an issue:

"There is strong evidence that in-work poverty is higher for some ethnic groups than others" (Palmer and Kenway, 2007 cited in Barnard and Turner, 2011). And we know that the risk of in-work poverty is greater for disabled and Black, Asian and minority ethnic (BAME) workers than non-disabled and White workers." (Joseph Rowntree Foundation, 2020).

Interestingly, although on average white employees are paid more than those from BAME backgrounds, the gap is far less among White and BAME women than it is between White and BAME men (Brynin and Longhi, 2015).

The poverty premium and race

Outcomes for specific BAME groups are driven by demand-side, supply-side and compounding factors, via a complex web of (i) informal processes, such as the people's decision making and personality traits, communities and organisations and (ii) wider structures, such as the labour market, housing, service provision, social norms, and geography (Barnard and Turner, 2011). These same factors can lead to increased exposure to poverty premiums.

Taking geography as an example, the literature suggests that poverty outcomes among BAME groups are often compounded by where a person lives. In 2007, secondary analysis of LINK data undertaken by Khan and Simpson (2008) found strong evidence that areas with large BAME populations have worse access to free cash machines, indicative of **area-based premiums** that may be incurred by some BAME groups. However, more recent mapping of access to cash found that in urban areas at least, this was not necessarily the case – although reduced access to mainstream financial institutions was highlighted (Tischer et al 2019). Kahn and Simpson also noted that BAME communities are, in general, more likely to live in social housing or deprived areas which *"can affect individuals' ability to access affordable financial services as they are seen as higher-risk customers"* (Khan, 2008), including access to insurance and affordable credit.

Khan and Simpson's 2008 study also found significant differences for BAME people in relation to contents, buildings, life and health insurance, though there was little evidence about why this was the case. Philips and Webber (2016) report an 'ethnic penalty' in motor insurance premiums, incurred by *all* those who live in multi-ethnic areas (more than one in five people).

Official statistics show that BAME people are more likely to live in deprived neighbourhoods.³⁹ Bangladeshi and Pakistani people are most likely to live in the most income-deprived neighbourhoods – 32.2% and 28.0% respectively live in the most income-deprived 10% of neighbourhoods – as are a high proportion of Black people (23.3%) while White people are least likely to (8.5%). Previous research has shown that living in a deprived area can result in **area-based poverty premiums** (Davies et al, 2016).

BAME groups also seem to be at risk of **credit-related poverty premiums**. Deku et al (2013) found strong evidence that non-White households were more likely to be excluded from consumer credit, even if they had comparable credentials to white households. Again, there was variation between BAME groups. Asian households were more likely to have reduced access to bank loans, while Black households were more likely to be excluded from the credit card market. Additionally, "*BME groups may face language, identity and cultural barriers [and] BME communities are more likely to use informal channels to obtain credit, and they are more willing to take on credit than white British Irish communities*" (Khan, 2008).

Fuel-related poverty premiums may be another issue for BAME groups given that households from non-White backgrounds are most likely to be in fuel poverty.⁴⁰ Recent analysis of the English Housing Survey (gov.uk, 2019) showed that "*in every year from 2003 to 2017, households in the White ethnic group were less likely to be in fuel poverty than those from the Other ethnic group (made up of all other ethnic groups combined); the percentage of ethnic minority households in fuel poverty varied between 14.5% (in 2003) and 20.0% (in 2017)*".

BAME households in England are also over-represented in the private rental sector, which can result in further premiums, as we discuss later in the report. White British households were less likely to rent privately than most other ethnic groups, with those from the Chinese (45%), Arab (51%) and Other White (59%) ethnic groups having the highest percentages of renting their homes privately.⁴¹

FAITH AND POVERTY

Compared with other protected characteristics, there is a relative paucity of literature on the relationship between religion and poverty. However, a review undertaken for the Joseph Rowntree Foundation in 2015 highlights several studies that look at the impact of religion *and* ethnicity on economic activity, employment and earnings which are all found to be significant contributory factors in poverty (Heath and Li, 2015).

These studies showed lower rates of economic activity and higher unemployment among Muslims than other faiths (in particular Christians). The authors also undertook secondary analysis of the Understanding Society survey which showed that people of Jewish faith were least likely to be in poverty (13 per cent), compared to half of Muslims (50 per cent), over a

³⁹ <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/demographics/people-living-in-deprived-neighbourhoods/latest>

⁴⁰ <https://www.ethnicity-facts-figures.service.gov.uk/housing/housing-conditions/fuel-poverty/latest>

⁴¹ <https://www.ethnicity-facts-figures.service.gov.uk/housing/owning-and-renting/renting-from-a-private-landlord/latest#by-ethnicity>

quarter of Sikhs (27 per cent) and around a fifth of Hindus (22 per cent). Christians were less likely than most other groups to be in poverty – though there were notable differences between denominations (14 per cent of Anglicans, compared to 19 per cent of Catholics). People of no religious affiliation were similar to the overall average (18 per cent) (Heath and Li, 2015).

Further analysis of Understanding Society showed that, after taking race into account, Muslims were more likely to be in poverty than members of other religions or those with no affiliation. The estimated increased risk of Muslims being in poverty is about 20 percentage points (compared with Anglicans) –at least double the equivalent figures for Sikhs and Hindus (10 and 7 points respectively).

A more recent study into religious poverty – with a particular focus on British Muslims living in relative poverty – interestingly found a stronger religious than ethnic association with poverty (Li et al, 2018). Again, the risk of poverty was greater for many non-Christian faiths, notably Muslims, Sikhs and Hindus. Across these two pieces of research, the drivers of this heightened poverty risk included:

- informal and historically contingent processes such as difficulties with English and first-generation status, and – linked to this – low educational attainment;
- wider structures in the form of labour market processes (including factors such as prejudice and discrimination which reflect how people of a particular faith are treated by wider society, and may result in increased risk of unemployment or low pay), and
- social and religious norms (such as traditional family values linked to religion, which may encourage women to either stay at home to care for children or other family members). There is a far lower employment rate among Pakistani and Bangladeshi women, for example, who are likely to be Muslim (Weekes-Bernard 2017).

Intersectionality of faith with other protected characteristics

As the previous section shows there is a well-evidenced link between poverty and race, but a major issue when looking at religion and poverty is its often inextricable link with race. However, Heath and Li (2015) found that religion was associated with poverty within the broad ethnic groups identified in their research. So:

“white Muslims are nearly twice as likely (30 per cent) to find themselves in poverty as are whites as a whole (16 per cent). Similarly around 56 per cent of Black African Muslims are in poverty compared with 37 per cent of the Black African group as a whole. A substantial number of Indians in the UK are Muslims and 38 per cent of them are also poor compared with the overall figure for Indians of 23 per cent.” (p.15)

In other words, regardless of race, *“Muslims are more likely to face poverty than are people of other religious affiliations”*.

Using 2001 census data, a 2009 study on ethno-religious background as a determinant of educational and occupational attainment found that ethnicity per se was not an important

factor. Rather, the author of the study argues, skin colour and culture (i.e. religion) are to a greater extent the mechanisms that reinforce disadvantage among some and confer advantage on others. The extent of advantage (or otherwise) was linked to whether an individual's specific culture was viewed as either complementing or running counter to the dominant societal culture (Khattab, 2009). While these findings relate to educational and occupational attainment, rather than poverty, the findings shine a light on the complex relationship between ethnicity, skin colour and religion.

The poverty premium and faith

Given the link between race and religion it is likely that some religious groups may face language, identity and cultural barriers that give rise to faith-related poverty premiums. However, we did not find any strong evidence looking in detail at these specific links.

In 2016, O'Toole and Braginskaia conducted qualitative research with a range of faith organisations representing different faiths, looking at how these organisations have responded to the financial crisis and the politics of austerity. They found that Muslims may lack access to appropriate financial services, and it is reasonable to assume some attendant risk of experiencing **financial services-related poverty premiums**. While uncommon, there were also examples of faith organisations seeking to develop alternatives to market-based products, such as ethical or faith-based lending through credit unions, which might help alleviate poverty premiums among people actively engaged with these organisations. Few were directly providing credit, lending or finance schemes - the authors suggest that this reflects the logistical, financial, regulatory and design challenges in setting up alternatives. However, they found examples of organisations coordinating initiatives to either create networks to promote ethical and faith-based investment or to link up existing forms of ethical and faith-based financial provision.

AGE AND POVERTY

While traditionally it has been older people, particularly pensioners (of state pension age), who are associated with age discrimination, more recently, evidence has highlighted the increasing poverty and vulnerability faced by younger people. In this section we explore the ways in which both older and younger people can be vulnerable to poverty.

Pensioners and poverty

Pensioner poverty fell from 29 per cent in 1998 to 13 per cent in 2011, before rising again to 16 per cent in 2018 (Age UK, 2019). Nonetheless, certain groups of pensioners have a higher risk of poverty than others.

Older people who are renters are still more likely to live in poverty. Currently around one third of pensioners who live in rented accommodation are in poverty, even though the numbers have improved since the 1990s, where over one half did (HBAI - Age UK, 2019). As we discuss below, tenure is also linked to poverty in younger people.

Intersectionality also plays a part in risk of pensioner poverty. We noted above that single female pensioners have higher rates of poverty, but BAME pensioners have even higher rates of poverty – 31 per cent of Asian or Asian British pensioners and 32 per cent of Black or Black British pensioners are in poverty compared to 15 per cent of White pensioners. Disability has a compounding impact amongst pensioners as well. Single disabled female pensioners are 1.8 times as likely to be poor as their non-disabled counterparts; while single disabled male pensioners are 3.3 times as likely to be poor than non-disabled male pensioners (Patsios, 2014)

Young people and poverty

Currently, people aged under 35 are most at risk of poverty, and certainly more so than previous generations at the same age. In 2015, the New Policy Institute found that 30 per cent of people aged 14-24 in the UK were in poverty, higher than any other age group. The rate of poverty is highest for those who don't live with their parents (43 per cent), a fact which is attributed to their increased likelihood of living in rented accommodation.⁴² In 2015, nearly half of young renters were in poverty compared with only 15 per cent who resided in owner occupied housing (NPI, 2015), although this may reflect those living with their parents. The Scottish Government (2017) found that young adults (16-29) were more likely to be in poverty, more likely to have no savings, and to struggle financially.

However, while younger adults have generally always been worse off than older working age adults, there is now a clear trend towards wealth being distributed away from them (Rahman, 2019; Scottish Government, 2017). The cohort born in 1986-90 are around half as likely to be a homeowner by age 28 as the cohort born 1971-75, as well as enjoying little or no improvement in pay in real terms (Gustafsson, 2019) Around one quarter of the 1991-95 cohort expected to be in relative poverty in their late 20s (Rahman, 2019)

Overall, the key drivers of poverty in young people are

- they are more likely to be in low-paid work,
- low wages have not kept up with the cost of living, particularly housing costs, (Gustafsson, 2019) and
- they have less recourse than other age groups, or indeed their age group previously, to social welfare and benefits (Gardiner and Rahman, 2019)

As with the other characteristics, it appears that **intersectionality compounds poverty among young people.**

For BAME youth, the picture is particularly stark. In 2013 the youth unemployment rates for young people from Black and Pakistani and Bangladeshi backgrounds were more than twice that for White young people, at 45 and 47 per cent respectively compared with 18 per cent (DWP, 2014a, quoted in Hughes, 2015). Mckee (2012) warns of the cumulative disadvantage that young people are enduring:

⁴² In 2017, 25 to 34 year olds represented the largest group of private tenants (35 per cent) (ONS, 2019).

“..they also face record high levels of youth unemployment, spiralling higher education costs, more conditional welfare provision, plus they are being expected to work longer for a much less generous state pension. This 18–30 age group is therefore in real danger of becoming a lost generation, experiencing lower standards of living than that of the previous generation that went before them” (p.859).

In Scotland, unemployment rates are higher for BAME youths, those with disabilities, and that evidence shows “*young women who leave school early with poor qualifications are likely to face worse labour market outcomes than young men with similar characteristics*”. (Scottish Government, 2017).

The poverty premium and age

The evidence suggests that pensioners may **avoid poverty premiums by cutting back**, particularly in relation to fuel (Kotecha et al, 2013). Fuel rationing seems to be more common among single female pensioners, followed by poor single male pensioners (Patsios, 2014). Single female pensioners in poverty were also the most likely to be in arrears with bills, and the most likely to have borrowed to pay for day-to-day needs – which could leave them exposed to **credit-related poverty premiums**.

In 2016, only around 10 per cent of those living in households where the oldest person was aged 75 or over were living in fuel poverty, compared with 23 per cent of those in households aged 16-24 (BEIS 2018). One fifth of young people are reported to live in fuel poverty (Petrova, 2018) which could be linked to the number who live in private rented housing (Rugg and Quilgars, 2015). Indeed, young people are four times as likely to rent as two generations ago (Corlett and Judge, 2017). As a result of housing benefit cuts for 18–21 year olds and stricter housing benefit policy for 25-35 year olds, for many young people “*poor-quality and energy-inefficient homes in multiple occupancy (HMOs) may become the only affordable option for them*” (Petrova, 2018). The combination of trying to manage bill paying in a shared-occupation household or the possibility of having to use a prepayment meter plus potentially high electricity use to power devices therefore leaves young people at a high risk of **energy poverty premiums**. There is some evidence that younger people are borrowing more, perhaps to compensate for lower wages and higher costs of living (especially housing, Hirsch et al, 2017). They may well incur **high-cost credit related premiums** as a result - Citizens Advice for example found that younger people were the age group most likely to be in debt due to high-cost credit use.⁴³ There has also been a 10-fold increase in the number of under-25s declaring bankruptcy in the three years to 2019, a figure that has been attributed in part to the rise in borrowing by those with insecure incomes.⁴⁴

⁴³ <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/generation-y-turning-to-high-cost-credit/>

⁴⁴ <https://www.telegraph.co.uk/money/consumer-affairs/easy-credit-hard-times-10-fold-rise-young-people-entering-insolvency/>

DISABILITY AND POVERTY

In this next section we turn to look at disability and poverty, with a focus on disability as defined by the Equality Act 2010.⁴⁵ The discussion below encompasses both physical impairments and mental health conditions that are either considered disabilities or can lead to disabilities (e.g. dementia, bipolar disorder, schizophrenia, depression or obsessive compulsive disorder), as well as considering the impact of diagnosed mental health problems more broadly.

Physical and mental disability and poverty

Regardless of how poverty is defined – be it in terms of basic needs, economic resources or capability – there is a strong relationship with disability (Palmer, 2011), and people living with a disability in the UK are disproportionately likely to be poor (Smith et al, 2004; Social Metrics Commission, 2018; JRF, 2020).

In 2018, of the 14 million people living in poverty in the UK, around 4 million of these included people living with disabilities. A further 3 million were living in a household with a disabled person, meaning that almost half (48 per cent, or 6.9 million) of all people in poverty in the UK were living in a disabled household. If we compare this with the population as a whole, only 35 per cent of all families include someone living with a disability, highlighting how poverty disproportionately occurs in families with a disabled person; a disparity that has been persistent over time (Social Metrics Commission, 2018; JRF, 2020). Looked at another way, of the families that include a disabled adult or child, 27.6 per cent are in poverty, compared with the 16.3 per cent of families where no one is living with a disability. Poverty is particularly high in households with a disabled adult (33 per cent, rising to 40 per cent if there is also a disabled child) (Social Metrics Commission, 2018; JRF, 2020).

Almost half of working-age adults in poverty (4.1 million of 8.4 million) are living in a household that includes a disabled adult or child, and poverty rates for working-age adults living in disabled households are substantially higher than in non-disabled households (31.3 per cent compared with 16.6 per cent) (Social Metrics Commission, 2018).

Mental health and poverty

There is a well-established link between poverty and poor mental health, although poverty can – depending on a person's individual circumstances – be either a cause or a consequence of a person's mental health, or perhaps both. In 2019, Citizens Advice cited mental health problems as the most common health issue among their clients, and a 2016 review suggests that a quarter of all adults, and ten per cent of children, experience mental health issues each year (Elliott, 2016).

⁴⁵ Under the Equality Act 2010 definition, a disability can include physical impairments, sensory impairments, learning difficulties, mental health conditions or illnesses that have a long-term effect, genetic or progressive conditions, conditions characterised by cumulative effects, hidden impairments or past history of impairment. Currently, disability discrimination law takes into account the effects of an impairment on a person when considering if someone is covered it: <https://www.disabilityrightsuk.org/equality-act-and-disabled-people>

As we might expect, the situation for those on low incomes is somewhat worse, with rates of mental health problems being greater (particular severe and long-term limiting problems) than are seen among those with higher incomes, and some groups at particular risk of poverty *and* mental health problems:

“Some groups are at particular risk of both poverty and mental health problems: migrants, asylum seekers, refugees, the homeless, looked-after children and those with disabilities. People with long-term mental health problems, intellectual disabilities and those with complex needs, in common with people with other chronic health conditions, face additional costs as a consequence, which further strains their low incomes. It is likely that poverty among these groups is underestimated (MacInnes et al, 2014b) and many have faced higher living costs in recent years.” (Boardman et al, 2015).

The poverty premium and disability

Physical and mental disability

Disabled people face a significant **disability premium**, incurring unavoidable (and unique) additional costs – caused by inequality, rather than by disability itself – that substantially reduce their available income (Social Metrics Commission, 2018; John et al, 2019).

These costs relate to almost every facet of everyday life, from *“major expenditure on equipment essential for independence, to ongoing higher expenses for, for example, food, clothing, utilities and recreation”* (Smith et al, 2004), and are incurred in order for a disabled person or household to enjoy the same living standards as non-disabled people or households. Such costs may also account, to some degree, for the higher levels of material deprivation experienced by disabled families (when compared with non-disabled household with the same level of income) (Social Metrics Commission, 2018).

Many disabled families or families where a person suffers from long-term ill health receive benefits – including Disability Living Allowance for children (DLA); Personal Independence Payment (PIP, gradually replacing DLA for adults), and/or Attendance Allowance (AA) – to help cover these additional costs. However, it is important to note that disability benefits are often included in measures of net income but are not offset to account for the additional costs incurred by disabled families (which these benefits are intended to cover). This means that many disabled families can appear to have sufficient income to lift them out of poverty, even though in real terms this is not the case (Social Metrics Commission, 2018).

Scope’s *Disability Price Tag* research (John et al, 2019; Touchet and Morciano, 2019), which included secondary analysis of Family Resources Survey data,⁴⁶ estimates that **the average disabled person incurs additional costs of £583 per month** – and a fifth face additional costs of over £1,000 per month, even after receipt of disability benefits. The average additional

⁴⁶ Scope’s research is based on analysis of Family Resources Survey data, which covers people with a long-standing illness, disability or impairment which causes significant difficulty with day-to-day activities – i.e. everyone classified as disabled under the FRS definition would also be classified as disabled under the Equality Act 2010 definition.

costs for families with a disabled child were almost identical, though almost a quarter of these families face additional costs in excess of £1,000 per month.

Scope's research also takes into account the cost incurred by disabled people and their families who have been forced to '**go without**' as a consequence of being unable to meet their additional essential costs, which negatively impacts their quality of life. When faced with these decisions, it is perhaps unsurprising that disabled households are more likely than non-disabled households to have high levels of unsecured debt, and that disabled people have fewer savings and assets on average (John et al, 2019).

These disability cost premiums point to some key areas where disabled households in poverty are likely incurring **a range of poverty premiums** (and, in all cases, there may be the cost consequences associated with 'doing without'):

- **Insurance:** They may struggle to find affordable insurance, with over a quarter of disabled people feeling that they have been charged more for their insurance – or, in some cases, turned down – due to their disability.
- **Energy:** One third report that their disability has an impact on their energy costs – either through needing to use more heating to stay warm, or the cost of running assistive equipment. Concerningly, almost 4 in 10 (39 per cent) households in fuel poverty in England include a disabled person.
- **Public Transport:** Inaccessible public transport can leave disabled people with few options but to pay more to use taxis or private hire vehicles. They may also need to travel further afield to participate in inclusive activities or incur travel costs related to hospital visits (particularly for families with disabled children).

Mental health

In 2019, Citizens Advice cited mental health problems as the most common health issue among their clients, impacting 89,410 clients in 2018. Their **mental health premium** research (Rogers et al, 2019⁴⁷) – which is summarised in this section – shows that, where a person's ability to carry out daily activities is limited by their mental health, they can incur costs of around £90-£125 per month as a direct consequence of poor regulatory protections, inaccessible services and insufficient support. It is important to note that the findings in this section relate to people with diagnosed mental health problems generally, rather than people with mental health-related disabilities specifically.

People with poor mental health are more likely to incur substantial costs (and encounter barriers) in relation to choosing, using and paying for essential services (Rogers, et al, 2019; Holkar and Evans, 2017). Each year Citizens Advice estimates that:

- **Choosing services can cost people with mental health problems £360-540.** This can be due to: problems getting the right deals on mobile, broadband, savings and insurance; or signing up to poor-value credit.

⁴⁷ The analysis is based on two GB-wide surveys of people with diagnosed mental health problems. Some people with mental health problems are likely not represented by this data, as not all mental health problems are diagnosed.

- **Paying for services can cost people with mental health problems £280-£500.** This can include setting up a payment method, keeping track of bills and paying for them; all aspects of money management than can be made more difficult by poor mental health symptoms, and exacerbated by providers who have rigid systems and penalties in places.
- **Dealing with problems can cost people with mental health problems £460-£510.** Returns and complaints processes can be complex and inflexible, which places an unreasonable and disproportionate burden on those with mental health problems. Costs result from problems obtaining refunds or returning goods or – in some cases – not attempting a return in the first place.

These issues are compounded for people in poverty who have mental health impairments, and poverty premiums likely exist in the following areas:

- **Credit:** A quarter of people with mental health problems had used payday or pawnbroking loans at least twice in the last year, whereas only around 1 per cent of the UK population overall annually use either,⁴⁸ and almost a third had frequently used a credit card. Nearly half had gone into an agreed overdraft at least once in the last year, compared with an estimated 25 per cent of the UK population overall.⁴⁹ Of these, a third had used their overdraft on a monthly basis.
- **Essential services:** When choosing an essential service provider, people with mental health problems may have *“difficulty making decisions under pressure and problems with response inhibition can lead people to take out contracts that are unsuitable or unnecessary... In addition, problems with working memory can make comparing deals and switching much more difficult. Change aversion, which can be linked with anxiety and previous bad experiences with switching, exacerbates this. Of those with a contract in the relevant markets, 9 in 10 people with mental health problems are paying over the odds by staying past the end of their contract for broadband, mobile, home insurance or savings account”* (Rogers et al, 2019). This suggests that mental health poverty premiums may be incurred in relation to energy, insurance, mobile and broadband as well as higher-cost credit.

Like other protected characteristics groups, many people with severe mental health problems are simply forced to ‘**do without**’ services (only a third of people with severe mental health problems have home insurance, compared with, or a savings account, and a third do not have broadband), which can lead to further problems and premiums incurred as a consequence of not having services in place (e.g. lack of insurance to cover the cost of stolen items which could, in turn, lead to using higher-cost credit in order to replace them). In comparison, around three quarters of the population overall hold contents insurance,⁵⁰ although savings levels are broadly similar.⁵¹

⁴⁸ <https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf>

⁴⁹ Ibid

⁵⁰ https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2019_spread.pdf

⁵¹ <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1706-savings-evidence-review.pdf>

Drawing on its mental health premium research, Citizens Advice has in 2020 launched a campaign for regulators to implement cross-sector minimum support standards that those with mental health impairments should receive from their water, energy, telecoms and financial services providers (Citizens Advice, 2020), including standards related to:

- **Debt management;** providers should offer more tailored support and sufficiently early interventions.
- **Minimum disruption;** providers should adequately warn and support customers where there is planned energy or water outage.
- **Accessible service;** providers need to ensure customers can access a communications channel that they feel comfortable using.
- **Safety net;** it should be easier for customers to involve trusted third parties to manage their accounts and do so flexibly in order to adapt to fluctuating conditions.

Intersectionality of disability with other protected characteristics

A 2016 study examining the relationship between poverty and disability in the older population, and the additional costs incurred by older people with disabilities, highlights the higher rates of disability among older people (Hancock et al, 2016). There may be additional costs that are specific to older people with a physical (or indeed mental) disability.

Citizens Advice's mental health premium research suggests that day-to-day financial management is particularly difficult for those with poor mental health - but especially where poor mental health is combined with poverty, poor physical health, physical disabilities and experiencing other vulnerable circumstances (Citizens Advice, 2019).

2.

**SECONDARY
ANALYSIS OF
SURVEY DATA**

While the evidence review in Section 1 explored the links between protected characteristics and poverty, in this section we re-analyse survey data to see if there is any evidence that people with protected characteristics are more likely to incur different types of poverty premiums.

The data comes from two surveys, one conducted in 2016⁵² (n=947), and one in 2019⁵³ (n=1,000), which captured how low-income households paid for essential goods and services, in order to calculate the poverty premium. The survey data was collected from households whose income was below 70 per cent median income equivalised for household size, although there were notable differences between the sampling method – the data in 2019 was collected from people who used the charity Turn2Us, seeking help with income maximisation, while in 2016 it was collected from a nationally representative sample. As such, we cannot make comparison between years, but are exploring two separate data sets from low income households.

In both data sets, we have used the protected characteristics of age, sex, disability and race, as well as looking at single parenthood, and taking into account compounding factors such as digital capability and housing tenure. In this analysis, when considering age, we hold those under 35 to be young (in line with the regulation for Local Housing Allowance⁵⁴) and those over 65 to be old. Below, we report on any statistically significant differences (where $p < 0.05$).

ANALYSIS OVERVIEW

For both the 2016 and 2019 surveys we consider how each of the above protected groups experience the following premiums: domestic energy, insurance, and high-cost credit. A number of variables are used to describe each premium; for example, the domestic energy premium is based upon payment method for gas and electricity (separately), as well as whether the respondent had switched their energy supplier in the last two years.

To explore differences in the experience of premiums by protected characteristics, we first produce a series of cross-tabulations and identify significant differences between groups using a z-test of column proportions. We then perform binary logistic regression analysis for a number of key variables, which allows us to consider whether these relationships persist when controlling for other factors (age, sex, race, whether a lone parent household with children under 18, whether has a disability,⁵⁵ tenure and internet use).

⁵² Davies, S., Finney, A. and Hartfree, Y. (2016a) "Paying to be poor Uncovering the scale and nature of the poverty premium". Bristol: Oak Foundation

⁵³ Davies, S and Trend, L (2020). "[The poverty premium: A customer perspective](#)". Fair By Design. London

⁵⁴ https://england.shelter.org.uk/housing_advice/benefits/local_housing_allowance_lha_for_private_renters

⁵⁵ In the 2016 survey, respondents were only considered to have a disability if they 'were not in paid work because of a long-term illness or disability'; whereas in the 2019 survey, this was based on whether they consider themselves to have a disability.

THE DOMESTIC ENERGY PREMIUM

The poverty premium for domestic energy arises from the differences in the cost of gas or electricity dependent on payment method, such as by pre-payment meter (PPM), direct debit, or paying on receipt of bill, or on having switched to a better tariff.

Table 1 – 2016 Domestic Energy premiums

Premium type	Percentage of households incurring premium					
	<i>Average for all household types</i>	AGE - under 35	AGE – 65+	Lone parent	BAME	Disability
Standard billing - electricity	8	5	11	1	6	5
Standard billing - gas	7	7	11	4	13	6
Prepayment meter - electricity	32	36	16	61	31	60
Prepayment meter - gas	28	32	13	54	28	55
Not switched supplier within 2 years	73	68	84	70	71	75
<i>Base</i>	947	290	193	119	124	52

Table 2 – 2019 Domestic Energy premiums

Premium type	Percentage of households incurring premium					
	<i>Average for all household types</i>	AGE - under 35	AGE – 65+	Lone parent	BAME	Disability
Standard billing - electricity	9	8	8	8	15	8
Standard billing - gas	8	7	9	6	16	9
Prepayment meter - electricity	28	36	10	40	27	33
Prepayment meter - gas	25	32	10	35	23	27
Not switched supplier within 2 years	53	57	50	55	59	55
<i>Base</i>	1000	177	94	197	123	399

Age: In both 2016 and 2019, those over 65 were statistically more likely than those younger to pay for gas or electricity by direct debit, which is one of the more cost-effective ways of paying, and statically less likely to use a PPM. For those below retirement age, there were no statistically significant differences by payment method. In 2016 only, those under 35 were, perhaps surprisingly, more likely than the older groups to have never switched provider. They are likely to have spent less time in a position where they were responsible for paying bills, and are more likely to reside in a multi-occupant house, where they may be more barriers to switching. Those over 64, however, were more likely to have switched more than two years previously than those under 35, and those under 35 were more likely to have switched in the previous year than those over 65. In 2019, however there were no significant differences in likelihood to switch by age.

Sex: There were few differences by sex – because we asked about payment methods at a household level, it is not a particularly useful measure. However, lone parents were significantly more likely to incur a number of energy-related premiums than others. They

were significantly more likely to use a PPM, which, in 2016 in particular, resulted in a considerable premium; this premium was less pronounced in 2019, subsequent to the Prepayment Meter Price Cap (introduced in 2017).

Race: There was not a statistically significant difference in paying for electricity or gas between households of different ethnicity in 2016. However, in the 2019 survey, significant differences in paying for electricity were found. BAME people were more likely to pay on receipt of bill, and less likely to pay by direct debit. In 2019, those from a BAME background were significantly more likely to have never switched provider.

Disability: In both 2016 and 2019, there were significant differences in methods of paying for electricity between those with a disability and those without; those with disabilities were both less likely to pay by direct debit and more likely to use PPM, therefore paying more for this service.

Tenure: While tenure is obviously not a protected characteristic, those from BAME, younger people and those with a disability are more likely to live in rented accommodation, therefore worth exploring as a compounding factor in terms of incurring poverty premiums. In both 2016 and 2019, housing tenure made a significant difference to the extent to which households incurred the domestic energy poverty premium. Homeowners were more likely to pay by direct debit, and those in private rental or social housing were most likely to pay by PPM. Homeowners were also the least likely to have stayed with the same supplier.

We also used regression analysis to understand the impact of factors, once all other factors had been accounted for. In 2016, lone parents were nearly two and a half times more likely to pay by PPM than (O/R=2.48, p=0.00) than non-lone parents, but this likelihood was not present in 2019. The opposite applied to those with disabilities; in 2016, they were no more likely to pay by PPM, but were significantly more likely to do so in 2019. (O/R=1.56, p= 0.01). Social tenants were significantly more likely than either private renters or homeowners to use PPMs in both surveys.

Digital capability appeared to be the key driver of switching behaviour. Once all other factors are accounted for, in 2016, the only group significantly more likely to have switched gas or electricity supplier in the previous two years (O/R=1.75, p=0.00) were those who had bought goods or services over the internet in the previous 3 months. They were also more likely in 2019 (O/R 0.54, p=0.00 for non-internet users) along with homeowners (O/R=1.5, p=.0.02)).

THE INSURANCE PREMIUM

The insurance poverty premium is, in some ways, more complicated than other premiums, as a range of different factors contribute to it; the geographical element that means those in more deprived areas pay more for the same cover on motor or contents insurance, the extra costs of spreading payments for insurance, as well as the higher costs of insuring individual items. However, there is also a risk that comes with lack of insurance, and many did not have content cover, for example (Davies et al, 2016).

Table 3 – 2016 insurance premiums

Premium type	Percentage of households incurring premium					
	Average for all household types	AGE - under 35	AGE – 65+	Lone parent	BAME	Disability
Home contents insurance	52	34	77	34	32	32
Home contents - monthly payments	32	18	40	26	18	11
Car insurance	52	43	57	38	42	34
Car insurance - monthly payments	31	29	24	26	27	25
Household appliance insurance	13	15	12	15	9	10
Mobile phone insurance	16	26	7	15	13	11
<i>Base</i>	947	290	193	119	124	52

Table 4 – 2019 insurance premiums

Premium type	Percentage of households incurring premium					
	Average for all household types	AGE - under 35	AGE – 65+	Lone parent	BAME	Disability
Home contents insurance	44	22	61	31	29	43
Home contents - monthly payments	29	18	28	23	16	32
Car insurance	44	32	53	38	33	45
Car insurance - monthly payments	28	24	21	29	20	29
Household appliance insurance	8	8	7	6	8	9
Mobile phone insurance	11	12	10	10	11	9
<i>Base</i>	1000	177	94	197	123	399

In both 2016 and 2019, **lone parents, BAME respondents, those with disabilities, and young people** were all significantly less likely to have motor, buildings and contents insurance than those not in those groups. As a consequence, the poverty premium for insurance will likely be lower, but this exclusion from the insurance market may have detrimental effects in some cases. However, among those who held these insurances, there were no significant differences in the way they were paid for them. The only exception to this was among the over 65 group, who were significantly more likely than those younger to pay annually upfront. Homeowners, and the digitally included were more likely to hold insurance for individual items, but there were few other differences by protected characteristic.

In terms of likelihood to pay for motor insurance annually, once other factors were accounted for, there were a number of significant differences. In 2016, those under 35 were just under half as likely to pay annually as other working-age respondents (O/R=0.53, p=0.03). Men were more likely than women to pay up front (O/R=1.7, p=0.00), and homeowners were more likely to do so than renters (O/R=2.4, p=0.00). In 2019, only homeowners were vastly more likely than renters to pay upfront (O/R=3.24, P= 0.00) and those over retirement age,

who were nearly three times as likely to pay annually than those of working age (O/R=2.8, p=0.00).

HIGH-COST CREDIT PREMIUM

This premium consists of use of any type of high-cost credit (HCC), on the assumption that this would usually only be used when mainstream credit wasn't appropriate or accessible. Indeed, in 2019, when we also asked about use of mainstream credit, more of the low-income respondents has used mainstream credit than HCC (52% had used some form of credit in the previous 12months).

Table 5 – 2016 high cost credit premiums

Premium type	Percentage of households incurring premium					
	Average for all household types	AGE - under 35	AGE – 65+	Lone parent	BAME	Disability
Access to cash:						
Fee-charging ATM	27	44	4	38	25	24
Pre-paid card fees	3	6	1	3	4	3
High cost credit:	16	19	7	30	9	18
Rent to own	2	4	*	4	0	4
Payday loan	1	2	*	2	2	2
Home collection loan	3	4	1	9	1	9
Pawnbroking loan	0	1	*	2	1	0
Subprime personal loan	1	2	>1	3	1	1
Subprime credit card	4	5	3	0	3	0
Mail order catalogues	6	5	4	7	3	7
<i>Base</i>	947	290	193	119	124	52

Table 6 – 2019 high cost credit premiums

Premium type	Percentage of households incurring premium					
	Average for all household types	AGE - under 35	AGE – 65+	Lone parent	BME	Disability
Access to cash:						
Fee-charging ATM	25	59	25	56	42	41
Pre-paid card fees	4	3	3	2	4	5
High cost credit:	28	29	19	32	24	32
Rent to own	2	3	1	5	1	2
Payday loan	4	7	*	1	3	3
Home collection loan	4	5	2	9	2	3
Pawnbroking loan	2	2	*	3	2	3
Subprime personal loan	6	10	1	6	4	6
Subprime credit card	12	10	4	9	9	12
Mail order catalogues	10	7	9	10	7	11
Christmas hamper scheme	1	2	2	2	2	2
<i>Base</i>	1,000	177	94	197	123	399

Age: In 2016 and 2019, those under 35 were more likely to have used a pre-paid card, and were more likely to have paid to access cash, and in 2019 were more likely to have taken out a payday loan. Those over 65 were more likely not to have used any form of HCC in both surveys.

Sex: In both 2016 and 2019, lone parents were more likely to have used some form of HCC, and to have paid to access cash. They were also specifically more likely to have used home collected loans. In 2016, lone parents had higher usage of pawnbroker loans and in 2019, of buying through a rent-to-own contract.

Disability and Race: There was little difference between those with disabilities and those without in terms of credit use, in both 2016 and 2019. No clear pattern emerged for BAME respondents; they were less likely than those from white backgrounds to have used any form of HCC in 2016, but in 2019, there were no significant differences between ethnicities.

Accounting for other factors, we found differences in likelihood of having used high-cost credit. Those 65 and over were much *less likely* than those of working age (2016: O/R =0.47, p= 0.03. 2019: O/R=0.52, p= 0.03), as were homeowners (2016: O/R =0.58, p= 0.03. 2019: O/R=0.46, p= 0.00). In 2016, lone parents were nearly twice as likely as those who weren't to have used HCC (O/R = 1.99, p= 0.01), while in 2019 those with a disability were more than half as likely again as those who did not have a disability (O/R=1.67, p= 0.00). In both surveys, those who were internet users were significantly less likely than low or non-users to have taken out credit.

In terms of paying to withdraw cash, once other factors are accounted for, young people are significantly more likely than others to have done so, and pensioners significantly less likely. In 2019, Tischer et al found that in Bristol there were more ATMs, both free and fee-charging in areas with a higher percentage of young people. In both the 2016 and 2019 surveys, tenure also impacted on likelihood of paying to access cash; In 2016, those in private rental were more likely than social renters to have done so (O/R=1.6, p= 0.03), conversely, homeowners were less likely than social renters to have done so in 2019 (O/R=0.56, p=0.00). This may reflect the demographics of the particular neighbourhoods where each of these tenure types are more common.

COMPOUNDING FACTORS

Tenure

The correlation between tenure and propensity to incur poverty premiums is apparent in the above analysis, as well as in the literature review. Households in poverty are more likely to be renting than higher income households, but even among those in poverty, certain households are more likely than others. As already noted, young people and those in BAME household are more likely to be renting, as were pensioners who were in poverty.

Accounting for other factors, in 2016 those under 35 were over three times as likely to live in private or social rented accommodation (O/R=3.9, p=0.00) compared with other working age

households, whereas those over 65 were less than half as likely to (O/R=0.4, p=0.00). Lone parents were over twice as likely to be renting (O/R=2.7 p=0.00) and those with a disability were over 6 times as likely as those without (O/R=6.6, p=0.00).

In the 2019 survey data, there were fewer differences, but still those under 35 were more likely to be in rental accommodation (O/R=1.78, p=0.01) as well as lone parents (O/R=1.64, p=0.02).

Digital Capability

Digital capability can impact on the ability of individuals to access ‘the best deals’ and avoid poverty premium. Evidence suggests that there is a connection between lack of digital capability, poverty and certain protected characteristics. In Scotland (Martin et al, 2016) while overall 80% of households had access to the internet, it was lower in:

- The 20% most deprived areas: 69% had access
- Social rented housing: 61% had access
- Households with low income
 - less than £6,000 pa: 60% has access
 - between £6,001 and £10,000 pa: 51% had access

In terms of using the internet, those over 75 were the least likely to use the internet, with almost three quarters not using it., compared with 17% overall. Others less likely to use the internet were those in social rented housing (31%), those 60-74 (34%) and adults with low income ((28% in households with income less than £6,000 pa, 40% in households with between £6,001 and £10,000 pa) (*ibid*). In 2017 in the UK overall, over half of adult internet non-users were over 75 years of age (ONS 2019). 56% of adult internet non-users were disabled, much higher than the proportion of disabled adults in the UK population as a whole. IN 2011, there had been disparities among ethnic groups in terms of internet usage, however, these has largely disappeared by 2018 (*ibid*). Christiansgainst Poverty (2017) also found that their clients were twice as likely to be unable to access to the internet home (22% cf. 11% estimated in UK households overall). Overall, the elderly and those with disabilities may be disadvantaged through lower internet engagement.

Digital capability can impact on the ability of individuals to access ‘the best deals’ and avoid poverty premium. In 2016, those over 65 were considerably less likely than those of working age to have used the internet to buy goods or services in the previous 3 months (O/R=0.18, p= 0.00), as were those with a disability (O/R=0.32, p= 0.00). Those over 65 were also less likely in 2019 (O/R=0.62, p= 0.01). Interestingly, once other factors were accounted for both homeowners and private renters were nearly twice as likely as social renters to have purchases goods or services over the internet.

3. THE ROLE OF PROTECTED CHARACTERISTICS IN THE RISK OF POVERTY PREMIUMS

On balance, the evidence does suggest that certain groups with protected characteristics are more likely to incur poverty premiums, compared with low income households as a whole. In this final section we draw together the key findings from our evidence review and secondary data analysis.

Table 7 – Higher risk of poverty premium by protected characteristics (*based on survey and evidence review*)

	RACE	SEX (Lone parents)	AGE Under 35s	AGE 65+	DISABILITY
<i>Non-standard payment methods (energy)</i>	✓	✓	✓		✓
<i>Costly tariffs (energy)</i>			✓	[✓]*	
<i>Geographical based premium</i>	✓				
<i>Risk of underinsurance</i>	✓	✓	✓		✓
<i>High cost credit premium</i>		✓	✓		

* evidence on connection is weak

In terms of poverty premiums related to **domestic energy**, a few differences have emerged. From the survey data, people who are from **BAME backgrounds** are less likely to pay for their gas and electricity in the most cost-effective way – but rather use payment methods that allow them to keep tight control over the amount they spend (Finney and Hayes, 2015). While recent price caps enacted by Ofgem have reduced the differential between tariffs, a small poverty premium remains for those with PPMs, or who pay on receipt of bill. The increase in zero-hour contracts, and self-employment has increased the likelihood of insecure incomes and these forms of low paid employment are particularly common among BAME households (TUC 2017). Recent research found payment methods to be a contributory factor to the poverty premium paid by low income BAME households with insecure incomes (Davies and Trend, 2020).

“[We pay] quarterly because of our income, we can’t pay with direct debit... Because we don’t have the same income every month.” (ibid p.20)

Single parents (typically women) were found to be more likely to pay for energy using a pre-payment meter (PPM) in the surveys, possibly because PPMs are more common in rented housing, but again also as a means of controlling small budgets (see Save the Children, 2010; Toynbee Hall, 2014, Davies et al 2016). While targeted price caps have demonstrably decreased the energy poverty premium, the cheapest tariffs are still only available to those who switch online and pay by direct debit (Davies and Trend, 2020). This continues to disadvantage single parents and BAME people, as well as those with less digital capability and renters, both traits that are associated with people who have protected characteristics.

Those with **disabilities** are also more likely to pay for energy through nonstandard payment methods

Based on the survey data, the risk of incurring **insurance-based poverty premiums** seems to be lower among people with protected characteristics, **because people from BAME groups, single parents, young people and people with disabilities are *less likely* to hold any insurance.** Being uninsured may of course lead to worse detriment and the reasons why some groups are more likely to avoid insurance than others needs to be explored further. While it may stem from a perceived lack of need, or from a lack suitable products (Save the Children, 2007, WPI Economics 2019) increasingly the decision appears to be related to the financial difficulties faced by people living in poverty (Davies and Trend, 2020).

The **area-based premiums** seen in relation to motor insurance and building or contents insurance seem likely to impact heaviest on **BAME groups**. Many non-white ethnic groups have a higher likelihood of living in more deprived areas, and this factor increases the cost of motor insurance enormously (Davies et al, 2016) and the differential is increasing over time (Davies and Trend, 2020). While the issue of race discrimination has already been raised with the FCA,⁵⁶ there may need for further discussion on the extent to which area-based pricing is inherently unfair.

High-cost credit poverty premiums are also more prevalent among some low-income households than others. The survey data found that single parents are much more likely to have used some form of high-cost credit as a result of low incomes, as well as being more likely to have paid to access cash. Previous research suggests that mothers turn to high cost credit to keep their household going, whether this means replacing broken white goods, or making sure their children do not miss out (Davies and Trend, 2020). For many, it may simply not be possible to access less costly borrowing from a commercial lender (PFRC, 2013; Collard and Kempson, 2003a/b), as one young mother noted:

“They prey on people they know that have got low credit scores and the only way they can get credit or can get money is through these companies because they charge so extortionate rates.” (Davies and Trend, 2020 p. 29)

Young people are the other group from the survey data more likely to be paying the high-cost credit poverty premium or paying to access cash – because they tend to be in low paid jobs with irregular pay (TUC 2018), and have higher housing costs (Resolution Foundation, 2019b). As with single mothers, young people may face their own barriers to accessing affordable credit – such as thin credit files. Wider evidence suggests that those with mental health issues are more likely than average to use high cost credit as well.

The role of **housing tenure** in creating or facilitating poverty premiums is one that needs further exploration. People living in rented accommodation may have less control over their energy provider (Davies and Trend, 2020 p. 27); renting may negatively impact credit scores affecting the cost and quality of credit they can access, as may multiple moves; and renters

⁵⁶ <https://www.theguardian.com/money/2018/oct/31/insurance-regulator-look-possible-racial-bias-financial-conduct-authority>

are more likely to live in deprived neighbourhoods. All of these may increase the likelihood of someone in poverty experiencing poverty premiums.

Finally, in this report, we have looked at each group individually to better understand how their particular experience of poverty may lead to a higher incidence of one poverty premium or another. However, that so many of those who have protected characteristics have a higher chance of being in poverty suggests that broader discrimination and socio-economic circumstances are interwoven; **the impact of inequality almost inevitably leads to a higher likelihood of poverty and the poverty premium.** This is particularly noticeable for those who have intersectional characteristics, who are the most vulnerable to both poverty and poverty premiums.

Our findings, therefore, suggest that returning to the original intention of the Equality Act 2010⁵⁷ – in the need to attend to socio-economic inequalities as much as personal ones – would help guide regulators, the Competition and Markets Authority, and other public bodies such as HM Treasury and the Department of Business, Energy and Industrial Strategy to act in a way that would help reduce the poverty premium for those who are covered by the act. The enforcement of Part One of the Equality Act (2010) along with Section 14 of the Act⁵⁸, recognising intersectional disadvantage, would help to address many of the inequalities detailed above. In the absence of a legal obligation, however, there is no reason why regulators and public bodies cannot move towards respecting these principles regardless. In light of the inequality laid bare by COVID, this should be the opportunity to start taking measures to address this wherever possible

⁵⁷ Part 1 of the Equality Act required consideration to be given to the reduction socio-economic inequality, however, this was not enforced as part of the Act

⁵⁸ Section 14 covered combined discrimination of two relevant protected characteristics but was also not enforced.

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