



MONEY AND
MENTAL HEALTH
POLICY INSTITUTE



INCOME IN CRISIS

How the pandemic has affected the living standards of people with mental health problems

Nikki Bond and Conor D'Arcy

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Executive summary

The Mental Health and Income Commission

- This is the first paper published as part of the Mental Health and Income Commission, a major new project from Money and Mental Health exploring the links between mental health problems and the money people receive through work, benefits or other sources
- The spread of coronavirus has made these connections all the more pressing, with the earning power of millions damaged and the state safety net more crucial than ever.

Many people with mental health problems entered the crisis in a precarious position

- The crisis has affected the finances of millions of people in the UK but, for many people with mental health problems, issues with income pre-date the current moment
- New polling for this report finds those who have experienced mental health problems have a lower average income than those who have never had a mental health problem. Half (49%) of people who have had a mental health problem have a gross annual household income of £28,000 or less, compared to one-third (34%) of those who have never had mental health problems
- This lower average income appears to translate into increased financial fragility. If they were to lose their main source of income, 29% of people with experience of mental health problems say they couldn't make ends meet for longer than a month, twice the proportion among those who have never experienced a mental health problem (14%).

The crisis has hit people with mental health problems

- Nearly two in five (38%) people with experience of mental health problems report that their income has dropped as a direct result of the pandemic, with 15% saying it has dropped a lot

- Symptoms of common mental health problems make adjusting to an income drop even harder. Reduced planning and problem-solving skills can mean prioritising which bills to pay is a challenge, while anxiety and difficulties communicating can lead to trouble in accessing help.

The government has offered support, but people are still facing tough decisions

- Steps taken by the government and regulators have helped those struggling. Nearly one in five (18%) respondents who have experienced a mental health problem have been furloughed. Protection against debt collection in housing, consumer credit, council tax, essential services and DWP overpayments has also been introduced
- But for many of those negatively affected by the crisis, difficult choices have been required. Cutting back on luxuries and drawing upon savings have been the most common actions taken by those whose income has fallen. But among those with experience of mental health problems, nearly one in three (31%) have spent less on essentials like food or heating while one in ten (10%) have missed a debt repayment
- Respondents told us how taking these steps had negatively affected their mental health, with increased anxiety widespread.

Recommendations

The government should:

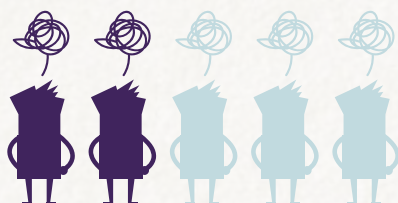
- Closely monitor the impact of increased employer contributions to the Coronavirus Job Retention Scheme as they are introduced, including any disproportionate negative impacts on workers with mental health problems
- For at least the duration of the crisis, convert Universal Credit advances from loans to grants, to prevent a large increase in debt for already financially fragile households.
- Restore equity to the benefits system by extending the increase in the generosity of Universal Credit to other benefits.

Local authorities and other creditors should:

- Proactively contact customers in arrears with signposting for money and debt advice
- Ensure collections staff are given guidance on the difficulties people with mental health problems face in managing money and communicating with their creditors.

Nearly

25 in 5



people who've been affected by mental health problems have had a drop in income due to the pandemic...

...and

13 in 3



of those have cut back on essentials such as food and heating as a result



On average, annual income for people with experience of mental health problems is

£5,700

lower than for the rest of the population

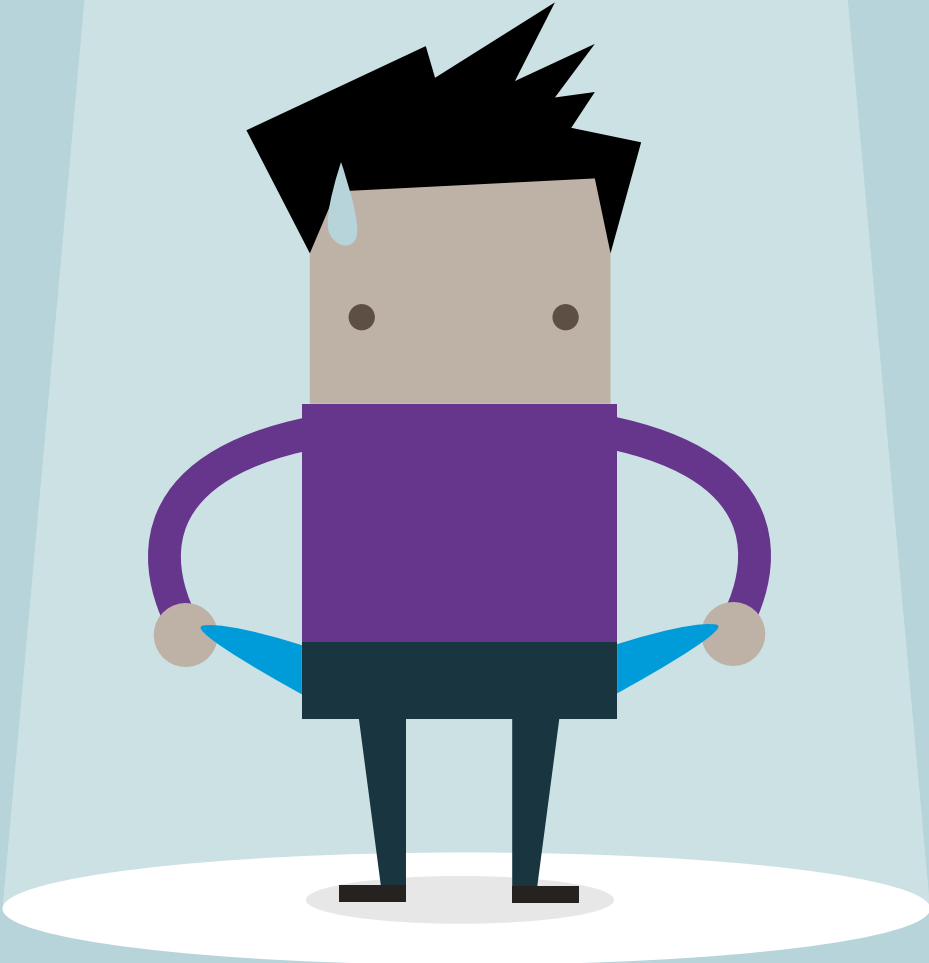


People who've experienced mental health problems would be

3x



more likely to run out of money within a week if they lost their main source of income



Introduction: Mental health and income

– a new light on an old problem

The pandemic has raised pre-existing problems up the agenda

For most of us, our income determines our standard of living. Whether it comes from employment, social security or a combination of sources, a reliable and sufficient inflow of money allows families to live today and plan for tomorrow. The opposite, unfortunately, also applies. When wages or benefit payments are disrupted or reduced, people can quickly face difficult trade-offs, throwing daily life and future aspirations off course.

For people with mental health problems, disruptions to income can be even more damaging. Previous Money and Mental Health research has underlined just how interwoven our financial circumstances and mental health are. The stress and anxiety that often accompany money problems can have an adverse impact on our mental health, while the cognitive and psychological difficulties associated with poor mental health can hinder our ability to manage our finances.¹

The coronavirus crisis has brought these twinned issues into the spotlight. With entire sectors of the economy shuttered, the government has taken unprecedented steps to protect living standards. In an effort to save jobs, 8.7 million employees have been furloughed, having the bulk of their wages paid through the government's Coronavirus Job Retention Scheme (CJRS).² Despite this, the Department for Work and Pensions (DWP) has received 2.9 million new claims for Universal Credit (UC).³

While this support has helped insulate those affected, many will nonetheless have faced a drop in their income. As a result, some households have already been forced into difficult decisions.

The mental health consequences of the pandemic are less straightforward to quantify than the personal finance impact, but are no less striking. The need for social distancing has led to face-to-face mental health services being delivered online or over the phone, or cancelled. Changes to everyday life have also strained the nation's mental health.⁴ Going out for a walk, volunteering or meeting up with friends can all be vital coping strategies but have become harder or impossible to do.

"I have thought of suicide everyday for the five weeks I have been in isolation. My trauma was isolation and abuse so lots of things health wise have gotten worse."

Expert by experience

"When I hear voices I cannot go outside to escape them."

Expert by experience

1. Holkar M and Mackenzie P. Money and your mind. Money and Mental Health Policy Institute. 2016.

2. Gov.UK. HMRC coronavirus (COVID-19) statistics June 2020. 2020.

3. Gov.UK. Universal Credit declarations (claims) and advances: management information. 2020.

4. Cowan K. Survey results: Understanding people's concerns about the mental health impacts of the COVID-19 pandemic. MQ: Transforming Mental Health and the Academy of Medical Sciences. 2020.

The Mental Health and Income Commission

For all that the current crisis presents new challenges on money and mental health, it has also served to highlight longstanding inequalities. People experiencing mental health problems are less likely to be in paid employment.⁵ Those who are overrepresented in high turnover, low paid, part time or temporary work.⁶ While the flexibility often available in such roles can help people balance their health needs, insecure, low-wage jobs can leave us more exposed to economic shocks.

For those unable to work due to their mental health, the benefits system acts as a safety net. The recent boost in the generosity of UC will have improved the living standards of many claimants. But this rise comes after years of working-age benefits being frozen, making it difficult to make ends meet or to build a 'rainy day fund', and has not been extended to other benefits such as Employment and Support Allowance.

This paper is the first of a series on the links between mental health and income. The key question this series seeks to address is: how well does the UK's labour market and social security system meet the needs of people with mental health problems, considering both their regular standard of living and how shielded they are from shocks?

This first paper takes the current crisis as an important milestone in that story. It addresses how people with mental health problems have been affected so far by the crisis.

To do that, we use two key sources:

- A nationally representative poll of 2,096 people aged 18 and over, conducted 7-10 May and carried out by Populus. Our findings split that population into those respondents who have ever experienced mental health problems (32%) and those who have not (61%)⁷
- Two surveys – one each in April and May – with the Money and Mental Health Research Community, a group of 5,000 people with lived experience of mental health problems, who are at the heart of everything we do. These surveys, covering 570 participants in April and 312 participants in May, provide rich details of how the unfolding crisis is affecting people's mental health and finances.

Further details on the methodology are provided in Annex A.

5. Farmer P and Stevenson D. Thriving at work: The Stevenson/Farmer review of mental health and employers. 2017.

6. The Mental Health Taskforce. The Five Year Forward View for Mental Health. 2016.

7. Of the remaining respondents, 4% said they preferred not to answer and 3% did not know. Among those who had ever experienced a mental health problem, 59% had done so within the last 24 months with 41% having experienced a mental health problem more than 24 months ago.

This report will be part of the findings drawn upon by a panel of commissioners, comprised of leaders from business, unions, politics, academia and the third sector. Over 2020, the Mental Health and Income Commission will evaluate the evidence on these issues and set out what a better system would look like for those with mental health problems.

The rest of this paper is structured as follows:

- **Section one** explores the financial position of people with mental health problems before the crisis
- **Section two** turns to how the crisis has affected the incomes of people with mental health problems
- **Section three** investigates how those affected have responded to a drop in their income
- **Section four** addresses the future of support for those dealing with a lower income as a result of the crisis and sets out the next steps for the Mental Health and Income Commission.



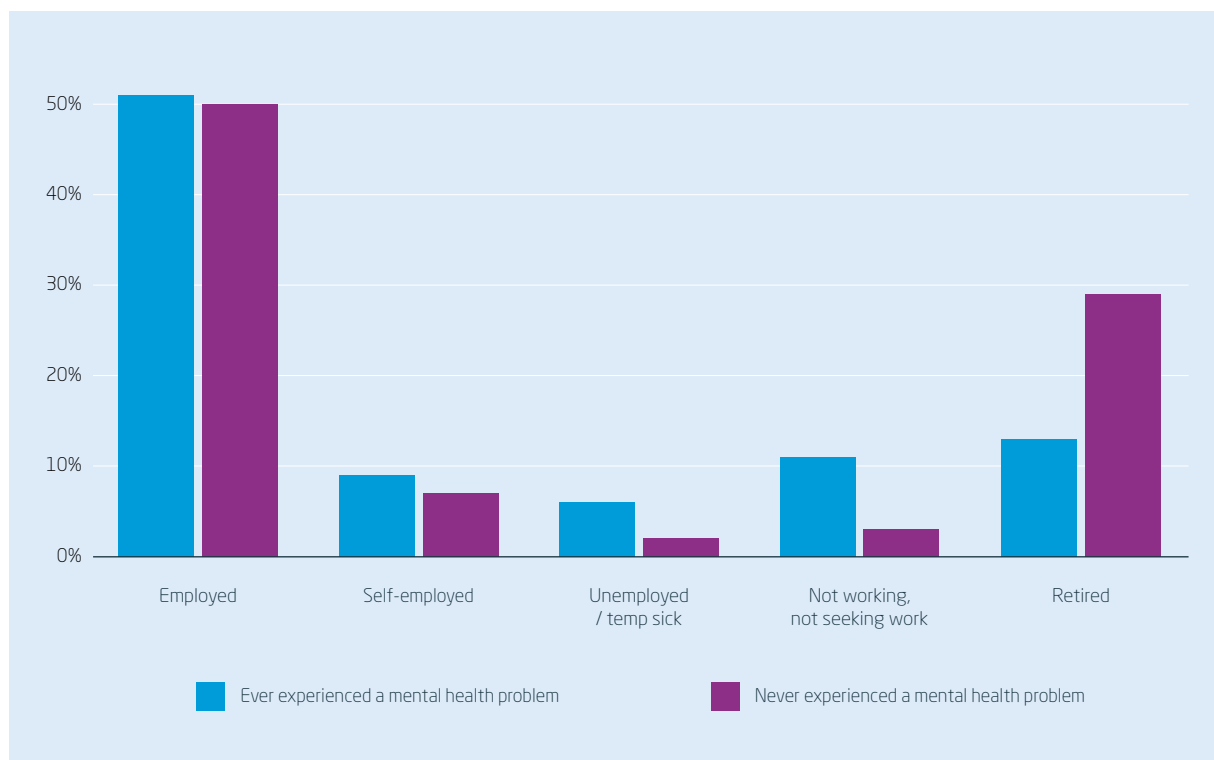
Section one: Incomes and savings before the crisis

1.1 Employment status and income

The pandemic has rapidly transformed daily life in the UK. But the longer-term story of how families were faring *before* March is crucial to understanding what has happened since the onset of the crisis.

As Figure 1 illustrates, the majority of each group – those who have and have not experienced a mental health problem – were in work before any changes related to coronavirus.

Figure 1: Employment status by mental health, before the crisis



Source: Money and Mental Health analysis of Populus online survey of 2,096 people, carried out 7-10 May 2020. Data is weighted to be nationally representative. Not included in the chart are respondents who described themselves as a student or a house person, housewife or househusband.

Among those not in work, prior to the crisis one in six (17%) people with experience of mental health problems were either unemployed, temporarily unable to work due to ill health or not seeking work, compared to 5% of those who have never had a mental health

problem. Retirees account for 29% of those who reported they had never had a mental health problem, versus 13% of those with experience of a mental health problem.

Older people make up a larger share of those who have never experienced a mental health problem⁸, and those aged 65 and over have lower incomes on average than younger respondents. Despite this, people with experience of mental health problems have lower average incomes.

Among polling respondents with experience of mental health problems, the average annual household income before tax is £30,000, more than £5,000 less than the

average for those who have never experienced mental health problems (£35,700).

Moving beyond averages, Figure 2 shows that people with experience of mental health problems are overrepresented in the lower income brackets. Half (49%) have pre-tax annual household incomes of £28,000 or less, compared to one-third (34%) of those who have never had mental health problems.

Figure 2: Gross annual household income by mental health



Source: Money and Mental Health analysis of Populus online survey of 2,096 people, carried out 7-10 May 2020. Data is weighted to be nationally representative. Not included in the chart are 11% of those who had experienced mental health problems and 13% of those who had not experienced mental health problems that responded “Prefer not to say”.

8. The polling carried out for this report finds that 15% of those aged 65 and over report ever having had a mental problem, whereas for younger cohorts this proportion varies from 32%-43%..

To better understand how employment and income interact with people's mental health, we explored these issues further with our Research Community. Respondents to our survey had lower average incomes than participants in the national polling, with nearly two in five (38%) estimating their average household monthly income to be less than £1000.⁹ While being unable to work due to ill health appeared to be an important contributor to this, mental health problems were raised by some of those in employment as a limiting factor on their earning power.

"I had to reduce my hours from 37.5 down to 30 as I couldn't cope working full time. My budget was very tight because of the reduction in wages. I've been furloughed now and only receiving 80% of my wages is going to put me into debt which is a worry."

Expert by experience

Our national polling supported this, with those with experience of mental health problems a little more likely to be working part-time (25% of those in employment) when compared to those without a mental health problem (19%).

1.2 Financial precarity and savings

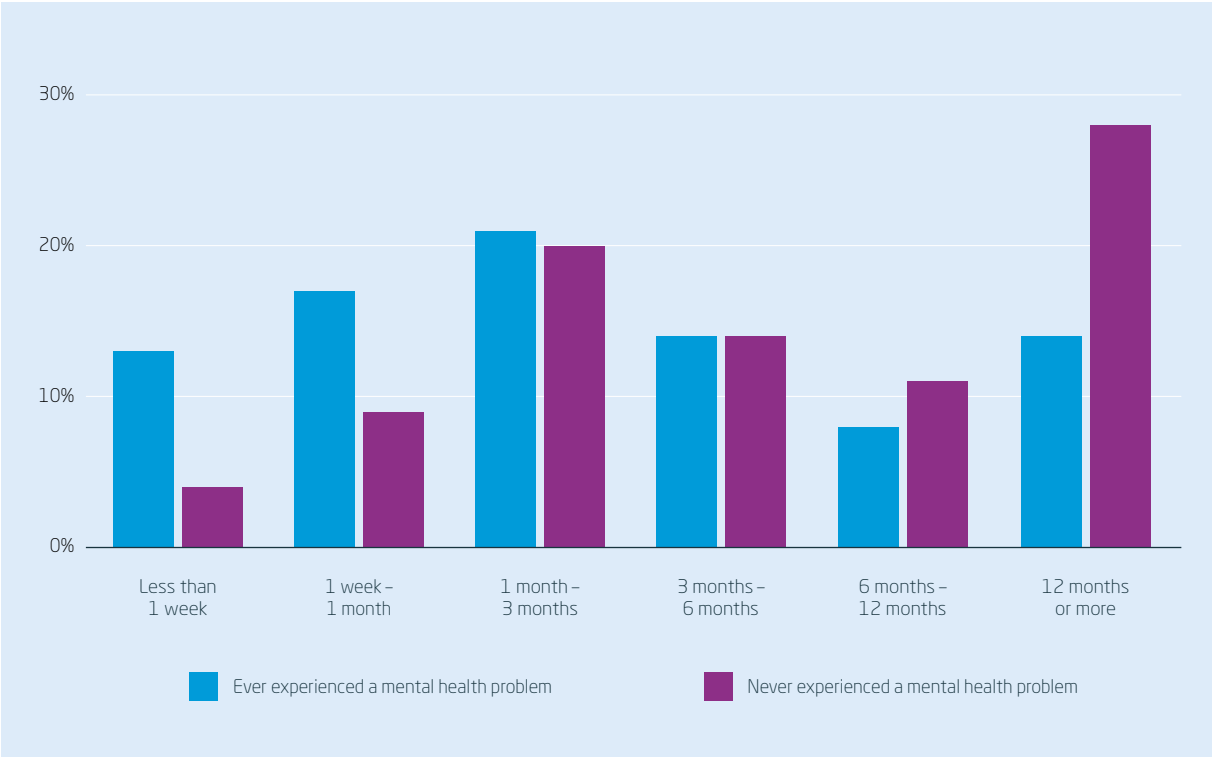
Beyond meeting day-to-day expenses, having a sufficient income also allows people to build savings to turn to in an emergency. To examine whether lower average incomes translate into higher precarity for those with mental health problems, respondents to our national polling were asked for how long they would be able to make ends meet – paying for bills and essential outgoings – if their household lost its main source of income.

As Figure 3 shows, precarity was higher for people with mental health problems. Among those who had experienced a mental health problem, three in ten (29%) said they could only make ends meet for less than a month. This was double the proportion among those who had never had a mental health problem (14%).¹⁰ Focusing in on the most economically fragile group, 13% of those who have ever experienced a mental health problem could not make ends meet for even one week, three times the share of those who have never experienced a mental health problem (4%).

9. Money and Mental Health Survey. Base for this question: 490 people with lived experience of mental health problems.

10. Restricting this analysis solely to those aged 18-64, the picture remains much the same, with 32% of those who have ever had a mental health problem only able to make ends meet for a month or less, versus 16% for those without a mental health problem.

Figure 3: How long households could make ends meet without their main source of income by mental health



Source: Money and Mental Health analysis of Populus online survey of 2,096 people, carried out 7-10 May 2020. Data is weighted to be nationally representative.

When we raised ongoing financial difficulty with our Research Community respondents, the picture painted was one of deep financial insecurity, as Figure 4 highlights. Over a third (37%) disagreed that their income was usually enough to meet the costs of their everyday outgoings,¹¹ and over two-thirds (69%)

reported they could not afford to regularly save.¹² Perhaps unsurprisingly given this, more than one in three (37%) agreed they often need to borrow money or use credit to pay for everyday outgoings.¹³ This was a source of ongoing anxiety for many Research Community respondents.

Figure 4: Research Community participants' experiences of their household finances over the past year



Source: Money and Mental Health Survey. Base varies by question from 483 to 511 people with lived experience of mental health problems.

11. Money and Mental Health Survey. Base for this question: 511 people with lived experience of mental health problems.

12. Money and Mental Health Survey. Base for this question: 489 people with lived experience of mental health problems.

13. Money and Mental Health Survey. Base for this question: 483 people with lived experience of mental health problems.

"I am worried about money constantly. Always checking my bank balance, calculating if I have enough to cover bills etc. It's taxing and I am mentally exhausted."

Expert by experience

"The very tight financial budgetary constraints in which I am working are an additional, significant stressor (in addition to my existing mental health challenges). Any sudden, unexpected emergency expense would be catastrophic (as it has been since I registered for Universal Credit)."

Expert by experience

Summary

- Those who have experienced mental health problems have lower average incomes. Half of people who have had a mental health problem have a gross annual household income of £28,000 or less, versus just one in three of those who have never had mental health problems
- People with experience of mental health problems appear more financially fragile. If they were to lose their main source of income, 29% of people with experience of mental health problems say they couldn't make ends meet for longer than a month, twice the proportion among those who have never experienced a mental health problem
- Life on a low income and with limited savings is a source of ongoing anxiety for many people with mental health problems and can exacerbate their conditions.



Section two: The impact of the crisis on people with mental health problems

2.1 The impact of the crisis on employment and income

Having developed a picture of income and savings before the crisis, we now turn to how those with mental health problems have been affected since. In our national polling, we asked respondents what their current employment status was, given any changes related to coronavirus.

In most respects, people's mental health does not appear to be influencing their likelihood of being furloughed, facing pay cuts or being made redundant. Almost one in five (18%) people polled who had experienced a mental health problem reported being furloughed, having had their hours reduced or being placed on an imposed temporary leave of absence. This was similar (19%) for people without mental health problems, and broadly in line with the share of the total employee workforce furloughed at the time.¹⁴

Beyond this group that had been furloughed or faced reduced hours or pay, the share of people who were not working rose slightly. As Figure 1 showed, before the crisis 17% of those who had ever had a mental health problem were neither working nor retired (5% of those without mental health problems). Taking into account any changes since the spread of coronavirus, those proportions had risen to 21% and 8% respectively.

In many respects, these findings suggest the government's support for employers and employees is having the desired effect. There has been an increase in the proportion of people not in work but a much larger proportion have been furloughed. But while

the government's support means the earnings of furloughed employees have not plunged, adjusting to a 20% drop in income is still likely to prove challenging.

"20% may not seem a lot to some, but when you're living on the edge all the time it just constantly plays with your mindset."

Expert by experience

Despite the CJRS, layoffs have occurred and will be a worry for many workers as the crisis unfolds. A small number of Research Community respondents reported they had been made redundant. Being laid off can, unsurprisingly, have potentially devastating impacts on people's incomes and mental health.

"My local authority employer ended my fixed term contract on 30th April instead of putting me on furlough and as a result, I had a major set back in my mental health, I was having daily panic attacks and ended up back on antidepressants last week."

Expert by experience

People in this scenario are often faced with having to apply for UC while seeking new employment in a heavily restricted labour market. On the whole, recent claimants report being broadly satisfied with the services they have received.¹⁵

14. Gov.UK. HMRC coronavirus (COVID-19) statistics. 2020.

15. Brewer M and Handscomb K. This time is different – Universal Credit's first recession. Resolution Foundation. 2020.

"The experience applying [for UC] was relatively painless, slight delay, but I was contacted by my local job centre and approved. I'm now waiting to receive my first payment."

Expert by experience

For others, however, the wait for UC to be paid has been more challenging.

"I applied for Universal Credit as a back-up while I waited to hear about furlough. They were so slow. I was without any income for 7 weeks, and that was very difficult, including mentally and emotionally. I felt like I was forgotten."

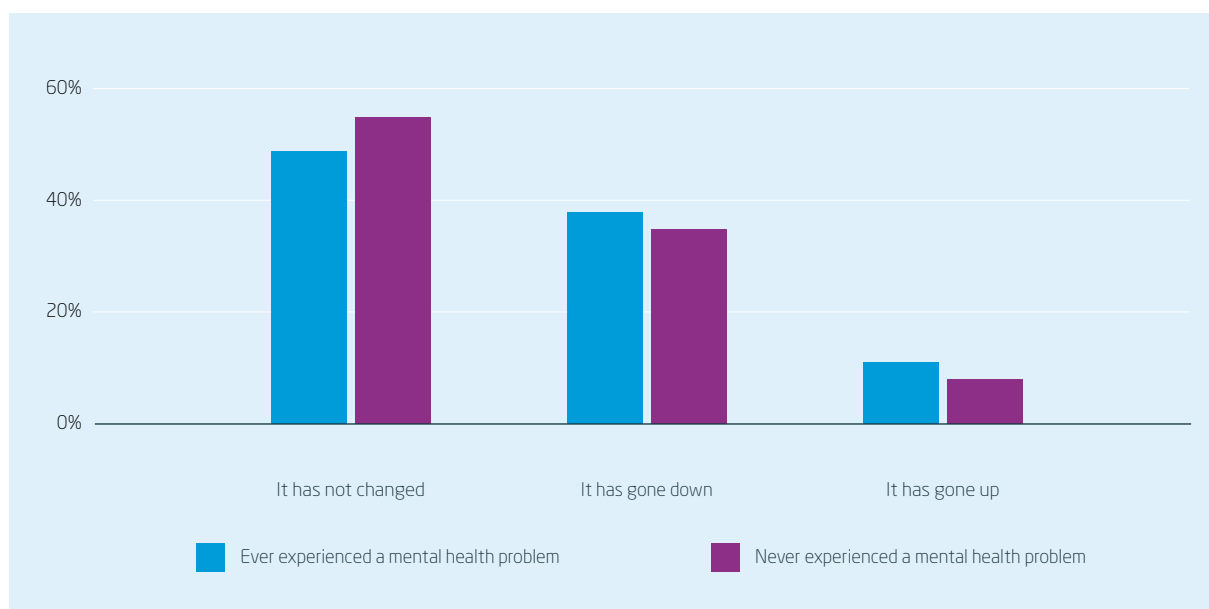
Expert by experience

2.2 The impact of reduced income

Having discussed some of the ways in which people's employment or benefit status can be affected, we now focus on how such changes are affecting incomes. Our national polling suggests that, despite the huge disruption across the economy, the largest group are those whose income has stayed the same, as Figure 5 illustrates.

Nonetheless, as a direct result of the coronavirus crisis almost two in five people polled (38%) who have experienced a mental health problem reported their household monthly income had gone down, compared to 35% of people without experience of a mental health problem.¹⁶

Figure 5: Changes to household income due to the coronavirus crisis by mental health



Source: Money and Mental Health analysis of Populus online survey of 2,096 people, carried out 7-10 May 2020. Data is weighted to be nationally representative.

16. For some, changes brought about by the crisis have resulted in their incomes increasing. For instance, some businesses like online delivery have been busier than usual and as a result of the government's increased financial support, existing UC and Working Tax Credit claimants have seen an increase of £20 per week to their standard allowance.

Some of those with experience of mental health problems have faced larger hits to their income than others, with 24% saying their income has dropped “a little” and 15% reporting that it has dropped “a lot”.¹⁷

For most people, managing such a reduction in income is likely to involve revising budgets and planning where to cut back to cover shortfalls. This can be difficult for anyone but the cognitive and psychological effects of mental health problems can make these tasks even trickier, as Table 1 details.

Table 1: How the cognitive, psychological and behavioural changes associated with mental health problems can make managing sudden reductions in income harder

What is the problem?	What is the impact?
Difficulties understanding and processing information	People may take longer to process information and understand what the changes to employment and income will mean for them.
Reduced planning and problem solving skills	Faced with a reduction in income, people can struggle to work out what actions they should take. Balancing which bills or expenses to cut back on, and weighing up the consequences of missing payments on each can be tricky when your clarity of thought is reduced.
Reduced attention span	Difficulties concentrating can make understanding eligibility for benefits harder, and applying for UC or other government support more challenging.
Social anxiety and communication difficulties	People can find it difficult to communicate with DWP, HMRC or essential service providers, particularly when they have a limited range of communications channels. Half of people with mental health problems struggle to use the telephone, and one in six struggle to open post. ¹⁸
Increased impulsivity	Increased impulsivity can mean people act without their usual degree of thought or attention. While people may draw up new budgets, impulsivity can make them difficult to stick to.
Low mood and depleted energy and motivation	Low mood and energy can make it difficult to find the motivation to address financial shortfalls, revise budgets or contact essential service providers.

Source: Money and Mental Health Policy Institute

17. Percentages do not sum due to rounding.

18. Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

Such symptoms may make it difficult to engage with the support on offer. Our previous research has demonstrated the difficulties people with mental health problems can have in navigating the benefits system.¹⁹ Applying for benefits was a specific source of concern for three in five (62%) of our Research Community survey participants.²⁰ For people who are already in a financially precarious situation and who are experiencing mental health problems, trying to access support can feel overwhelming.

"[I] don't like talking over the phone as I have learning difficulties on top of mental health so I find it so hard to understand and deal with and plan stuff over the phone with them or face to face without [my] support worker or care coordinator."

Expert by experience

Summary

- Nearly one in five people who have experienced a mental health problem report having been furloughed, having had their hours reduced or being placed on an imposed temporary leave of absence
- Almost two in five people who have experienced a mental health problem reported that their household monthly income had reduced as a result of the crisis
- The cognitive and psychological effects of mental health problems can make it harder to respond effectively to changes in income or access support.

19. Bond N, Braverman R and Evans K. The benefits assault course. Money and Mental Health Policy Institute. 2019.

20. Money and Mental Health Survey. Base for this question: 358 people with lived experience of mental health problems.



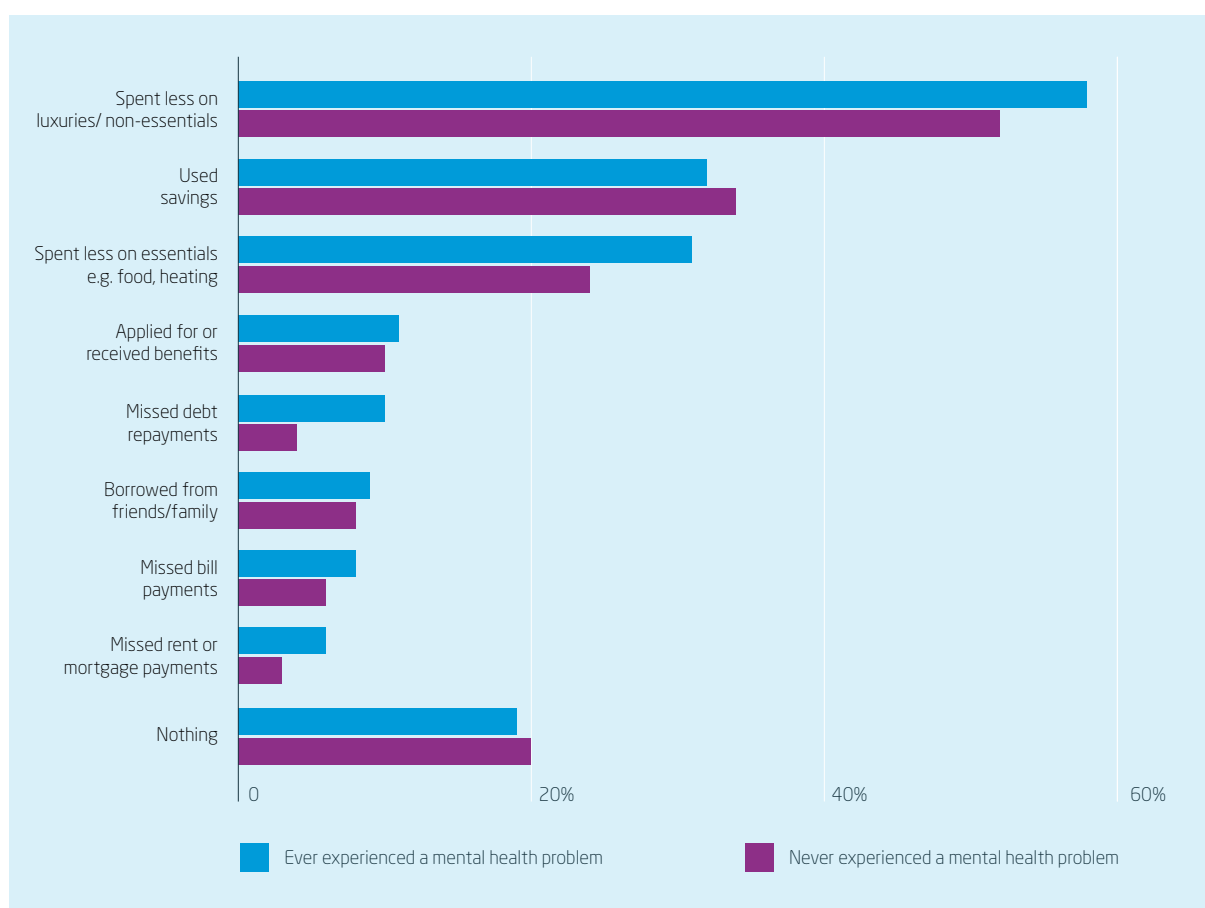
Section three: The effects of the crisis on living standards and mental health

Without a high disposable income or adequate savings, a drop in income can quickly leave households facing tough decisions and disruptive changes. In this section, we explore how those who are adjusting to a lower income have responded so far, and whether those responses vary by mental health.

3.1 Reducing spending and drawing on savings

Respondents to our national polling who reported their income had fallen were asked what, if anything, they had done to adjust. As Figure 6 shows, a range of reactions have already been made by households.

Figure 6: Changes to spending to adjust to drop in income due to the coronavirus crisis by mental health



Source: Money and Mental Health analysis of Populus online survey of 2,096 people, carried out by 7-10 May 2020. Base for this question is 755 people who reported that their income had fallen as a result of coronavirus. Multiple responses were permitted. Data is weighted to be nationally representative.

The most common adaptation, regardless of mental health, was to cut back on luxuries or non-essential spending, with cuts to essential spending the third most-common response. But on both essentials and luxuries, people who have experienced mental health problems were more likely to have cut back. The share of people already spending less on essentials like food or heating is particularly concerning, with 31% of those with mental health problems who have faced an income drop doing so.

We asked our Research Community members how they had reduced their spending on essentials and to explain how it had affected them. People told us about cutting back their expenditure on food, including skipping meals, eating low-cost food lacking in nutritional value, or eating only one meal a day.

"Initially I cut down a lot on how much food I ate. Cut to one meal a day. But it wasn't good for my mental health at all."

Expert by experience

"My son lost his job and is now on universal credit. I've had to try and support him because of his bills, I've taken out two new credit cards and maxed those now and can't afford things. We've not eaten properly many occasions because we haven't got any money after direct debits and standing orders came out."

Expert by experience

Research Community participants told us that additional pressure on their food budgets came from having to shop more locally, not being able to get deliveries from budget supermarkets or simply not being able to shop around for the best deals.

"Having to shop online and have things delivered is making my shopping much more expensive. I used to look for reduced foods and bargains to help my money last, I can't do that during the pandemic."

Expert by experience

Among respondents to our national polling whose income had fallen, one in three (32%) of those with experience of a mental health problem had drawn upon savings. Given the relatively high proportion of people who would quickly struggle to make ends meet without their main income source, for many this may not be a sustainable tactic. Even for those whose income has remained stable, relatively small increases in costs can tip finely balanced budgets over the edge.

"My income has remained the same during the coronavirus outbreak. However, I would feel more secure if I had savings in the bank to cover extra costs or increases in prices associated with lockdown, food shopping and alternatives to having to use public transport. I have always found it difficult to save money for emergencies due to limited income and rising costs."

Expert by experience

3.2 Missing debt and bill payments

Though less common than cutting spending or using savings, Figure 6 reveals how a minority have already begun to miss payments of various kinds. One in ten (10%) of those who had experience of mental health problems had missed a debt repayment in response to a recent drop in their income.²¹ This is compared to less than one in twenty (4%) of those who have never experienced a mental health problem.²² Similarly, 6% of people who have ever experienced a mental health problem had missed a rent or mortgage payment as a result of coronavirus,²³ compared to 3% of people who had never experienced a mental health problem.²⁴

Our Research Community respondents allowed us to delve into the adjustments they were having to make as a result of coronavirus. More than a quarter (26%) of participants had missed bill or debt repayments, and one in five (19%) had missed rent or mortgage repayments.²⁵ For some, these were not the only responses they had been forced to take but just one of many alongside, for instance, cutting back on essentials.

"I don't have enough money to pay for the basics like food, water, gas, electricity and pay for my mortgage, secured loan, car insurance, phone line, Internet etc."

Expert by experience

In addition to the arrears that people have already accumulated, one in five (20%) Research Community respondents expect to miss an essential bill or debt repayment in the next four weeks.²⁶

Arrears also come with serious consequences. Adverse effects on people's credit files can impact access to future credit. With council tax arrears, court summons and bailiff action can quickly occur.²⁷ While many sectors have introduced forbearance measures to help ease these concerns during the pandemic, over half (52%) told us they were worried about creditors chasing them for money.²⁸ And even when such arrangements are available, accessing them is not always easy. Shame, embarrassment, anxiety and difficulties with certain communication channels can mean that debts go unpaid without prior agreement with creditors.

"Money worries make me extremely anxious and then in turn, means that I just freeze and cannot even make a phone call, let alone talk about it. I try to set myself a target of ringing one creditor/benefit office/organisation per week. But some weeks I can't do this and bury my head."

Expert by experience

21. Online survey of 2,096 people, carried out by Populus 7-10 May 2020. Data is weighted to be nationally representative. Base for this question: 273.

22. Online survey of 2,096 people, carried out by Populus 7-10 May 2020. Data is weighted to be nationally representative. Base for this question: 428.

23. Online survey of 2,096 people, carried out by Populus 7-10 May 2020. Data is weighted to be nationally representative. Base for this question: 273.

24. Online survey of 2,096 people, carried out by Populus 7-10 May 2020. Data is weighted to be nationally representative. Base for this question: 428.

25. Money and Mental Health Survey. Base for this question: 153 people with lived experience of mental health problems who had an income drop as result of coronavirus.

26. Money and Mental Health Survey. Base for this question: 215 people with lived experience of mental health problems.

27. Nationally, it is estimated that over 2 million people have fallen behind on council tax bills as a result of the pandemic. Citizens Advice. Near the cliff-edge: how to protect households facing debt due to COVID-19. 2020.

28. Money and Mental Health Survey. Base for this question: 368 people with lived experience of mental health problems.

Summary

- Among those whose income has fallen as a result of the pandemic, nearly one in three (31%) people who have experienced a mental health problem say they have spent less on essentials like food and heating
- People with mental health problems were more likely to have missed debt repayments following a loss of income
- Respondents told us how following an income drop the actions they have taken, like missing meals, have negatively affected their mental health.



Section four: Support for living standards and next steps

Aware of the pressure on households, the government has taken exceptional steps to mitigate the financial harm caused by the pandemic. Alongside measures to prop up household incomes through the CJRS, support for the self-employed and increases to UC, protection against debt collection has also been introduced. How each of these measures continue and, when necessary, are withdrawn, will have a major influence on both the short-term living standards and longer-term precarity of many people with mental health problems.

4.1 Employment protection

While adjusting to a 20% drop in income will be proving difficult for many of those who have been furloughed, the CJRS continues to support millions who would otherwise be faced with much steeper declines in their living standards. The Self-Employment Income Support Scheme has offered similar relief for the self-employed. But given the colossal cost of these programmes, the Chancellor has understandably signalled that they will not continue indefinitely.

How this support is withdrawn will be crucial. The primary risk with the CJRS is that, as employers are asked to contribute, firms opt to make furloughed workers redundant instead. Our polling for this report does not suggest that people with mental health problems have been more likely to have been furloughed than workers without mental health problems. But given the higher likelihood of being out of work and higher financial precarity this group faces, any differential impacts in terms of redundancy and unemployment will need to be closely monitored.

Our previous research on the immediate effects of the pandemic highlighted some apparent discrimination against people with mental health problems, with employers laying off those who have required more adaptations or flexibility due to their needs while keeping other workers.²⁹

4.2 Benefits

While the DWP's systems have dealt admirably with a massive spike in claims, many long-standing issues remain.³⁰ Over 1 million advanced payments have been processed since March, supporting those who have insufficient funds to see them through the five-week wait for their first payment.³¹ But because these advances are structured as loans, how repayments are managed will have a huge impact on people's ability to recover. This is especially true for claimants with mental health problems. Sensitive handling of repayment difficulties would be a helpful first step, but a more meaningful shift in approach would be the conversion of advance payments from loans to grants.

One recurring complaint in our research with the Research Community is the apparent unfairness that the level of UC has been increased but not other 'legacy' benefits. As this report has made clear, people with mental health problems who rely on these payments often feel exposed to any disruption in payment or increase in spending. Extending the increase to other benefits such as Employment Support Allowance would restore equity of treatment and provide those who are unable to work due to their health a more adequate safety net.

29. D'Arcy C. Money and mental health at a time of crisis. Money and Mental Health Policy Institute. 2020.

30. For more on DWP adjustments see <https://www.moneyandmentalhealth.org/access-benefits-covid-19-update/>.

31. Gov.UK. Universal Credit declarations (claims) and advances: management information. 2020.

4.3 Forbearance

The raft of temporary forbearance across different types of credit and payments has been welcome. But the depth of the crisis and the precarity of many families' finances means that when these measures end, creditors must carefully consider their debt collection practices. Ensuring collection activity is carried out in a way which recognises the fragility of people's incomes and difficulties communicating with their creditors will be vital for those struggling with their finances and mental health. Resources already exist to help those involved in collections to understand these issues, including the Need To Know Guide.³²

A well informed approach will be particularly key for local authorities, given the severe penalties available for non-payment of council tax. The Taking Control group, a coalition of charities campaigning for bailiff reform, has set out how a 'cliff edge' in council tax enforcement can be avoided.³³ Implementing a "pre-action protocol" – proactively contacting customers in arrears and signposting to money and debt advice before any enforcement activity begins – should lead to better outcomes for those having difficulties with their finances and mental health.

Recommendations

The government should:

- Closely monitor the impact of increased employer contributions to the Coronavirus Job Retention Scheme, including any disproportionate negative impacts on workers with mental health problems
- For at least the duration of the crisis, convert Universal Credit advances from loans to grants, to prevent a major increase in debt for already financially fragile households
- Restore equity to the benefits system by extending the increase in the generosity of Universal Credit to other benefits.

Local authorities and other creditors should:

- Increase support before council tax enforcement activity begins, by proactively contacting customers in arrears and signposting to money and debt advice
- Ensure collections departments equip staff with the knowledge and guidance to support people with mental health problems, by utilising the Need to Know Guide. This provides information for creditors and debt collection staff to understand the difficulties people with mental health problems face in earning and managing money and communicating with their creditors.

32. Bond N and Fitch. C. The need to know: Understanding customers' mental health problems. Money and Mental Health Policy Institute and Money Advice Trust. 2020.

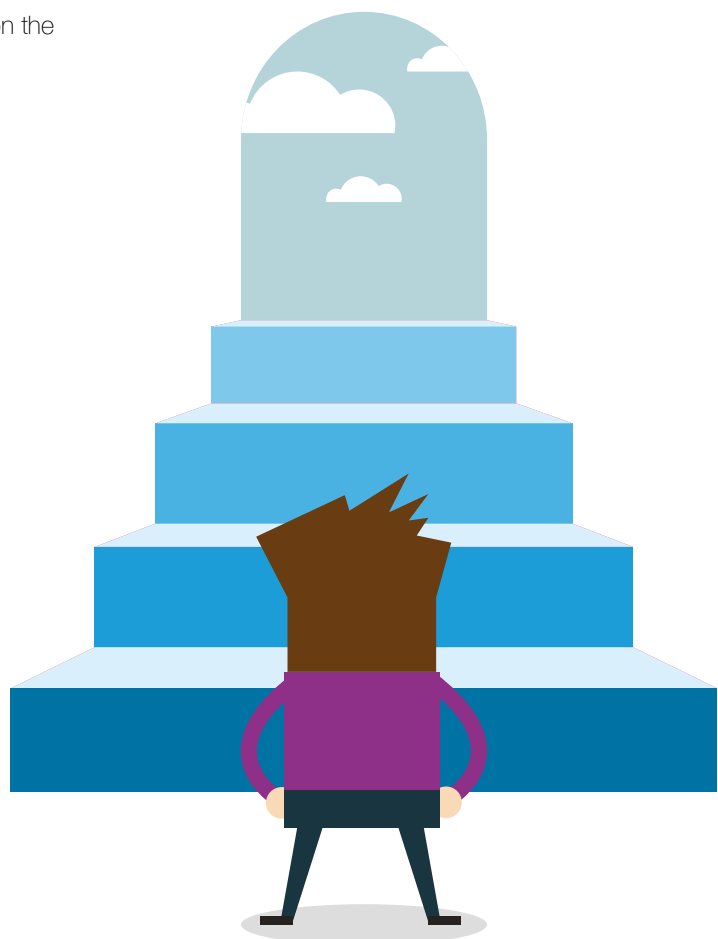
33. Citizens Advice, StepChange and Money Advice Trust. Action needed to prevent a council tax enforcement 'cliff-edge' following coronavirus. 2020

4.4 Next steps

This report has focused on the period immediately before and after the crisis. But in doing so, it has been impossible to ignore how longer-term trends have influenced the situation people find themselves in today. The need for people with mental health problems to work part-time rather than full-time, the difficulty of saving anything when on benefits and the challenge of accessing support have all emerged in this paper and indeed in previous Money and Mental Health research.

In order to understand how we reached this position, in which people with mental health problems are twice as likely to struggle to make ends meet for a month without income, the next paper in this series will cast back over the past two decades, with a particular focus on the period since the financial crisis of 2008.

We will explore how the labour market and benefits system has changed, evaluating the positive developments as well as those that have made it harder for people with mental health problems to get by. That insight will be invaluable to the Mental Health and Income Commission's work of setting out what a better system would look like.





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