

Scottish households found to have lower levels of financial well-being than those in the rest of the UK

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New analysis finds one-in-five households (21%) in Scotland are currently living in serious financial difficulty—equivalent to 1.2 million

people. In the rest of the U.K., the figure is 17% of households.

The Financial Fairness Tracker, commissioned by the abrdn Financial Fairness Trust and analyzed by a team at the University of Bristol, has been monitoring the personal finances of U.K. households since the start of the pandemic (sample around 6,000 U.K. households, 552 in Scotland).

Researchers found working-age households in Scotland feel worse about their finances than those in the rest of the U.K. They are more likely to strongly agree that it as a "constant struggle" to meet their bills and main financial commitments (24% vs. 20%); to say that thinking about their finances makes them feel anxious (34% vs. 30%); and to feel like they have no control over their [financial situation](#) (23% vs. 16%).

The rising cost of living is having material impacts on the quality of life for many households in Scotland, such as:

- finding it harder to keep their home warm and comfortable (reported by 53% of working-age households vs. 45% in rest of U.K.);
- eating lower quality food (46% vs. 37% rest of U.K.);
- feeling less able to participate in [social activities](#) or [family gatherings](#) (38% vs. 35%);
- at some point cut back on the number of meals they eat (24% vs. 19%).

These impacts are particularly worrying given that Scotland already has the lowest life expectancy at birth of all U.K. countries and the gap in life expectancy between the most and least deprived areas of Scotland has widened.

Households in Scotland are taking measures to counteract the rising cost

of living, 80% reported avoiding turning on the heating at some point and 51% reduced use of the cooker. People also reported saving less than usual (64% doing so in 2022) and using money from savings for daily living expenses (47%). As well as cutting back on expenditure and dipping into savings, a substantial proportion of households had also tried to earn more income. A third (33%) reported working more hours during 2022, while one-in-eleven (9%) had taken on a second job.

On a more positive note, the data suggests that additional Scottish Government support for families with children (the increased Scottish Child Payment) could be making a difference to their financial well-being. The analysis suggests that although working-age households in Scotland without children fare significantly worse than their counterparts in England in terms of financial well-being, there appears to be no real difference between the two nations for those with children. While there is nearly a six-point gap between Scottish and English financial well-being scores for those without children (and of working age), the gap is under two points for households with children.

Much of the support announced to-date by the Scottish Government is targeted at families with children—which is welcome, but a wide range of other household types are also being affected by the rising cost of living. Some of these households will be in receipt of other benefits and may be struggling significantly, while other households will be outside of the social security system altogether.

Professor Sharon Collard, chair in personal finance at the University of Bristol, said, "A coordinated effort is needed by Scottish Government and employers to tackle the cost of living crisis. Real-terms earnings are forecast to fall by 5.2% in Scotland in 2022/23 and are not expected to rise higher than 2016 levels until at least 2026/27, suggesting that investment in jobs may be needed to boost the longer-term earnings potential of Scottish working-age households. Housing costs could also

impact financial well-being in the future, with current protection for renters in Scotland only guaranteed until September 2023 and growing concerns about the number of households in the U.K. at risk of mortgage arrears and default."

Mubin Haq, CEO of abrdn Financial Fairness Trust, said, "Millions in Scotland are worried about their finances—three-in-four working-age households are anxious. The cost-of-living crisis, especially increasing fuel bills, are impacting many more people than in the rest of the U.K. It is very troubling that one-in-five Scots are in serious financial difficulties compared to one-in-six in the rest of the U.K.

"It is encouraging to see early indications that Scottish Government support for families with children may be improving their financial well-being compared to households in England. But the government needs to go further. The Scottish Government's support for a Minimum Income Guarantee could deliver improved living standards in Scotland, and it is vital this is progressed to reduce the financial anxieties too many face."

John Dickie, director of Child Poverty Action Group in Scotland, added, "It's hugely concerning to see increasing numbers of households in Scotland facing severe financial difficulty, but the indication that the Scottish Child Payment is already making a difference for families with children is a beam of light in an otherwise gloomy picture. It points the way to the further action needed to boost incomes through jobs and social security.

"It is vital now that the Scottish government increases the new Child Payment in line with inflation from April so that it maintains its real terms value, and at the same time works with employers to improve the earnings of those most at risk of poverty. But we also need to see the U.K. government act to restore the value of U.K. social security and introduce a social tariff for those struggling most with energy costs."

Provided by University of Bristol

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