

The Financial Wellbeing of Scottish Households: Navigating the cost of living crisis

Findings from the 7th Financial Fairness Tracker Survey

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abrdn Financial Fairness Trust has commissioned a periodic cross-sectional survey to track the financial situation of UK households since early 2020. The latest wave of this survey – conducted in late October 2022 – gives insight into the nation’s finances during a cost of living crisis. The findings are based on responses from 6,108 UK households (including 552 from Scotland) about their income, payment of bills, borrowing, debt, savings and ability to pay for other essentials such as food. A team from the Personal Finance Research Centre at the University of Bristol analysed the respondent data collected from YouGov’s panel and produced these findings.



Key Findings

Tracker data collected in October-November 2022 shows that households in Scotland typically have lower levels of financial wellbeing than households in the rest of the UK. One-in-five households (21%) in Scotland are currently living in serious financial difficulty – equivalent to more than half a million of the country’s 2.5 million households – up from 13% or around 300,000 households 12 months ago but unchanged when compared with June 2022. In the rest of the UK, the proportion of households in such circumstances is 17% (up from 10% a year prior).

Scottish working-age households tend to feel worse about their finances – they are more likely to describe it as a ‘constant struggle’ to meet their bills and main financial commitments (24%); to say that thinking about their finances makes them feel anxious (34%); and to feel like they have no control over their financial situation (23%).

Added to this, 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); eating lower quality food (46%); feeling less able to participate in either hobbies or pastimes (40%) or in social activities (38%). Nearly a quarter of Scottish households (24%) have at some point cut back on the number of meals they eat, while 14% had been less able to take part in some form of physical activity. These impacts are particularly worrying given that Scotland already has the lowest life expectancy at birth of all UK countries and the gap in life expectancy between the most and least deprived areas of Scotland has widened.

More positively, our data suggests that additional Scottish Government support for families with children could be making a difference to their financial wellbeing, but further analysis with a bigger sample would provide greater insight.

Scottish households have lower levels of financial wellbeing than elsewhere in the UK

1 in 5

households are in serious financial difficulty



This is equivalent to

0.5m

Scottish households

24%

of working age households describe it as a constant struggle to meet bills and financial commitments



34%

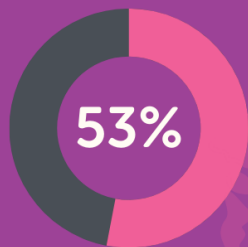
say thinking about their finances makes them anxious



23%

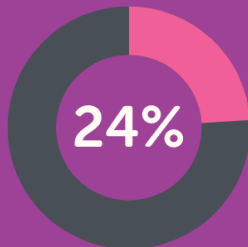
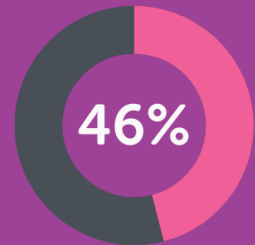
feel like they have no control over their finances

Scottish households are



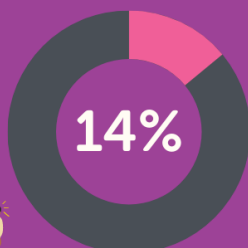
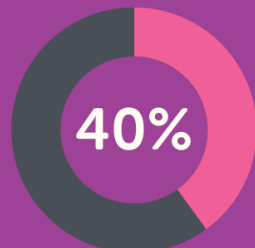
finding it harder to keep their homes warm

eating lower quality food



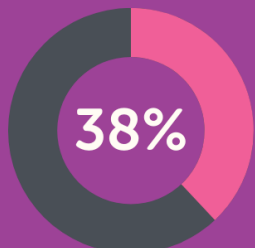
cutting back on meals

less able to participate in hobbies



less able to participate in physical activities

less able to participate in social activities



Introduction

A year into the cost of living crisis, in its Autumn Statement in November 2022 the UK government announced additional financial help for households including an Energy Price Guarantee, targeted cost of living payments and benefits uprating for households in England, Scotland and Wales; and an increased National Living Wage for workers across the UK.

Scotland has gone further by providing extra support to households. By the end of March 2023, the Scottish Government intends to allocate almost £3 billion in measures to mitigate the impact of the cost of living crisis on households.¹ This package spans a range of support for energy bills, childcare, health and travel, as well as social security payments that are either not available anywhere else in the UK or are more generous. Specific measures to support low-income families in Scotland include:

- An increased **Scottish Child Payment** of £25 per week per eligible child from low-income families in receipt of certain benefits (up from £20 per week and extended from children aged under six to children under 16).
- A doubling of the **Fuel Insecurity Fund** to £20 million to help households at risk of self-disconnection or self-rationing of energy use and to provide local authorities with additional Discretionary Housing Payment funding.
- **Emergency legislation to protect tenants** by capping rent increases and imposing a moratorium on the majority of evictions until the end of September 2023.

This briefing uses data from the seventh wave of the Financial Fairness Tracker survey to provide a picture of the financial wellbeing of households in Scotland in late 2022.

Our findings show that the Scottish Government's additional support measures are sorely needed, with households in Scotland experiencing lower financial wellbeing and higher levels of serious financial difficulty compared with households elsewhere in the UK. The cost of living is also badly impacting quality of life among Scottish households, with 53% of working age households finding it harder to keep their home warm and comfortable. The Scottish Government's own modelling estimates that around 35% of households (860,000) in Scotland were spending more than 10% of their net income (after housing costs) on fuel in October 2022, of which 24% (600,000) were spending more than 20%.¹

Explanatory notes

- The results of this report are based on the survey responses of 552 households in Scotland out of a sample of 6,108 households for the UK overall conducted in October-November 2022. All respondents included are those who solely or jointly manage their household finances and who are aware of the state of their household's finances.
- Households are grouped into four financial wellbeing categories, depending on how they score from 0 to 100 on our financial wellbeing score. This score is based on a composite measure using four measures of financial strain (assessment of current financial situation; how much of a struggle to pay for food and other necessities; how much of a struggle to pay bills and other commitments; arrears including payment holidays on bills and household commitments) and three of financial resilience against income shocks (ability to cover an unexpected bill equivalent to a month's income; how long could make ends meet if experienced a fall in income of a third or more; amount held in savings).
- For example, for the UK overall, 77% of households in our 'in serious difficulties' category find it a 'constant struggle' to meet their bills, whereas 78% of households in our 'struggling' category say they 'struggle from time to time' – and this falls to 55% of those in our 'exposed' category. For further details see the technical note at the end of this report.

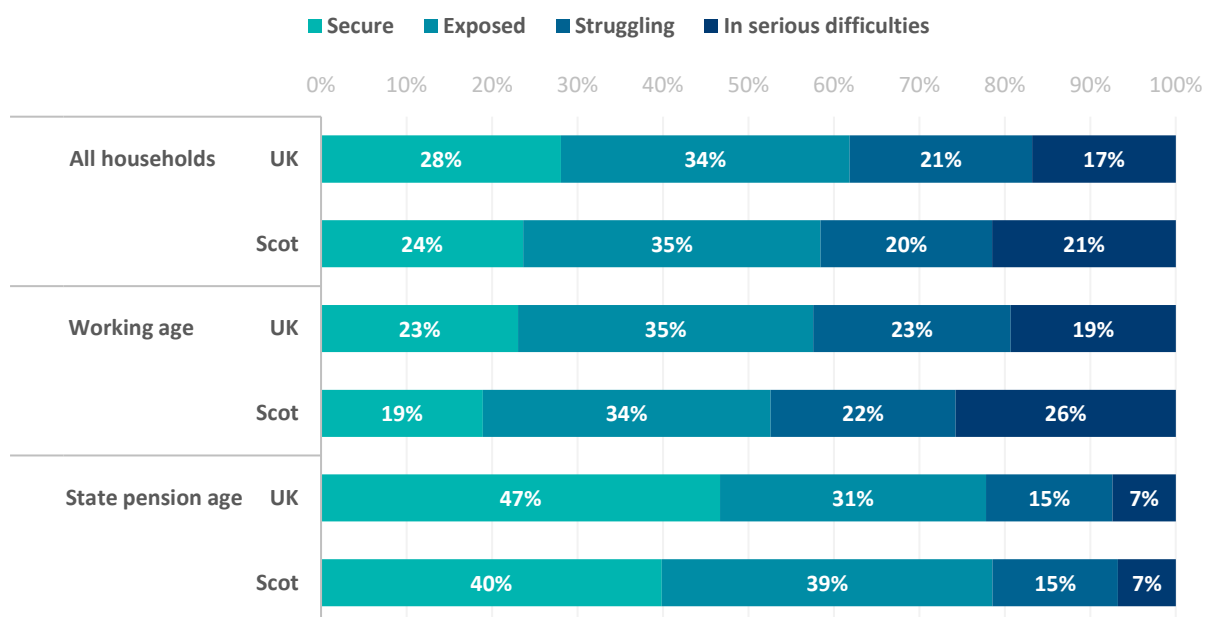
¹ Scottish Government (2022) [The Cost of Living Crisis in Scotland: analytical report](#).

The financial wellbeing of households in Scotland in October-November 2022

Households in Scotland typically have lower levels of financial wellbeing

As Figure 1 shows, one-in-five households (21%) in Scotland are currently living in serious financial difficulty – equivalent to more than half a million of the country’s 2.5 million households. This means approximately 1.2 million people are estimated to live in households in serious difficulty in Scotland.² This level of financial difficulty compares unfavourably with the rest of the UK, where the proportion of households in such circumstances is four percentage points lower (at 17%). This disparity between Scotland and the rest of the UK is exacerbated further if we only look at working-age households: 26% of this group are in difficulty in Scotland, compared to 19% of those in the other nations. At the other end of the spectrum, while 23% of working-age households in the rest of the UK are found to be financially ‘secure’, this falls to 19% among households in Scotland.

Figure 1 – Percentage of households in Scotland and the rest of the UK in each of our four categories of financial wellbeing



Notes: unweighted bases as follows: all households – rest of UK = 5,556; all households – Scotland = 552; working age – rest of UK = 4,209; working age – Scotland = 411; state pension age – rest of UK = 1,347; state pension age – Scotland = 141. See footnote for information on how working age / state pension age has been defined.

Among those of state pension age³, however, the pattern is somewhat different. While a greater proportion of state pension age households in the rest of the UK are financially secure (47%, compared with 40% in Scotland), the rate of serious financial difficulty is the same (7% in both Scotland and the rest of the UK). The proportions in the ‘struggling’ group are also the same (15%). The similar proportion struggling or in difficulty may be expected given that the state pension is a

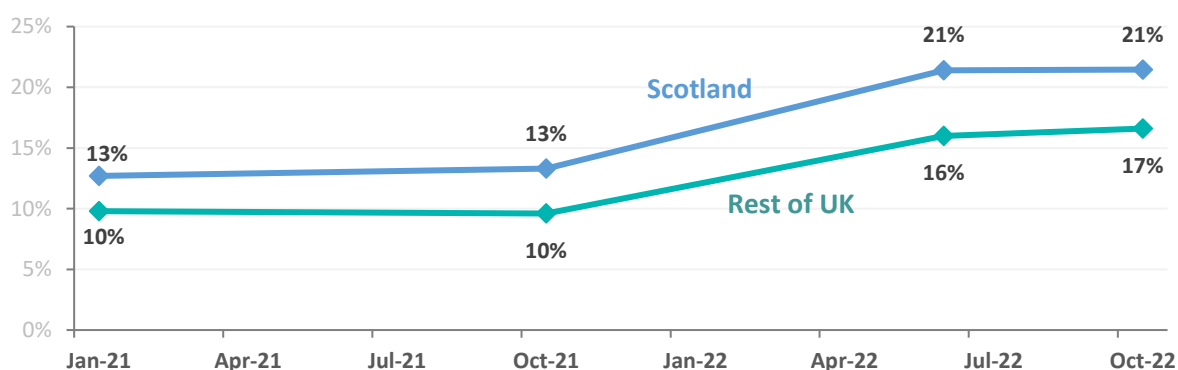
² This calculation assumes that each household has an ‘average’ number of householders. In reality, it is likely that more people will be living in serious difficulty because larger households are generally more likely to be in such difficulty.

³ Households of state pension age are defined here as households where the main survey respondent was aged 66 or over. It should be noted that some of these households will have partners who are below state pension age, and similarly there will be households including in the working age group who have a partner over state pension age. Age of partner was not asked about within the survey.

UK-wide benefit that provides a minimum income to the vast majority of pensioners, regardless of whether they live in England, Scotland, Wales or Northern Ireland. Above this minimum, there are substantial differences in the incomes and wealth of those of retirement age across the devolved nations. For example, property and financial wealth accounts for a bigger share of wealth among English households, while pension wealth is relatively more important in Scotland (and in Wales).⁴ Indeed, analysis from the DWP suggests that – once housing costs are taken into account – the average weekly income for pensioners in Scotland is actually around five per cent higher than the UK average.⁵

Figure 2 shows how the proportion of households in serious financial difficulty has changed in Scotland since January 2021 and how this compares to the rest of the UK. In both, there was a substantial increase in difficulty between October 2021 and June 2022, but this jump was larger in Scotland (from 13% to 21%, cf. 10% to 16% elsewhere). Since then, the proportion in difficulty in Scotland has remained unchanged, while it increased marginally elsewhere (from 16% to 17%).

Figure 2 – Percentage of all households in Scotland and the rest of the UK that were in serious financial difficulty at each of the last four tracker survey waves



Notes: unweighted bases for Scotland as follows: Jan-2021 = 509; Oct-2021 = 497; Jun-2022 = 490; Oct-2022 = 552; for UK: Jan-2021 = 5562; Oct-2021 = 5273; Jun-2022 = 5226; Oct-2022 = 5556.

The gap in financial wellbeing between households in Scotland and the rest of the UK becomes non-significant once household income is controlled for, with Scotland having a disproportionate number of the UK's lower-income households.⁶ Figure 3 takes this into account, showing how financial wellbeing varies across the income distribution *within* Scotland and elsewhere. It gives the average (mean) financial wellbeing score – and 95% confidence intervals – for each quintile of households based on their household income (equivalised to account for the number of adults and children who live in the household). These quintiles are constructed within each nation; in other words, the bottom quintile represents the bottom 20% of household incomes in Scotland, which is compared with the bottom 20% of household incomes for other UK nations (which tend to be slightly higher incomes). The comparison reveals that, while average financial wellbeing in Scotland is worse in all but one quintile, there are no statistically significant differences in financial wellbeing by income.

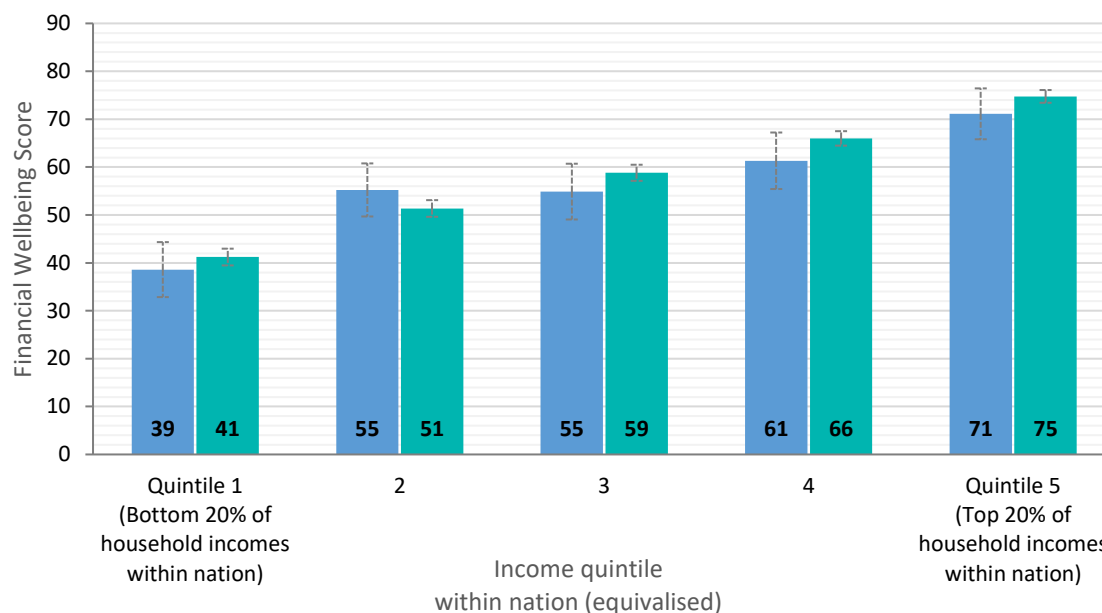
⁴ Scottish Government (2020) [Wealth in Scotland 2006-2018](#).

⁵ DWP (2022) [Pensioners' Income Series: financial year 2020 to 2021](#).

⁶ E.g. in the Tracker, 21.9% of Scotland's households fall into the bottom fifth of UK households by income (equivalised, before housing costs). 24.0% of Scottish households fall into the 2nd fifth. It should be noted, however, that After Housing Costs (AHC) measures typically show fewer Scottish households in poverty, due to lower housing costs and different housing markets in Scotland compared with England.

Lack of significance is in part due to wide confidence intervals for Scotland as a result of the sample size, so more data would be needed to fully explore this relationship.

Figure 3 – Average financial wellbeing score for households in Scotland and rest of the UK by equivalised income quintile within either nation



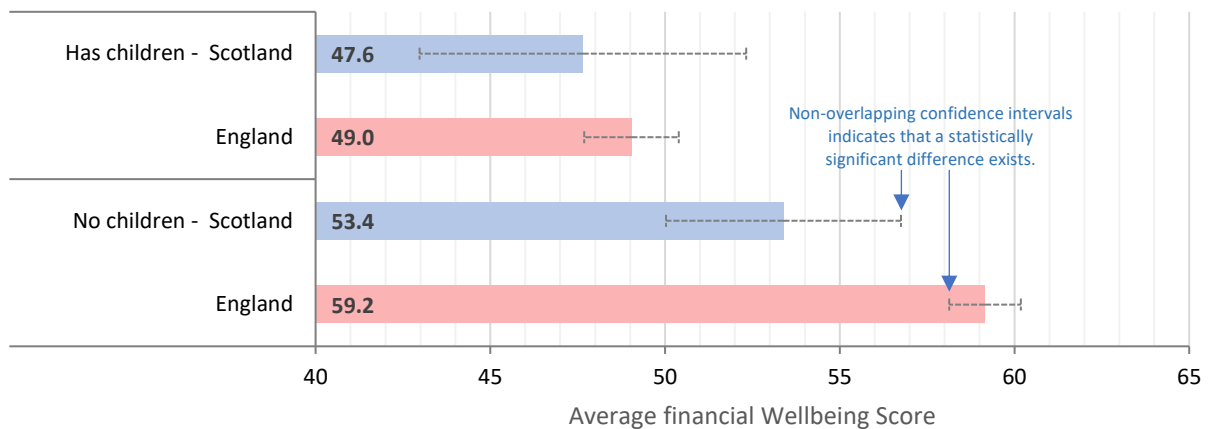
Note: Dotted lines indicate lower and upper 95% confidence intervals. Includes working age and state pension age households but these groups were assigned into quintiles separately. So, for example, the 'top 20% of household incomes within Scotland' means 'the top 20% of household incomes among those of working age, plus the top 20% of household incomes among those of state pension age'. Incomes have been equivalised based on number of adults and children (under 14) within the household and are presented before housing costs (BHC). Unweighted bases for the rest of the UK range from 907 to 970 per quintile, while for Scotland the range is 89 to 92.

Box 1 - Is Scottish support for households with children helping?

The Scottish Government has introduced or expanded a range of measures that are designed to support households with children, especially families on low incomes, including the Scottish Child Payment, Best Start Grant and Best Start Foods. While caution should be exercised due to the small sample size, Figure 4 suggests that although working-age households in Scotland *without* children fare significantly worse than their counterparts in England in terms of financial wellbeing, 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 wellbeing scores for those without children (and of working age), the gap is under two points for households with children.

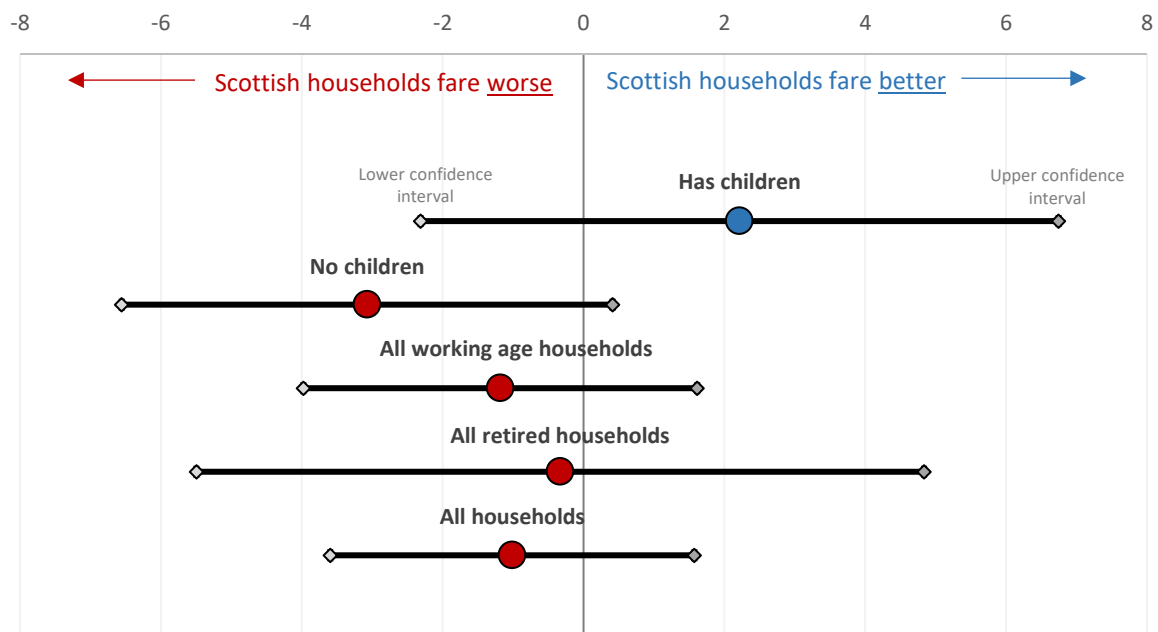
Furthermore, if we control for equivalised household income using regression analysis, we find that households with children are the only group where Scottish households have a higher (albeit not significant) financial wellbeing score than the equivalent group in England – as shown in Figure 5. Further analysis with a bigger sample would be beneficial to explore the extent to which any difference actually exists, which in turn would help us understand if the apparent higher financial wellbeing of Scottish families with children is a result of the additional support they receive from the Scottish Government.

Figure 4 – Average current financial wellbeing scores, by nation and presence of children in the household



Notes: Dashed lines indicate lower and upper confidence intervals. Working age households only. Unweighted bases as follows: has children in Scotland = 118, has children in England = 1135, no children in Scotland = 293, no children in England = 2437.

Figure 5 – Predicted difference in financial wellbeing scores between Scotland and England for different groups of the population, once equivalised household income is controlled for.



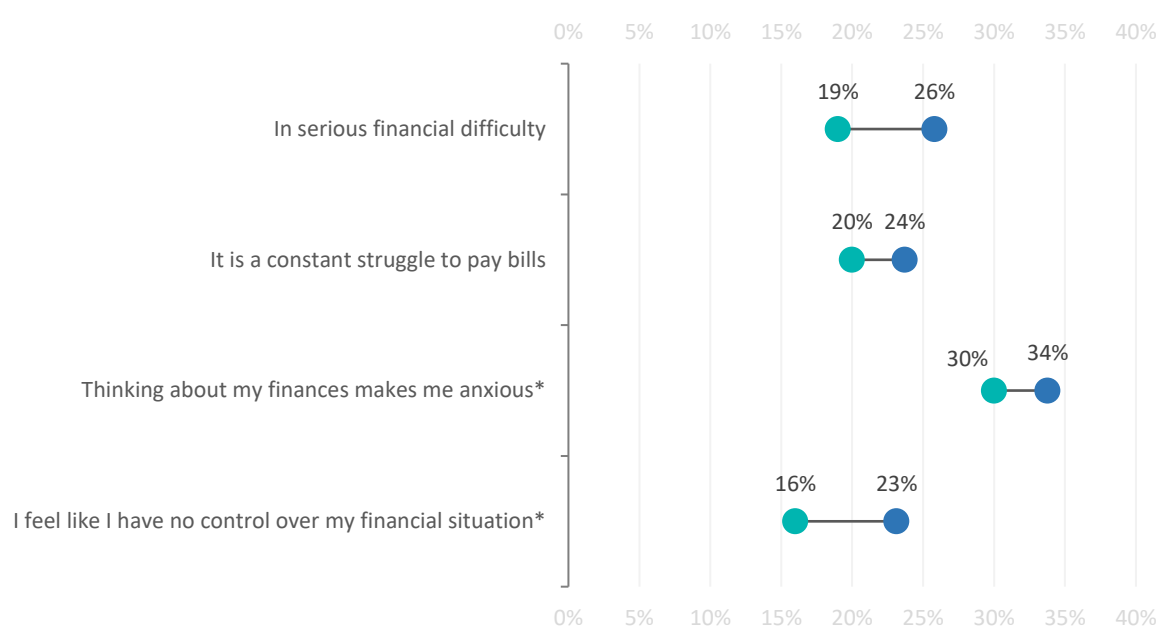
Notes: each line indicates the results of a separate regression model, which includes only those households mentioned (for example, households with children). The models control for equivalised household income and the result shown is the estimated coefficient for Scottish households, relative to the reference group of English households. Confidence intervals shown are 95% confidence intervals. A statistically significant effect (at the 95% confidence level) would be indicated if the lower and upper confidence intervals were both above zero or both below zero. Conversely, those lines which cross zero (i.e. all of them in this case) are not statistically significant.

Money worries among households in Scotland

Scottish households generally feel worse about their finances than those in the rest of the UK

On a range of measures, Scottish households of working age⁷ feel significantly worse about their finances than households elsewhere in the UK – as shown in Figure 6. Scots were not only more likely to fall into the ‘serious financial difficulty’ category (as previously discussed), but they were also more likely to describe it as a ‘constant struggle’ to meet their bills and main financial commitments, to say that thinking about their finances makes them feel anxious, and to feel like they have no control over their financial situation.

Figure 6 – Percentage of working age households in Scotland and the rest of the UK who are struggling with their finances in different ways.



* Includes only those who ‘strongly agree’ with these statements.

Notes: unweighted bases as follows: rest of UK = 4209; Scotland = 411. All differences shown are statistically significant at $p < 0.05$.

The above chart highlights those with relatively severe worries about their finances, but it is important to note that a much bigger group of households are concerned to some extent. For example, over a third (34%) of Scottish working age households ‘strongly agreed’ that thinking about their finances caused them anxiety, but this rises to 72% if we also include those who said they ‘agree’ with this statement. Similarly, nearly a quarter (23%) ‘strongly agreed’ that they feel they have no control over their situation – but this rises to 47% using the wider measure.⁸

⁷ In most of what follows, we focus on working age households (defined as households where the survey respondent was aged under 65). We do this because the population in Scotland has a higher median age than the population in England, so focusing only on working age households helps us to better compare like-with-like. In other words, the results are less likely to be as a result of age differences in the composition of the populations.

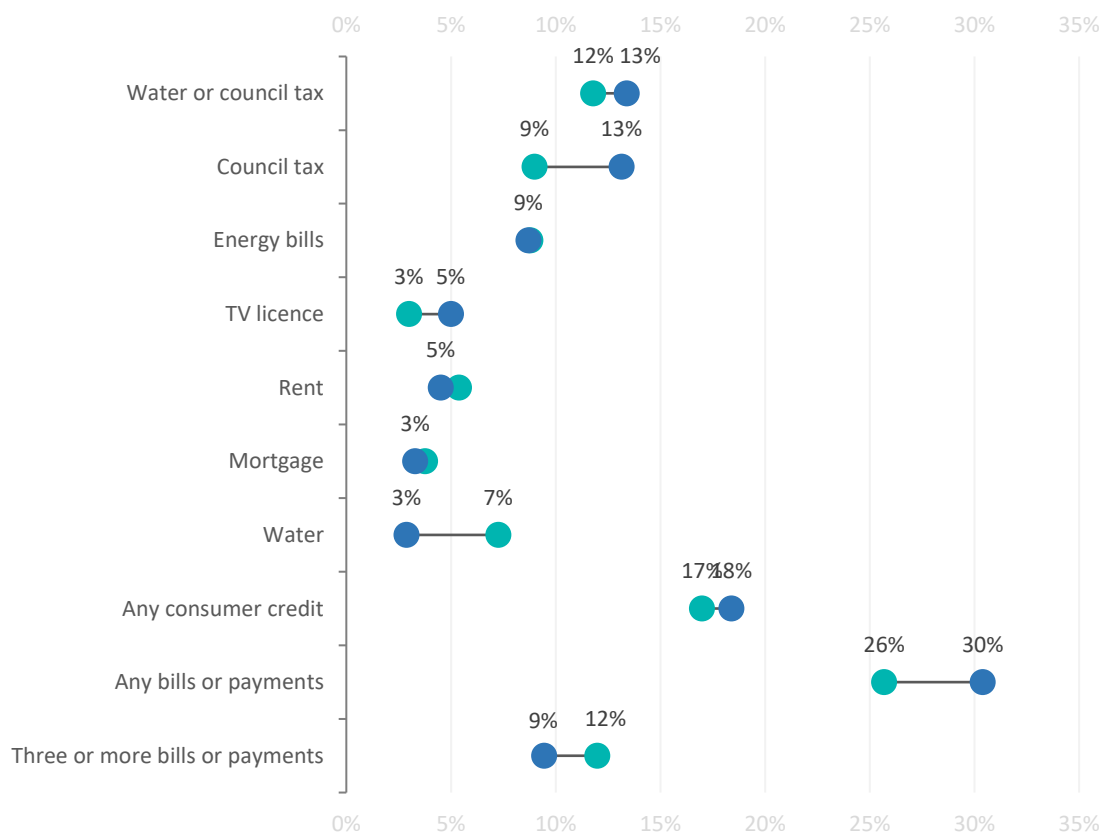
⁸ For comparison, in the rest of the UK, 30% of working age households ‘strongly agreed’ that thinking about their finances made them anxious, rising to 66% if ‘agree’ is also included. These figures are 16% and 41% for feeling like they have no control over their financial situation.

Households in Scotland are more likely to have fallen behind on at least one bill

While it is clear that many households in Scotland feel worse off than their counterparts elsewhere in the UK, when it comes to actually falling behind with bill payments the situation is more nuanced. As Figure 7 shows, working age Scottish households were significantly more likely to have fallen behind on at least one bill (30%, compared with 26% elsewhere); but were less likely (though not significantly) to be behind on three or more types of bill (9%, compared with 12%).

If we look at individual bill types, there do appear to be differences in rates of missed payments on some types of bill – but these can actually largely be explained by differences between the Scottish system and that of other nations of the UK. Most notably, we see that Scottish households were more likely to report being behind on their council tax bill but less likely to be behind on their water bill. This is understandable because the vast majority of households in Scotland do not have water meters and therefore pay for their water services via their council tax bill.⁹ Therefore, if one combines together the figures for council tax and water, the rate of missed payments is actually similar between Scotland and the rest of the UK.

Figure 7 – Percentage of working age households in Scotland and rest of the UK who have missed a payment* or fallen into arrears on any of the following types of bill or credit commitment



Notes: * includes taking a payment holiday.

Notes: unweighted bases as follows: rest of UK = 4209; Scotland = 411.

⁹ Scottish Government (2023) [Water charging principles](#).

Scottish households also appear to be significantly more likely to have missed payments on their TV licence (5%, compared with 3%). The reason is unclear, but other figures also indicate that non-payment of the TV licence is far more common in Scotland than elsewhere in the UK.¹⁰

For other household bills, there appears to be relatively little difference between Scotland and elsewhere in the UK. Around 9% of working age households in both Scotland and the rest of the UK were behind on their energy bills. But many more households in Scotland described their current energy bills as unaffordable (61%, comprised of 32% who described them as ‘very unaffordable’ and 29% who said they were ‘somewhat unaffordable’, compared with 56% of households in the rest of the UK, split quite equally between those describing them as ‘very’ and ‘somewhat’ unaffordable).

For consumer credit, Scotland appears to have a slightly higher rate of missed payments, but this is not a statistically significant difference.

Impacts of the cost of living crisis

The rising cost of living is heavily impacting Scots’ quality of life

The cost of living crisis has had wide-ranging impacts on Scottish households’ quality of life. As Figure 8 demonstrates, over half of working age households (53%) have found it harder to keep their home warm and comfortable since the start of January 2022, while nearly half have felt less able to afford holidays or breaks away (49%) or have eaten lower quality food than they previously would have bought (46%). Two-in-five have felt less able to participate in either hobbies or pastimes (40%) or in social activities (38%). Nearly a quarter (24%) have at some point cut back on the number of meals they eat, while 14% had been less able to take part in some form of physical activity. These impacts are particularly worrying given that Scotland already has the lowest life expectancy at birth of all UK countries and the gap in life expectancy between the most and least deprived areas of Scotland has widened.¹¹

Figure 8 – Percentage of working age households in Scotland and the rest of the UK who have seen their quality of life negatively affected by the rising cost of living since the start of January 2022 in each of the following ways

Negative impact due to rising cost of living	% of working age households	
	Scotland	Rest of UK
Found it harder to keep home warm and comfortable	53%	45%
Less able to afford holidays/ breaks away (in the UK or abroad)	49%	48%
Negative impact on the quality of food eaten	46%	37%
Less able to participate in hobbies and pastimes	40%	35%
Less able to participate in social activities or family gatherings	38%	35%
Negative impact on the number of meals eaten	24%	19%
Less able to participate in physical exercise or activity	14%	16%

Notes: unweighted bases: Scotland = 411, rest of UK = 4209.

¹⁰ Tibbit, A. (2022) ‘Growing number of Scots do not pay for TV licence’. *The Ferret*, 2nd August 2022.

¹¹ Finch, D. et al (2022) *Leave no one behind. The state of health and health inequalities in Scotland*. The Health Foundation.

The vast majority of households in Scotland have taken some action to counteract the rising cost of energy: 93% had taken at least one action (such as avoiding turning on the heating or reducing number of baths/showers taken) to minimise their energy bills, while half (50%) had taken four or more actions that we asked about. The biggest single actions taken were avoiding turning on the heating (80%) and reducing use of the cooker or oven (51%).

As well as cutting back on expenditure, 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. A quarter (26%) had tried to secure a pay rise or promotion, with 14% doing so successfully.

Figure 9 highlights a range of other actions that households had been taking to make ends meet. These included common impacts like saving less than usual (64% doing so in 2022) and using money from savings for daily living expenses (47%), but also less common though significant actions like accessing a food bank (6%).

Figure 9 – Percentage of working age households in Scotland and the rest of the UK who have taken each of the following actions to make ends meet, either within the last four weeks or anytime in 2022

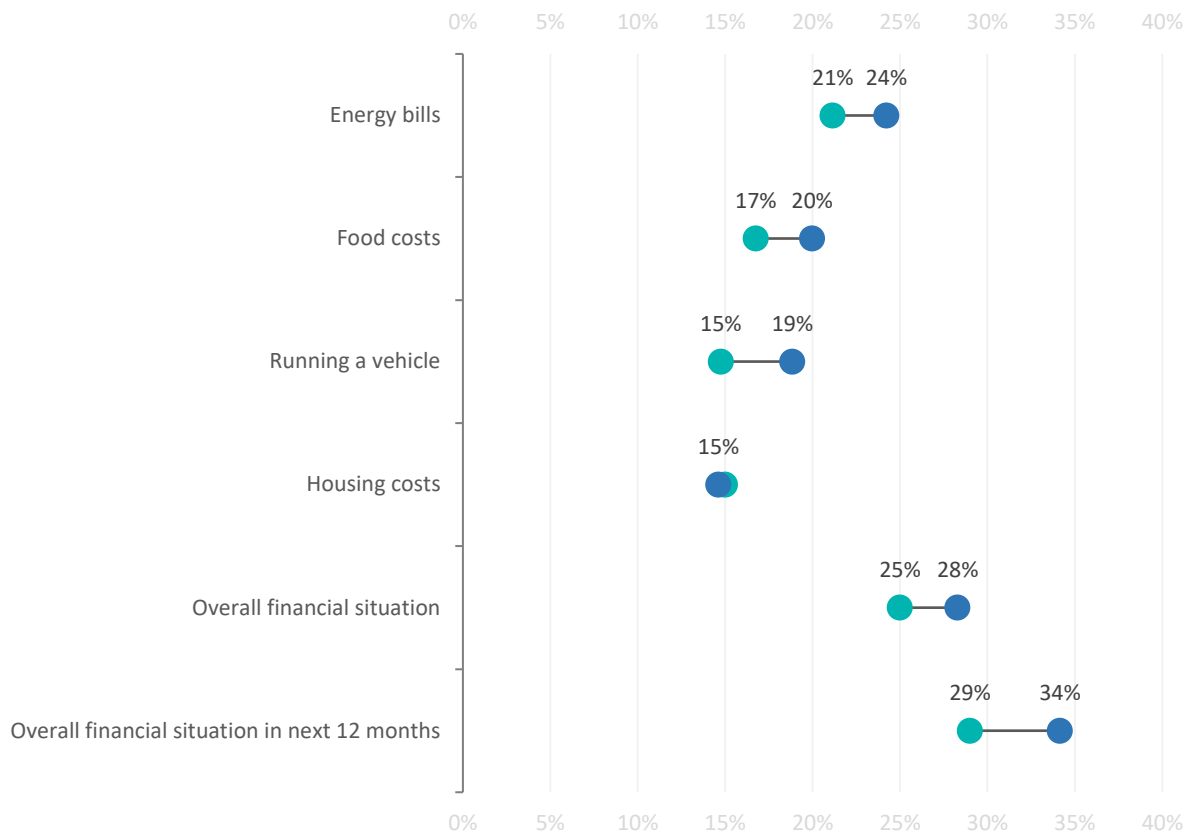
Actions taken to make ends meet	Scotland		Rest of UK	
	Within last four weeks	In 2022	Within last four weeks	In 2022
Saved less money than you normally would	50%	64%	46%	61%
Used money from savings for daily living expenses	27%	47%	25%	43%
Used a credit card, overdraft or borrowed money from other formal lenders for daily living expenses	23%	29%	20%	30%
Received financial help (e.g. money, food, gifts) from family or friends	10%	21%	10%	20%
Tried to access additional benefits or support funds (whether successfully or not)	10%	20%	9%	20%
Sold or pawned possessions that you would have preferred to keep	8%	16%	9%	17%
Cancelled or not renewed an insurance policy to save money	7%	16%	7%	17%
Stopped or reduced your pension contributions	5%	9%	5%	12%
Accessed a food bank	5%	6%	3%	7%
Got a loan from an unlicensed money lender or another informal lender	1%	3%	1%	4%

Notes: 'In 2022' includes 'within last four weeks'. Unweighted bases: Scotland = 411, rest of UK = 4209.

Scottish households are more likely to be worried about their future finances

When thinking about the short-term future – the next three months – Scottish working-age households were generally more pessimistic than those elsewhere. As Figure 10 shows, they were especially more likely to be worried about paying their energy bills, their food costs and the costs of running a vehicle. Interestingly, despite lower levels of financial wellbeing overall, Scots were no more likely to be worried about housing costs – which is likely to be indicative of the generally lower price of housing north of the border. Overall, more than a quarter of Scots (28%) were very worried about their financial situation in the next three months, while more than a third (34%) were very worried about the next 12 months, suggesting greater uncertainty about the medium-term.

Figure 10 – Percentage of working age households in Scotland and the rest of the UK who say they are ‘very worried’ about affording each of the following costs in the next three months



Notes: unweighted bases as follows: rest of UK = 4209; Scotland = 411.

Asked about their financial future in a different way, the proportion of households who say they are ‘not at all confident’ about their financial situation in the next three months falls to 12% in Scotland (and 10% elsewhere). A further 29% report being ‘not confident’ (compared with 27%), while 24% are ‘neutral’, 26% are ‘confident’ and 8% are ‘very confident’.

Conclusions and policy implications

Given the lower levels of financial wellbeing among Scottish households on a wide range of indicators, the extra help for households announced by the Scottish Government (on top of the support provided by the UK Government) is absolutely essential to mitigate the effects of the rising cost of living. Financial assistance via the social security system will play an important role in the coming months and years, with the Scottish Fiscal Commission expecting more than £6.5 billion to be spent on social security in 2027/28 in real terms, up from £4 billion in 2023/24.¹² While this is a significant investment, it should be noted that this comes in a context of annual cuts from social security budgets in Scotland of £3.7 billion per year as a result of UK Government welfare cuts in the past decade or so.

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. Given this – and generally high levels of fuel poverty in Scotland – a social tariff to protect against the impact of very high energy prices would likely benefit vulnerable Scottish households, as would greater protection against the clawing back of energy debt through prepayment meters (although this does not help households who have already been affected).¹³

At the same time, 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.

The cost of housing also remains a concern, with growing fears about the number of households in the UK at risk of mortgage arrears and default.¹⁴ While the cost of housing in Scotland is typically lower than in England (helping to cut poverty rates to some extent), mortgage holders may face steep rises in mortgage costs. Meanwhile, for those in the rental sector, the Scottish Government has extended protections in Scotland until the end in September 2023.¹⁵

The results of the Tracker indicate that Scottish Government support for families with children may be improving their financial wellbeing relative to equivalent households in England; however, our ability to look at differences in financial wellbeing and related measures for sub-groups in the population (such as families with children and other socio-demographic groups) is limited by the relatively small sample of Scottish households available to us. Future surveys with larger sample sizes will provide more granular insight into financial wellbeing in Scotland and the impact of government support measures.

¹² Institute for Government (2022) '[Scottish government 2023/24 budget](#)'.

¹³ Ofgem (2023) '[Tackling inappropriate energy supplier prepayment meter practices](#)'.

¹⁴ Noonan, L. (2023) '[More than 750,000 UK households at risk of mortgage default, says regulator](#)'. *Financial Times*, 11th January 2023.

¹⁵ Annual statistics up to the end of March 2021 show that 38% of dwellings in Scotland are rented. This comprises 15% of dwellings that are private rented or where the household is living rent free, and 23% social rented properties. Scottish Government (2022) '[Housing statistics 2020 & 2021: Key trends summary](#)'.

Technical note

The survey was undertaken by YouGov between 25 October and 1 November 2022 for the abrdn Financial Fairness Trust and was conducted online. It is the seventh in a series of cross-sectional surveys tracking the financial impact of the coronavirus pandemic and subsequent cost of living crisis on UK households, by asking key questions repeated at several time points. In each wave, these key questions are supplemented by new questions that aim to capture and reflect the evolving situation.

The sample for this report consists of 6,108 UK respondents randomly recruited from YouGov's online panel. The samples of a total of 552 households in Scotland and 5,556 households in the rest of the UK are the primary focus of this report. The base for analysis is people who are responsible for the household finances. Non-householders who are responsible only for their own personal finances (most of whom were aged under 25 and lived at home with their parents) are not included in the analysis for this report.

The segmentation of households into four categories is based on scores from a principal component analysis of seven survey questions that cover the extent to which households could meet their financial obligations and the resources they had for dealing with an economic shock. Those with a score of less than 30 out of 100 were deemed to be in serious financial difficulty; scores of 30-49 were taken as indicative of struggling to make ends meet and scores of 50 to 79 of being potentially exposed financially. Full details of the methodology employed can be found in [Kempson, Finney and Poppe \(2017\) Financial Wellbeing: A Conceptual Model and Preliminary Analysis](#). The estimation of households' future outlook for the next three months was also based on scores from principal component analysis in the same way. This analysis is based on questions relating to households' ability to cover a large, unexpected expense or to cover a fall in income of a third, savings in terms of number of months income it could cover, confidence in their financial situation in the next three months, how well they expect to meet their bills and credit commitments in the next three months, and their level of worry about meeting different types of cost in the next three months.

All analysis was tested for statistical significance. This report only covers findings that were found to be statistically significant (at least $p < .05$ chisq), unless otherwise stated.

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About the Personal Finance Research Centre (PFRC)

PFRC is an interdisciplinary research centre exploring the financial issues that affect individuals and households. It combines multi-method approaches with specialisms drawn from social policy, human geography, psychology and social research.

www.bristol.ac.uk/pfrc

About abrdn Financial Fairness Trust

abrdn Financial Fairness Trust is an independent charitable foundation supporting strategic work which tackles financial problems and improves living standards. Its focus is improving the lives of people on low-to-middle incomes in the UK.

www.financialfairness.org.uk/