



Wave 1 Initial Findings – Briefing No. 6

Financial Inequalities and the Pandemic

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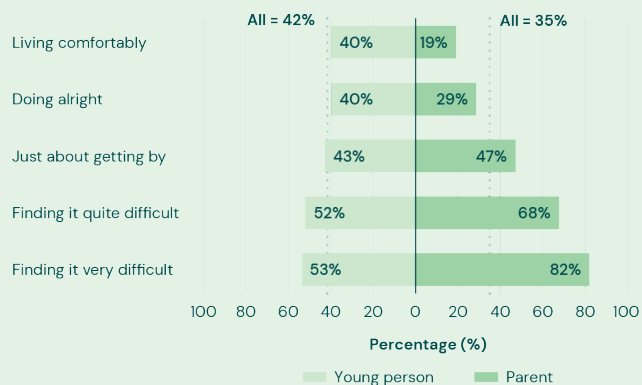
Jake Anders, Alice De Gennaro, Erica Holt-White and Rebecca Montacute

Highlights

- Many households’ financial situation declined during the pandemic. 39% reported worse financial health, and just 16% better. Gaps have widened, with 52% of disadvantaged households reporting worse financial health, compared to 34% of others. 22% of professional households reported an improved financial situation, over twice that of working class households (10%).
- One in ten young people (10%) were living in households classed as food insecure, with many reporting running out of food, skipping meals, and 5% of parents reporting going a whole day without eating.
- Social renters were six times more likely to experience food insecurity than those who owned their home (26% vs 4%). Rates of food insecurity were highest in the North East and North West (15% and 12%), and lowest in the South East (9%) and East of England (7%).
- 8% of parents used a food bank during the pandemic period, three quarters of whom had also used food banks pre-pandemic. Food poverty is not restricted to Free School Meals eligible families. The majority (57%) of households where children went hungry were not FSM eligible during that time, and 36% of those using foodbanks were not FSM eligible.
- Pupils in families who reported using food banks during the pandemic received lower GCSE grades (almost half a grade per subject), even taking into account previous

- grades and other aspects of their household finances. However, long-term disadvantage played a bigger role than the pandemic.
- Pandemic financial experiences were more closely linked to mental health. Among families finding it very difficult to get by financially, rates of psychological distress were 82% among parents, and 53% among children. Among parents this is four times higher than those living comfortably.
- Rates of psychological distress were substantially higher in households who started using foodbanks in the pandemic (53% among young people and 63% among parents), compared to 41% and 33% for those not using foodbanks. They were also slightly higher than ‘long term’ users, potentially indicating the impacts of short-term financial shocks.

Percentage of young people and parents reporting high psychological distress, by how well parents feel they are managing financially



Context

The COVID-19 pandemic not only affected the health of millions of people across the country, but the accompanying disruption to economic life had impacts on the financial wellbeing of many households. This has been compounded by an ensuing cost of living crisis, with energy bills and food prices rising rapidly.

Studies suggest that the COVID-19 pandemic could potentially cause unprecedented economic costs to the UK economy.¹ On an individual level, this meant financial stress or even economic crisis to many families. While significant interventions – such as the Coronavirus Job Retention Scheme (furlough), the uplift to Universal Credit, and the Coronavirus Business Interruption Loan Scheme – were quickly introduced to cushion the blow, lockdowns and other public health measures during the COVID-19 pandemic were harmful to employment and economic participation.² The pandemic caused unemployment for some families³ as well as reduction in family income to others who were furloughed. One in four employees were furloughed⁴ at some point between March 2020 and June 2021.⁵ Furthermore, as pandemic restrictions eased, economic challenges have continued as a result of the ‘cost of living crisis’, partially due to inflation resulting from post-pandemic bottlenecks in global supply chains, now having significant impacts on household finances and economic security, as well as inequality.⁶

An emerging body of evidence shows that such financial impacts have been socially stratified, with already disadvantaged households experiencing greater negative financial impacts. While some households experienced unemployment or reduced income, other families, working in jobs that were easy to shift online, suffered less disruption and benefitted from increased household savings due to a reduction in expenditure during this period.⁷ This has led to concerns of potentially widening socio-economic inequalities.⁸ The school closures during the COVID-19 pandemic also had financial implications for families, especially those with low-incomes.⁹ A study analysing cross-sectional data from a nationally representative household survey in the UK found that disadvantaged households, such as single-parent households and households with at least one individual working part-time, might have been at greater risk of COVID-19-induced financial vulnerabilities, such as falling behind on paying bills and having low income.¹⁰

Such financial vulnerabilities could be exacerbated for low-income families through decreased access to free school meals for children and increased childcare costs for families with young children, with poor households more likely to have experienced poverty during the pandemic.¹¹ However, there is little existing evidence of inequalities by ethnicity in the COVID-19-related financial impacts.

One in four children had suffered from food poverty during the first six months of the pandemic.

The economic shock of the pandemic was also a driver of household food poverty.¹² UK-wide surveys show a consistently higher prevalence of food insecurity during the pandemic compared to beforehand.¹³ Longer term consumer tracking by the Food Standards Agency suggests that food bank usage increased between April 2020 and October 2021. Meanwhile, a survey by the Social Market Foundation reported that one in four children had suffered from food poverty during the first six months of the pandemic.¹⁴ Evidence also presents a picture of an unequal impact of COVID-19 on food insecurity in the UK more widely. Research shows that the poorest households and children, households with children, ethnic minority households, single-parents, young people aged 16 to 30 and those who were furloughed were the most likely to experience hunger during the COVID-19 pandemic.¹⁵ Beyond the immediate impacts of material deprivation experienced in the period since March 2020, it is important to also consider the potential long term effects, particularly on young people and their future life chances, through knock on consequences for their grades at school and educational pathways, as well as their mental health and wellbeing.

This briefing, analysing survey responses from the first wave of the COSMO study, uses the rich data collected directly from both COSMO participants and their parents to explore the financial circumstances of households with 16 year-old children during the pandemic period. It allows a better understanding of which groups were most affected, and also provides the opportunity to link information on household financial circumstances with data on school attainment and the mental health of families.

Financial and work changes in families

Changes in work

Comparing the pre-pandemic period with a time after the end of national restrictions and the end of the furlough scheme, the main economic activity of parent respondents in COSMO was remarkably stable, with no major shifts in evidence between March 2020 and Autumn/Winter 2021/22. There was a small reduction, of less than a percentage point, in those in paid work for both genders. Around 6–7% of parents of each gender reported a change in main activity between the start and end of this period.

Table 1: Main activity of parent pre- and post-pandemic, by gender

	Female		Male	
	March 2020	Winter 2021/22	March 2020	Winter 2021/22
Paid work or self employed	74.4%	73.8%	86.1%	85.3%
Looking after family	15.6%	15.6%	4%	4.3%
Not in paid work	7.8%	8.3%	7%	6.8%
Full time education/ training	1.7%	1.7%	1.2%	1.2%
Retired	0.6%	0.6%	1.8%	2.5%
Total	100%	100%	100%	100%

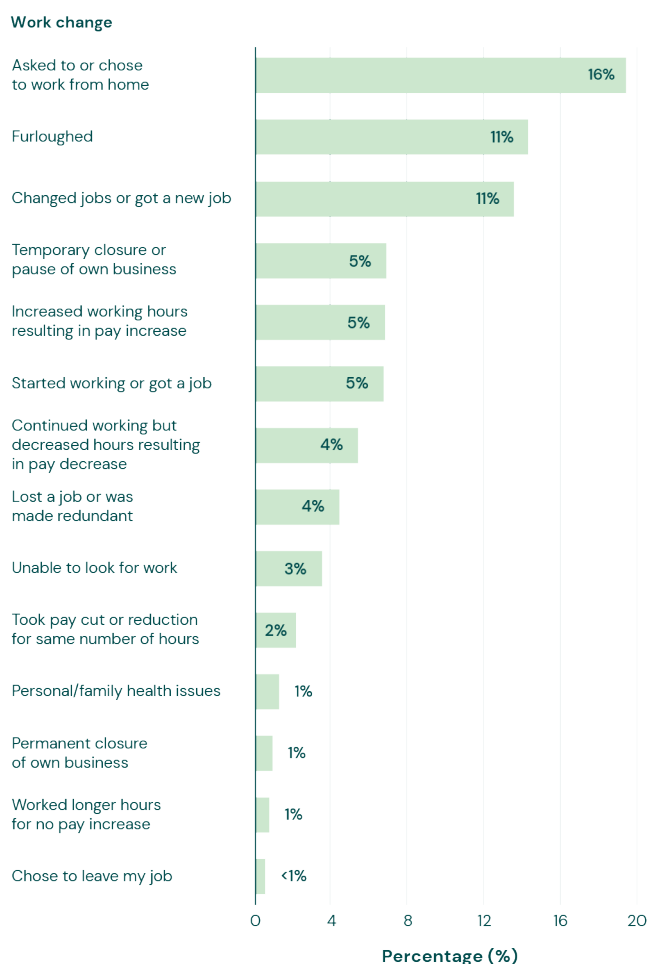
Notes: N=8,362. Analysis is weighted for survey design and young person and main parent non-response.

However, this obscures the disruptions to economic life experienced by households in between these periods. Figure 1 shows an array of pandemic work experiences and their levels of prevalence. Working from home was the most common experience (16% of households). Furlough of the responding parent was second most common, at 11% (14% of those who were in work in March 2020). Rates of furlough were substantially lower than that of the general population, perhaps reflecting the age and gender make-up of the parent group in COSMO, with 79% of parent respondents being female. 4% of respondents reported losing a job during this period, but 9% of households reported at least one parent who lost a job.

In general, there were few differences by gender in these experiences, but men were significantly more

likely to have taken a pay cut, while women were more likely to have increased their working hours.

Figure 1: Economic events experienced by responding parent since March 2020



Notes: N=9,166. Analysis is weighted for survey design and young person and main parent non-response.

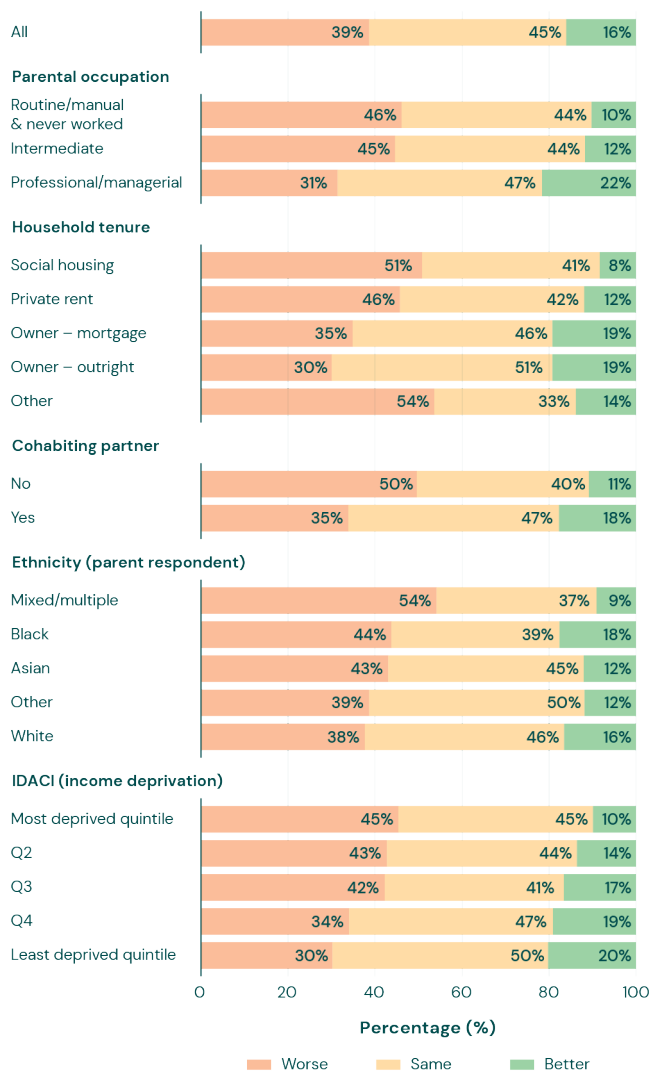
Financial health

Parents were more likely to report that the financial situation of their household had declined since the beginning of the pandemic than increased. Overall, 39% reported worse financial health, with 13% reporting much worse. Just under half reported it had stayed the same, and 15% reported an improvement. During the fieldwork period of Winter 2021/22, the proportion of households with worse financial health increased from around 36% in September and October, to around 46% in March and April.

Looking at the characteristics of the households (Figure 2), those reporting a worsening financial situation were most likely to be those with fewer resources in the first place.

This supports existing evidence that financial gaps will likely have widened during the pandemic period. 52% of parents of disadvantaged pupils (eligible for FSM in the previous six years) reported a worse financial situation compared to 34% of non-disadvantaged.¹⁶ 47% of those in working class (or never worked) households reported worse financial health, compared to 31% of those in higher professional and managerial households. Conversely, professional households were more than twice as likely to report being in a better financial situation than pre-pandemic (22% vs 10%). Similar patterns are seen by housing tenure, by whether the parent has a partner, and by area level deprivation. Half of single parent families and those living in social housing reported worse financial health. Looking at parent ethnicity, Pakistani (49%) and Black Caribbean (46%) parents were most likely to report worse financial health, compared to Indian (34%) and White (38%) families.

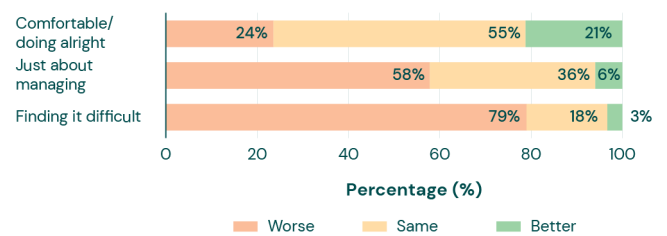
Figure 2: Household financial health compared to pre-pandemic, by background characteristics



Notes: N=6,002. Analysis is weighted for survey design and young person and main parent non-response.

Overall, in terms of how households were managing financially, 22% of households reported 'living comfortably', 41% 'doing alright', 26% 'just about getting by', and 12% finding it 'quite' or 'very' difficult. Families eligible for FSM were three times more likely to report struggling to get by (24% compared to 7% of non-eligible families). Of those who were doing alright or better, about a quarter reported their finances had got worse during the pandemic period, and 21% that they had improved. Among those finding it difficult, the vast majority said their finances had got worse (79%), and just 3% said they had got better. This reflects similar evidence from the UCL Social Study during the pandemic.¹⁷

Figure 3: Ability to manage financially, by self-reported change in finances during pandemic period



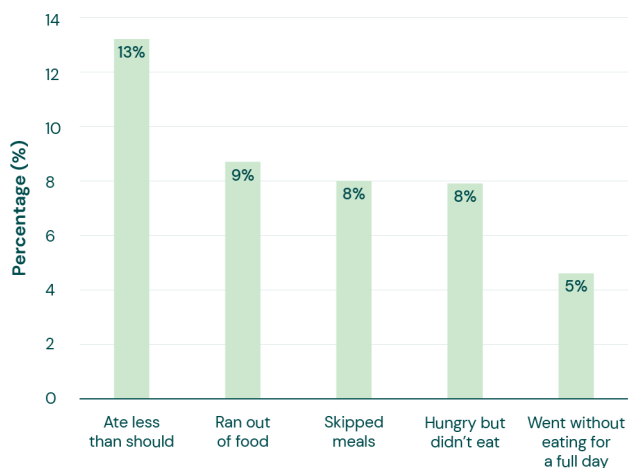
Notes: N=7,614. Analysis is weighted for survey design and young person and main parent non-response.

Material deprivation and food poverty

Food insecurity

Figure 4 shows the prevalence of six indicators of food insecurity and hunger. 13% of parents reported eating less than they should have due to a lack of resources during the period since the beginning of the pandemic. 9% ran out of food, while 8% reported skipping meals or being hungry but not eating due to lack of resources. Overall, one in seven households (14%) reported at least one indicator of food insecurity (not including food bank use), with 10% of households classed as having low or very low food security (meeting two or more criteria).¹⁸

Figure 4: Indicators of food insecurity (Experienced due to lack of money)



Notes: N=8,309. Analysis is weighted for survey design and young person and main parent non-response.

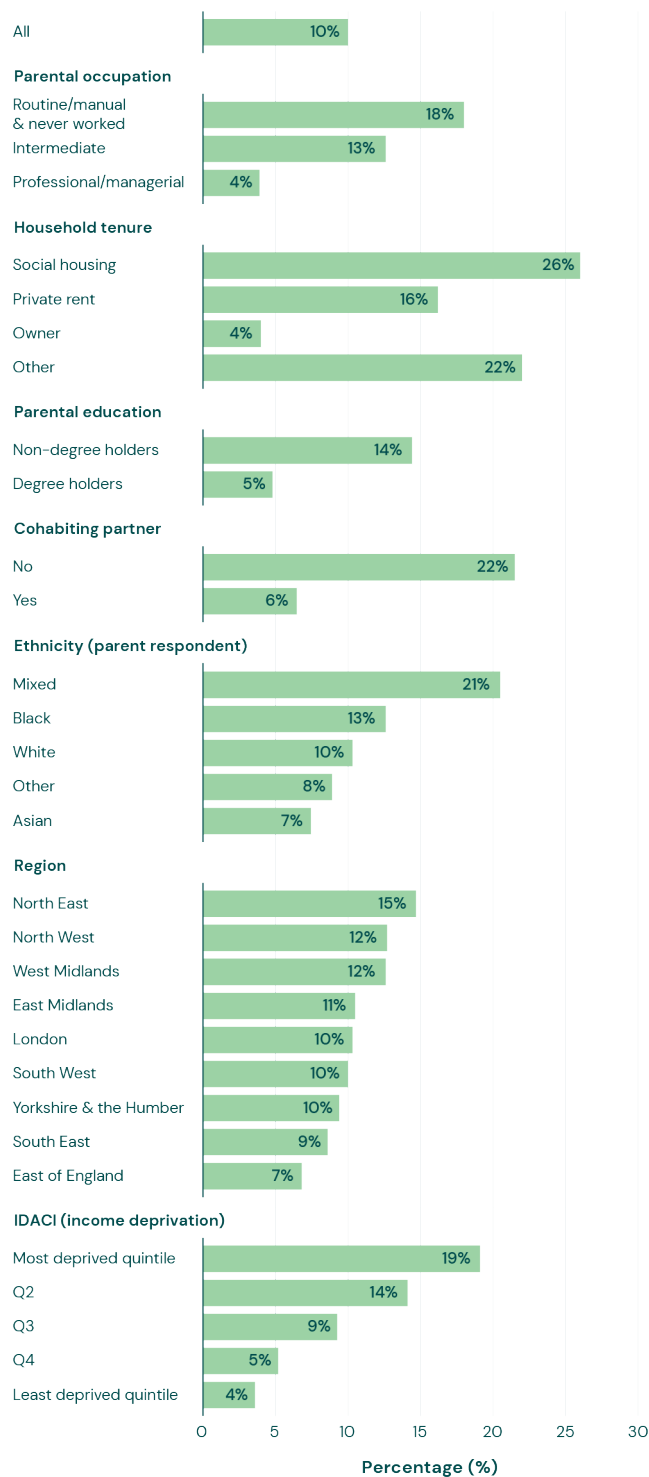
Figure 5 shows the prevalence of those with low or very low food security by background characteristics, revealing substantial disparities across groups. Those in routine and manual occupations were over four times more likely to experience food insecurity than professional and managerial occupations. Social renters were six times more likely than owner occupiers, and single parents were three times more likely than those with a co-habiting partner. There were also regional disparities, with rates in the North East (15%), more than double those in the East of England (7%).

There are indications however, in line with existing evidence, that parents protected children from hunger.¹⁹ Of those experiencing any form of hunger, the vast majority (78%) reported that only adults were affected, with 18% reporting that children were affected too.

Significant efforts were made during the pandemic to provide children with school meals during school closure and holiday periods, however in 6% of FSM eligible households children were reported to have gone hungry at some point, and 27% of these families needed to use food banks.

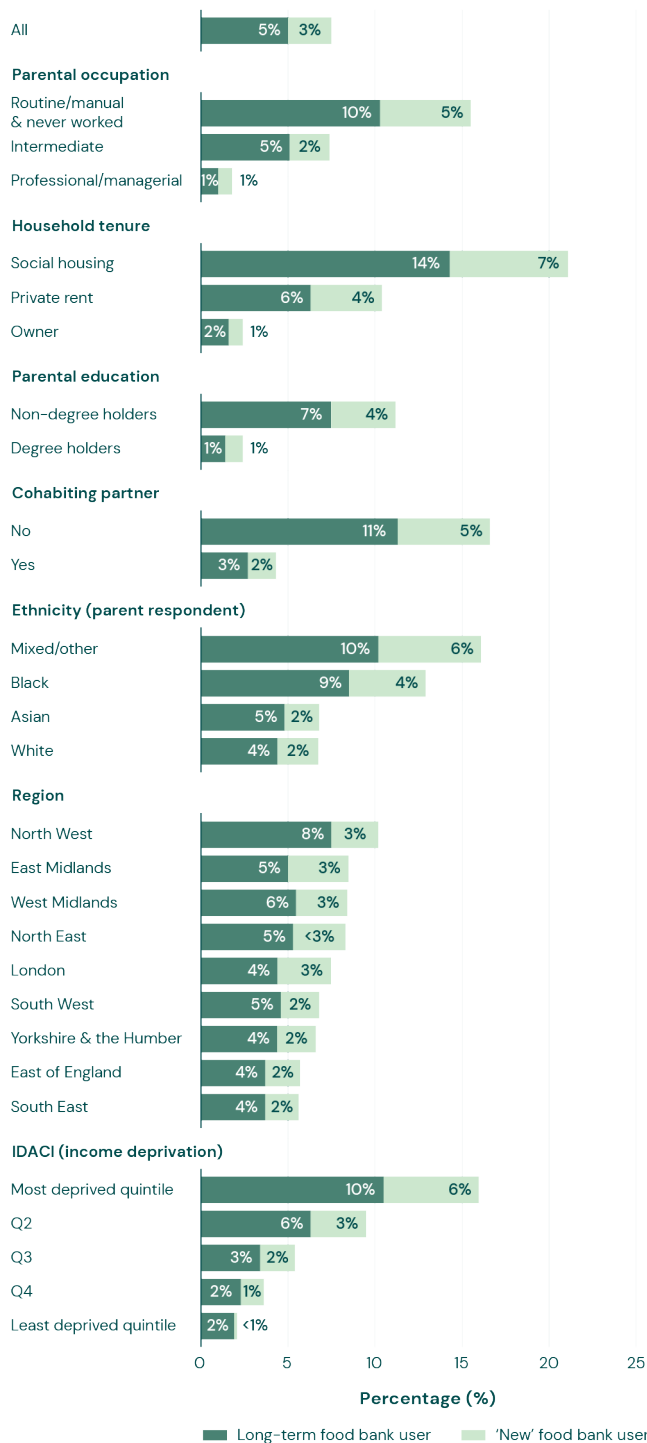
Food poverty is not restricted to those eligible for Free School Meals however. In fact, the majority of households where children went hungry were not FSM eligible (57%).²⁰ A sizeable proportion of families using food banks (36%) were also not eligible for Free School Meals.

Figure 5: Low/very low food security by background characteristics



Notes: See endnote 19 for definition of low/very low food security. N=6,283. Analysis is weighted for survey design and young person and main parent non-response.

Figure 6: Food bank use since the beginning of the pandemic, by background characteristics



Notes: N=6,147. Analysis is weighted for survey design and young person and main parent non-response.

Food bank usage

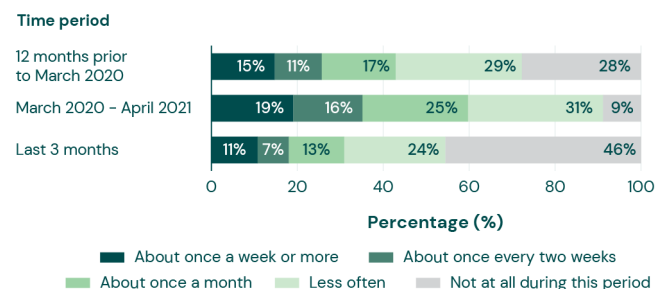
Overall, 8% of parents reported using a food bank since the beginning of the pandemic in March 2020. Almost three quarters of these households had also used a food bank in the twelve months before the pandemic, with the remainder 'new' users.

Half (50%) of those with very low food security had used a food bank during that time, and 27% with low security. While food bank use is growing, not all those who may need a food bank are using them.

Figure 6 shows food bank use since the beginning of the pandemic by background characteristics, showing similar patterns to food insecurity, as would be expected. As with food insecurity, social renters are the group most at risk of needing to use a food bank with more than one in five (21%) households needing to use a food bank during this time. 'New' users were largely proportional to rates of usage pre-pandemic. 23% of the families of disadvantaged pupils used food banks, including 8% who were 'new' users.

Figure 7 shows the frequency of reported food bank use during three periods of time: pre-pandemic, March 2020–April 2021 (period of most significant disruption), and the most recent three months when interviewed, which covered autumn and winter 2021/22. It shows the frequency of food bank use increasing during the pandemic period, before reducing in late 2021. 15% of users used a food bank once a week or more in the year pre-March 2020, rising to 19% in 2020/21, and falling to 11% in late 2021/early 2022. Almost half of those who used a food bank since the beginning of the pandemic had not used one in the most recent three months (46%). However, with the cost of living crisis starting to bite, this is likely to have worsened again over the past year,²¹ which will be explored further in future research from the COSMO study.

Figure 7: Frequency of food bank use over time



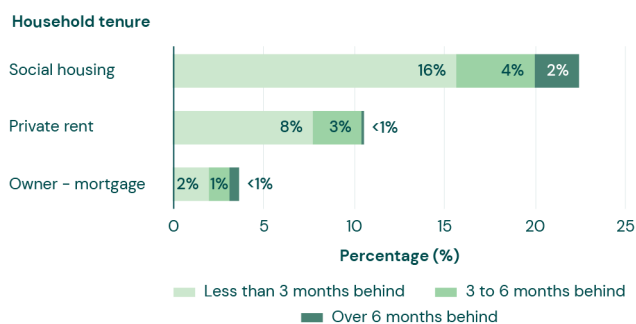
Notes: N=755. Analysis is weighted for survey design and young person and main parent non-response.

Housing

Another indicator of material deprivation is housing insecurity. Parents were asked about their ability to keep up with housing payments. Overall, 9% reported they were behind on payments. 6% were less than three months behind, 2% were three to six months behind, and 1% were more than six months behind. As shown in Figure 8, again social renters were most likely to be behind on payments, 22% overall, compared to 11% of private renters and 4% of owners with a mortgage. This overall pattern by tenure type is the same as is observed in data from the English Housing Survey (EHS) 2021-22. Rates of arrears are, however, higher in households eligible for the COSMO study (i.e. those with teenage children) compared to all households nationally. Analysis of the EHS suggests that 10% of social renters were in arrears at the time of response, compared to 22% in the COSMO data. This may reflect the economic circumstances and financial challenges of households with children under 18.²²

London had the highest proportion of families behind on payments, at 14%. Notably, this was double the rate in the neighbouring South East (7%). Single parent families were twice as likely to be behind as co-habiting households.

Figure 8: Fallen behind housing bills, by housing tenure



Notes: N=5,992. Analysis is weighted for survey design and young person and main parent non-response.

Overcrowded housing is an issue for many, with the impacts of crowded housing likely to have been exacerbated during periods of pandemic restrictions where people were confined to their homes. This could impact on learning for children, as well as mental health. 15% of households were defined as overcrowded, according to the 'bedroom standard',²³ indicating not enough bedrooms in a home for the number and age of its residents. 3% of households had a deficit of two or more bedrooms.

Overcrowding was much more common in less well-off households: 26% in the most deprived areas compared to 3% in the least deprived fifth, and 28% among social renters, compared to 7% of owner occupiers. It was also substantially more likely in London (25%) compared to other regions. There were also differences by ethnicity, with 35% of Black young people living in an overcrowded home, compared to 31% of Asian young people and 9% of White. 27% of FSM eligible young people lived in an overcrowded house, compared to 11% of non-FSM eligible.

Educational outcomes

In addition to looking at the rates at which different groups experienced adverse financial impacts of the pandemic, the COSMO data also allow us to explore whether these were associated with differences in 'outcomes' – be these in terms of education, future plans or mental health.

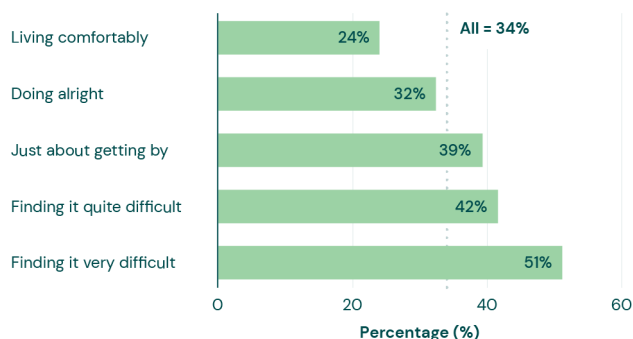
In assessing the impact of the pandemic, circumstances before the pandemic are important to consider. Households which were already finding things difficult before the impacts of the pandemic came to bear may have been more vulnerable to these challenges than those in a stronger financial position at the time of the first lockdown. However, it is important to consider whether pandemic experiences had negative impacts on certain groups, over and above existing pre-pandemic inequalities.

Perceptions of falling behind

The COVID-19 pandemic coincided with a critical period in the schooling of the COSMO cohort, who were in the first year of their GCSEs at the time of the first lockdown. In the [COSMO briefing on Education Recovery and Catch-Up](#), over one in three (36%) young people said that they had fallen behind their classmates as a result of the COVID-19 pandemic.²⁴ Girls, as well as those attending non-selective state comprehensives, those whose parents were employed in routine or manual jobs (or who had never worked), and FSM-eligible pupils were more likely to agree with this statement compared to those from other groups.²⁵ Findings from elsewhere support the results from COSMO. Looking at university applicants specifically, polling commissioned by the Sutton Trust suggests that three in ten (30%) viewed themselves as having fallen behind compared to their peer group – very similar to the proportion among COSMO respondents who plan to apply to university (31%).²⁶

Given the extent of disruption to economic life, as well as the disparities in experiences of this disruption, it is important to consider the extent to which negative changes in the household may have been detrimental to the academic progress of young people. One potential avenue for this is via the young person’s mental wellbeing – contributing to distractions from learning – while another could be that less learning support was available in the home during periods of financial stress. This would be consistent with the sociological ‘family stress’ model of intergenerational transmission of disadvantage, which posits that family deprivation and economic pressure in households have an impact on interparental relationships, which in turn can affect child outcomes.²⁷ Indeed, perceived progress at school relative to classmates is strongly associated with parental perceptions of how well they were managing financially (see Figure 9). Young people living in households where a parent/guardian indicated that they were ‘living comfortably’ were considerably less likely to view themselves as having fallen behind (24%) compared to those whose family were ‘finding it very difficult’ (51%).

Figure 9: Whether participants thought they had fallen behind their classmates, by how well parents feel they are managing financially

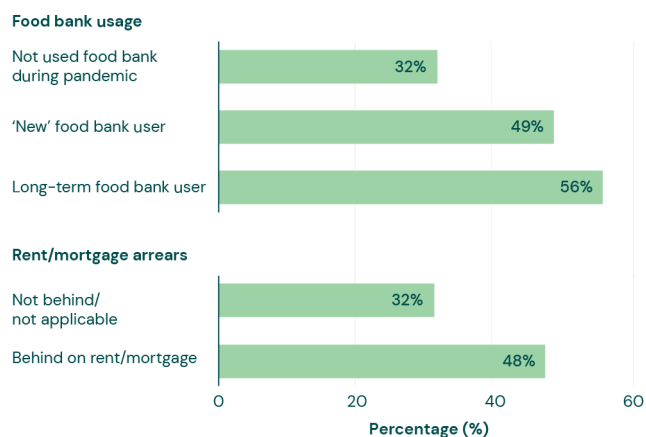


Notes: N = 7,772. The analysis is weighted for survey design and young person and main parent non-response.

Underlying this pattern, specific financial challenges also have a strong association with young people feeling they fell behind their peers during the pandemic. Almost a third (32%) whose family had not used a food bank since the start of the pandemic felt they had fallen behind, compared to 56% among established food bank users.

However, 49% of those whose households were ‘new’ users also felt they had fallen behind. While longer term disadvantage had a larger impact, there is also an association among those encountering greater food insecurity in the pandemic (see Figure 10).

Figure 10: Whether participants thought they had fallen behind their classmates, by food bank usage and rent/mortgage arrears



Notes: Food bank usage analysis: N = 8,178. Housing payments analysis: N = 7,061. The analysis is weighted for survey design and young person and main parent non-response.

Young people belonging to households which were behind on housing costs were also significantly more likely to say they felt they had fallen behind their peers. Almost half (48%) whose family were in rent/mortgage arrears said they were behind, compared to less than one in three (32%) who either do not have housing costs or were not behind on payments. Even when controlling for the household’s financial health more generally, young people whose families had experienced specific challenges meeting the cost of living – as measured by food bank usage or being in rent/mortgage arrears – were significantly more likely to feel they had been left behind in terms of learning progress.

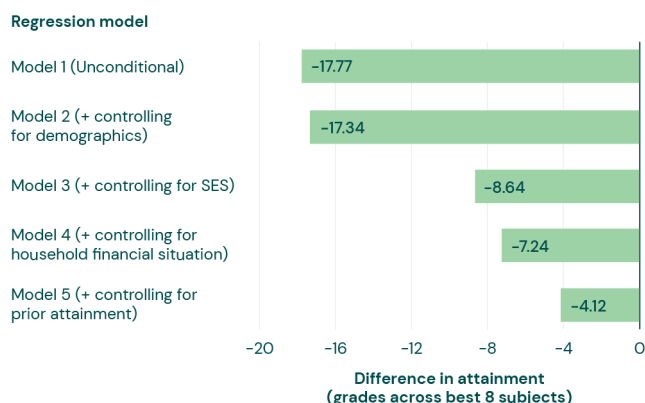
Teacher Assessed Grades

Such inequality was not only reflected in pupils’ perceptions of having fallen behind their peers, but also in teacher assessed grades (TAGs). To explore how elements of deprivation and financial circumstances had an impact on GCSE attainment for the COSMO cohort, COSMO data has been linked to administrative records from the National Pupil Database (NPD), enabling the authors to control for pupils’ socio-economic backgrounds and their prior Key Stage 2 (KS2) educational attainment.

The data has been used to construct linear regression models (a modelling technique to estimate the relationship between one variable and other explanatory variables) to explore the association between deprivation and financial impacts-related experiences and young people’s GCSE attainment (as measured by TAGs), taking into account pupils’ background characteristics and prior attainment.²⁸

Figure 11 shows the link between food poverty in households during the pandemic and pupils’ teacher assessed Key Stage 4 (KS4) performance. Comparing pupils with similar characteristics and the same baseline educational attainment (at Key Stage 2), those who lived in a household with adults not having enough to eat had lower GCSE scores (about 3.5 grades less, across their best 8 subjects). After further controlling for the financial situation at home, which might also be a proxy for food poverty, this association becomes smaller, but is still about -2.4 grades across 8 subjects.

Figure 11: Changes in teacher assessed best 8 GCSE scores associated with food poverty in households, conditional on pupils’ characteristics



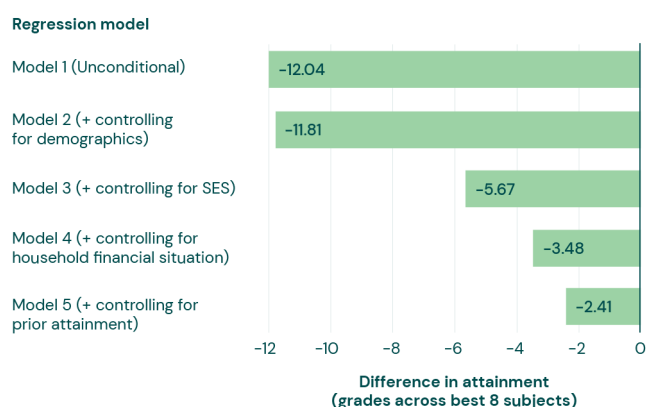
Notes: N = 4,333. Units are GCSE grades across a student’s best 8 results, with English and maths double weighted. Results are households in which adults have experienced hunger compared to those no one has gone hungry. Model 1 only includes indicator for food poverty, Model 2 adds gender, ethnicity, and region (demographics), Model 3 adds parental education, parental occupation, and FSM eligibility (SES), Model 4 adds general financial situation in households, and Model 5 further adds KS2 prior attainment.

Living in a household which was a long-term food bank user (i.e., used food bank before and during the COVID-19 pandemic) is also associated with lower GCSE scores. Being a long-term food bank user on its own is linked with about 18 grades lower in KS4 performance (more than 2 grades per subject).

After taking background characteristics, prior attainment and financial situation at home into account, this association is still approximately -4 grades (Figure 12). However, when controlling for prior attainment and household financial circumstances, there was no significant association between ‘new’ food bank usage and teacher assessed grades. This suggests that longer term food bank usage is a more important risk factor for pupils’ educational attainment. Similarly, controlling for the overall level of financial health in a household, a worsening in finances during the pandemic was not associated with a significant change in grades.

Also of note, when controlling for other factors, household overcrowding was not associated with either lower grades or perceptions of having fallen behind over and above other indicators of financial deprivation.

Figure 12: Changes in teacher assessed best 8 GCSE scores associated with food bank usage, conditional on pupils’ characteristics



Notes: N = 4,314. Units are GCSE grades across a student’s best 8 results, with English and maths double weighted. Results are households which used food bank before and during the COVID-19 pandemic, compared to those who did not use a food bank during the COVID-19 pandemic. Model 1 only includes indicator for food bank usage, Model 2 adds gender, ethnicity, and region (demographics), Model 3 adds parental education, parental occupation, and FSM eligibility (SES), Model 4 adds general financial situation in households, and Model 5 further adds KS2 prior attainment.

Mental health and wellbeing

Employment status and financial strain have, in previous studies of longitudinal data, both been observed to be associated with mental wellbeing.²⁹ Furthermore, on an individual level, job loss can have a significant adverse effect on wellbeing – even if it is not clear what the net impact on the population may be during economic downturns.³⁰

Several recent studies have used data from the UK Household Longitudinal Survey (UKHLS) to assess the factors associated with mental health before and during the COVID-19 pandemic. Evidence from these analyses suggest that, while financial strain was one of the key contributing factors to psychological distress prior to the onset of the pandemic, it became less important subsequently. Meanwhile, factors associated with health risk – such as age and gender – increased in importance.³¹ Further analysis suggests that the amount of time spent on childcare and home schooling – a burden that is not split equally within households – also contributed to declines in wellbeing.³²

Young people’s mental health

While recent work with data from the UKHLS has so far focused on adult mental health, the COSMO data allows us to measure the wellbeing of the youth cohort and a parent/guardian alike. Just as was outlined in the COSMO briefing on Mental Health and Wellbeing, symptoms of psychological distress are primarily measured by responses to questions from the General Health Questionnaire (GHQ-12), with a score of four or above indicating ‘high levels of psychological distress’.³³ This previous briefing found that, among young people, key drivers of psychological distress included demographic factors, such as gender, as well as major life events experienced during the pandemic. Females, for instance, were more likely to indicate high levels of psychological distress compared to males. Similarly, over two-thirds (67%) of young people who reported that their household had experienced difficulties paying for food (or had used a food bank) reported high levels of psychological distress.³⁴ The briefing also found that young people were slightly more likely to display high levels of distress than responding parents.

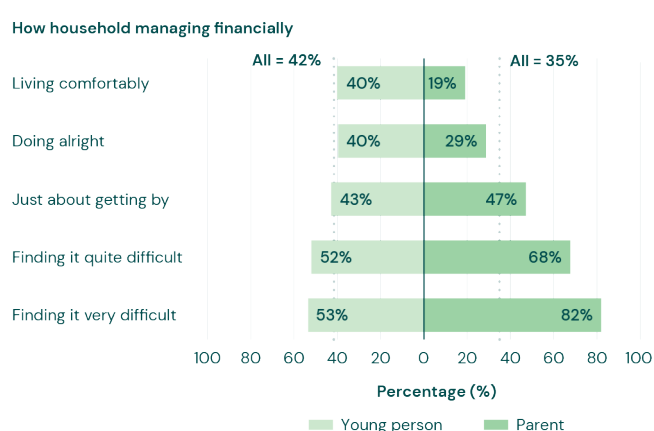
Young people were also more likely to report psychological distress within households where this was also the case for their parent/guardian. One conclusion from this may be that latent characteristics of the household may be a contributing factor. This may include the level of financial strain experienced by the household.

Associations between financial circumstances and mental health

When looking at how well parents feel their household is managing financially, incidence of psychological stress was higher among those who finding it more challenging to get by.

In terms of parental wellbeing, this pattern was especially pronounced. In households where mental health and wellbeing data is available for both the young person and a parent, just under one in five (19%) parents who felt they were “living comfortably” had a GHQ score of four or above, compared to over four in five (82%) of those who said they were “finding it very difficult” (see Figure 13). While there was also a difference among young people (40% of those in households living comfortably were in psychological distress, versus 53% finding it very difficult), this was far less pronounced than parents.

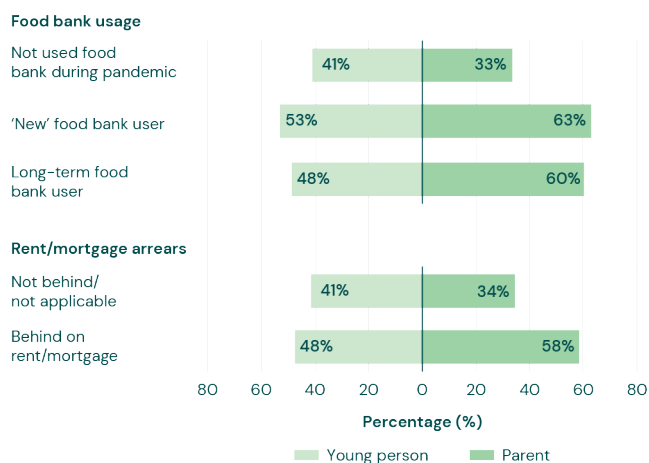
Figure 13: Percentage of young people and parents reporting high psychological distress, by how well parents feel they are managing financially



Notes: N = 7,543. The analysis is weighted for survey design and young person and main parent non-response. Only households where we have GHQ data for both the young person and a parent are included.

Similarly, those finding it challenging to pay for essentials were more likely to indicate high levels of psychological distress. Again, the differences appear more pronounced for parents than for young people. Approximately a third (33%) of parents who had not used a food bank during the pandemic had a GHQ score indicating psychological distress (see Figure 14). Meanwhile, over three in five reported the same both among those who were a ‘new’ food bank users (63%) and those who had also used a food bank in the year prior to the first lockdown (60%). Likewise, rates of psychological distress among parents were higher (58%) for those who were behind on their housing costs (rent/mortgage) compared to those not behind, or do not have costs associated with their housing (34%).

Figure 14: Percentage of young people and parents reporting high psychological distress, by food bank usage and rent/mortgage arrears



Notes: Food bank usage analysis: N = 7,800. Housing payments analysis: N = 6,874. The analysis is weighted for survey design and young person and main parent non-response. Only households where we have GHQ data for both the young person and a parent are included.

When controlling for a wider range of explanatory factors, the picture for young people compared to parents diverges further. Financial difficulties during the pandemic are more weakly associated with psychological distress than for parents, with other factors, including gender (females had odds of psychological distress two and a half times higher than males), playing a bigger role. Once gender, among other background characteristics, is controlled for, specific financial impacts of the pandemic are not significantly associated with the likelihood of psychological distress.

The opposite is true for parents, however. Modelling which accounts for background characteristics still finds that financial circumstances (both long- and short-term) are significantly associated with the likelihood of elevated psychological distress. Compared to those living comfortably, those who felt they were finding it more difficult to manage financially are significantly more likely to have a GHQ score of four or above. For those who are “finding it very difficult”, the odds of psychological distress are estimated to be more than nine times higher compared to those who regard themselves as living comfortably.

Furthermore, parents who reported that their financial circumstances were worse compared to the start of the pandemic were 38% more likely to be in distress compared to those whose circumstances were the same or had improved.

Those who reported losing a job or business were also 46% more likely to experience distress, even controlling for other factors. This suggests that, while long-term financial circumstances are more strongly associated with lower levels of parental mental health, there was also an effect over and above this for those who experienced negative financial shocks during the pandemic.

Nonetheless, in terms of the mental health of young people in the COSMO cohort, the evidence explored here suggests that they were – compared to their parents/guardians – relatively insulated from the direct financial impacts of the pandemic. That being said, once subsequent waves of the COSMO study have taken place we will be able to evaluate whether any delayed or indirect effects on mental health may have resulted from the increased financial strain that some households have been put under as a result of the pandemic and subsequent cost of living crisis. For example, changes in the household’s overall financial situation compared to before the pandemic is associated with increases in family arguments, both between parents and with young people. Of those with a worse financial situation, 27% and 19% reported increased arguments between parents and with parents respectively, compared to 23% and 13% of those with better financial health. In the longer term, this could result in negative impacts on wellbeing.

Conclusions and policy implications

The pandemic and its aftermath have had substantial impacts on families' finances. While government interventions such as the Universal Credit uplift and the furlough scheme successfully avoided a financial catastrophe, they did not fully insulate families from the economic shocks of the pandemic. In particular, our evidence supports existing research showing that the pandemic served to widen economic gaps, with the greatest harms suffered by those who were relatively less well-off in the first place. Initial evidence has also indicated that the cost of living crisis that has followed the pandemic is on the same path. Substantial inflation in food prices and household bills affect those who spend a larger proportion of their income on essentials such as food and housing.

The pandemic served to widen economic gaps, with the greatest harms suffered by those who were relatively less well-off in the first place.

This has significant potential implications not just for social equity, but also for opportunity and social mobility. The findings from COSMO reflect the wealth of existing data showing the link between material deprivation and education, as well as mental wellbeing. While there are indications that many families were able to insulate children from the short-term financial impacts of the pandemic – in terms of hunger, school grades, and, to a lesser extent, mental health – should those deprivations persist longer term, this is likely to have negative impacts on children and young people. Nonetheless, economic shocks, such as job loss or needing to use a food bank for the first time, were associated with higher levels of poor mental health among parents. Those in financially struggling households also have extremely high levels of psychological distress, and the ongoing cost of living crisis significantly increases the danger of such shocks having a deeper impact. Future waves of COSMO will be vital in

assessing this further, but it is imperative that further government action is taken to mitigate the effects of the crisis on the lowest income households.

Food poverty was a major theme during the crisis period of the pandemic, with footballer Marcus Rashford running a high-profile campaign to have pupils supplied with food during school holidays. This is likely to have alleviated hunger during those periods, however evidence here suggests that much more needs to be done to tackle hunger and food insecurity. Receiving free school meals does not in itself fully prevent hunger, with many of these families also needing to use food banks. More concerning, the majority of households where children went hungry were not eligible for FSM. A coalition of organisations have called for the extension of free meals to all families on Universal Credit, a call which should be urgently addressed.³⁵ Evidence from the Sutton Trust has shown the impact that the cost of living crisis is having in schools, with higher rates of poor behaviour, inattention, pupils not having adequate winter clothing and coming to school hungry.³⁶ With attainment gaps having widened at all ages of school since the outset of the pandemic,³⁷ wiping out a decade of progress, tackling food poverty could be crucial to addressing these gaps.

Looking ahead for the COSMO cohort specifically, as many of them transition to university this autumn, they will also face significant financial challenges as students. Maintenance loans in England, unlike Wales, have not been uprated in line with inflation,³⁸ and the recommendation of the Augar review of post-18 education to re-introduce maintenance grants³⁹ has not been implemented. A wide variety of evidence has shown the impact of the cost of living crisis on university students, and in particular those from lower income backgrounds.⁴⁰ Students are moving home, doing more part-time work, travelling to campus less, and cutting back on essentials to survive. This could have long-term consequences for their education and, consequently, social mobility. For the future prospects of the COSMO cohort, and those coming up behind them, more concerted government action to alleviate material deprivation is of utmost importance.

About The COVID Social Mobility and Opportunities (COSMO) study

The COVID Social Mobility & Opportunities (COSMO) study is a new national cohort study generating high-quality evidence about how the COVID-19 pandemic has affected socio-economic inequalities in life chances, both in terms of short- and long-term effects on education, wellbeing, and career outcomes. A representative sample of young people in England who were in Year 11 in the 2020/2021 academic year were invited to take part in the survey, with the aim of following them as they progress through the final stages of education and into the labour market. A sample of more than 13,000 cohort members was recruited in Wave 1.

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Researchers can access data from Wave 1 of the study through the [UK Data Service](#).⁴¹

Citing this briefing

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Sample and methods

The data for this briefing note come from Wave 1 of the COVID Social Mobility & Opportunities (COSMO) study. COSMO is based on a probability sample drawn from the Department for Education's National Pupil Database (plus additional recruitment from pupils at private schools), with clustering within schools (for practicality reasons) and over-sampling of certain groups using stratification.

Our analysis in this briefing is primarily based on descriptive statistics reporting averages, distributions and differences between groups. Analyses use weights to take into account the over-sampling inherent in the study design, as well as initial non-response by young people and, where relevant, their parents. Differences are only highlighted where these are found to be statistically significant at the $p < 0.05$ level. Any statistical inference testing reported and/or used in such decisions account for clustering and stratification in the study design.

While our full sample of young people has $N=12,828$ the parents of participants were not as likely to respond, reducing analyses involving parents to at most $N=9,330$. As noted above, young person and parental non-response have been modelled separately, with different weights to ensure (insofar as is possible) representativeness of our analysis sample to the intended population. Item-level non-response also results in some further variation to the analysis sample, which is minimised within analyses to ensure consistency.

Aspects of this analysis use administrative data from the Department for Education (DfE)'s National Pupil Database (NPD), where consent was gained for this linkage (73% of young people), with additional weighting carried out to ensure (insofar as is possible) representativeness of analysis using linked administrative data. This work was produced using statistical data from the DfE processed in the Office for National Statistics' (ONS) Secure Research Service (SRS). The use of the DfE statistical data in this work does not imply the endorsement of the DfE or ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets, which may not exactly reproduce National Statistics aggregates.

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COSMO

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