



UNDERSTANDING SCOTLAND

A NEW SURVEY FOR SCOTLAND

ECONOMY

May 2022





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UNDERSTANDING SCOTLAND

Understanding Scotland is a new quarterly survey tool measuring the most important facets of our lives and decision-making in Scotland: our society, economy, and environment.

This high-quality, large-scale survey tool is brought to you by Diffley Partnership and Charlotte Street Partners.

Understanding Scotland: Economy is produced in partnership with the David Hume Institute*.



*Registered Charity Number SC009579

INTRODUCTION

ECONOMY - MAY 2022

We are delighted to present this Understanding Scotland report exploring how the Scottish population feel about the economy and the ongoing cost of living crisis.

We capture people's recent experiences and current expectations regarding the economy and personal finance, and the extent to which they are satisfied with their incomes, as well as their response to rising prices.

We find that most people are feeling markedly worse off and are pessimistic about the economic and financial outlook, with evident concern over rising prices. People's money is not going as far as it used to, and even those in paid employment are struggling to keep pace with inflation. It is those in more vulnerable positions and more deprived communities, however, that find themselves hardest hit by the ongoing crisis.

There is widespread and acute anxiety over surging prices, which have pushed people to take on debt and forego basic essentials such as heating and food, and a quarter of adults are losing sleep.

While the outlook is stark across all parts of society, it is hoped that this report will help to identify those most impacted by rising prices and most urgently in need of support.

UNDERSTANDING SCOTLAND

THE ECONOMY IN 10 POINTS

This edition of Understanding Scotland brings you insights from over 2,000 members of the adult (16+) Scottish public on the most important aspects of our society and economy.



01

THE COST OF LIVING CRISIS TOPS PEOPLE'S CONCERNS

Two thirds of people deem this a top economic priority. Other prominent concerns centred on wages, living standards and poverty. Such considerations are also in the ascendancy, while economic growth and public finances have slipped down the agenda.

02

A CLEAR MAJORITY JUDGE ECONOMIC CONDITIONS AND THEIR OWN FINANCIAL CIRCUMSTANCES TO HAVE WORSENE

84% of people believe that economic conditions are worse now than over the past 12 months, and 62% say the same of their own finances, compared to only 8% saying that they have improved.

03

AND THEY EXPECT THINGS TO GET WORSE BEFORE THEY GET BETTER

4 in 5 people expect economic conditions to deteriorate further over the next year, and 3 in 5 expect their own circumstances to worsen. Of those who already feel worse off, 78% expect things to get even worse over the coming year.

04

THE COST OF LIVING CRISIS HASN'T HIT EVERYONE EQUALLY

Surging prices have exacerbated existing inequalities, with 23% of those in the most deprived neighbourhoods saying that their personal finances are in a 'much worse' state (compared to 13% in the most affluent areas). Three quarters of those unable to work due to sickness or disability, and four fifths of the unemployed also report feeling worse off.

05

MOST PEOPLE SAY THAT THEIR MONEY DOESN'T GO FAR ENOUGH

Over half (55%) of people overall, and 61% of C2DE respondents, are dissatisfied with the extent to which their income covers their living costs. This figure is up 18 percentage points compared to September of last year. An outright majority of people in all forms of paid employment were also dissatisfied with this.

06

PARENTS AND LARGER HOUSEHOLDS, ESPECIALLY, ARE STRUGGLING TO KEEP PACE WITH RISING PRICES

Two thirds of households with children report feeling worse off now than over the past year, and 3 in 5 households with 3 or more people say that their incomes do not satisfactorily cover their living costs.

07

RISING PRICES ARE CAUSING ACUTE STRESS, WITH A QUARTER OF PEOPLE LOSING SLEEP OVER THE COST OF LIVING

23% of people have lost sleep over financial stress and anxiety, rising to 26% of parents and 28% of people in the most deprived areas. This rises further, to half of those unable to work due to a long-term sickness or disability.

08

HIGHER PRICES ARE PUSHING PEOPLE TOWARDS RISKIER FINANCIAL BEHAVIOURS AND INTO MORE VULNERABLE POSITIONS

A third of people have had to dip into their savings, leaving them more exposed to financial shocks. In parallel, over a quarter of people have taken on debt to cover higher prices. 13% of the overall population, and just under a fifth (17%) of those in the most deprived neighbourhoods, have done both.

09

AND PEOPLE ARE FOREGOING BASIC NEEDS IN ORDER TO GET BY

3 in 5 people have foregone heating in order to reduce spending, and a further 22% have skipped or cut down on meals, in addition to the 70% of people cutting down on non-essential purchases and leisure activities.

10

PEOPLE WHO CANNOT WORK DUE TO A SICKNESS OR DISABILITY ARE BEING HIT ESPECIALLY HARD BY THE CRISIS

Among this group, half have lost sleep over the cost of living crisis, and a worrying 14% have had to use a foodbank. Three quarters of this group judge their finances to be worse off now than over the past year, and a third deem them 'much worse'.

ECONOMIC PRIORITIES

By far, the most pressing economic concern among the Scottish population is the cost of living, with two thirds of respondents citing this as a top issue, up 10 percentage points since January. This figure rises to three quarters of parents and young people, and while this issue led across all age groups, concern was markedly lower among older respondents, 52% of whom rated it a top economic matter.

This was followed by living standards and wages – which 41% of respondents deemed a top priority – and poverty – where the equivalent figure was 34%. The former represented an increase of 6 percentage points over the past quarter, and the latter was broadly stable.

Retirees and those who cannot work due to sickness/disability were also more likely to prioritise, respectively, pensions and benefits.

Economic growth ranked relatively low among economic priorities in sixth place, behind public finances and spending on public services.

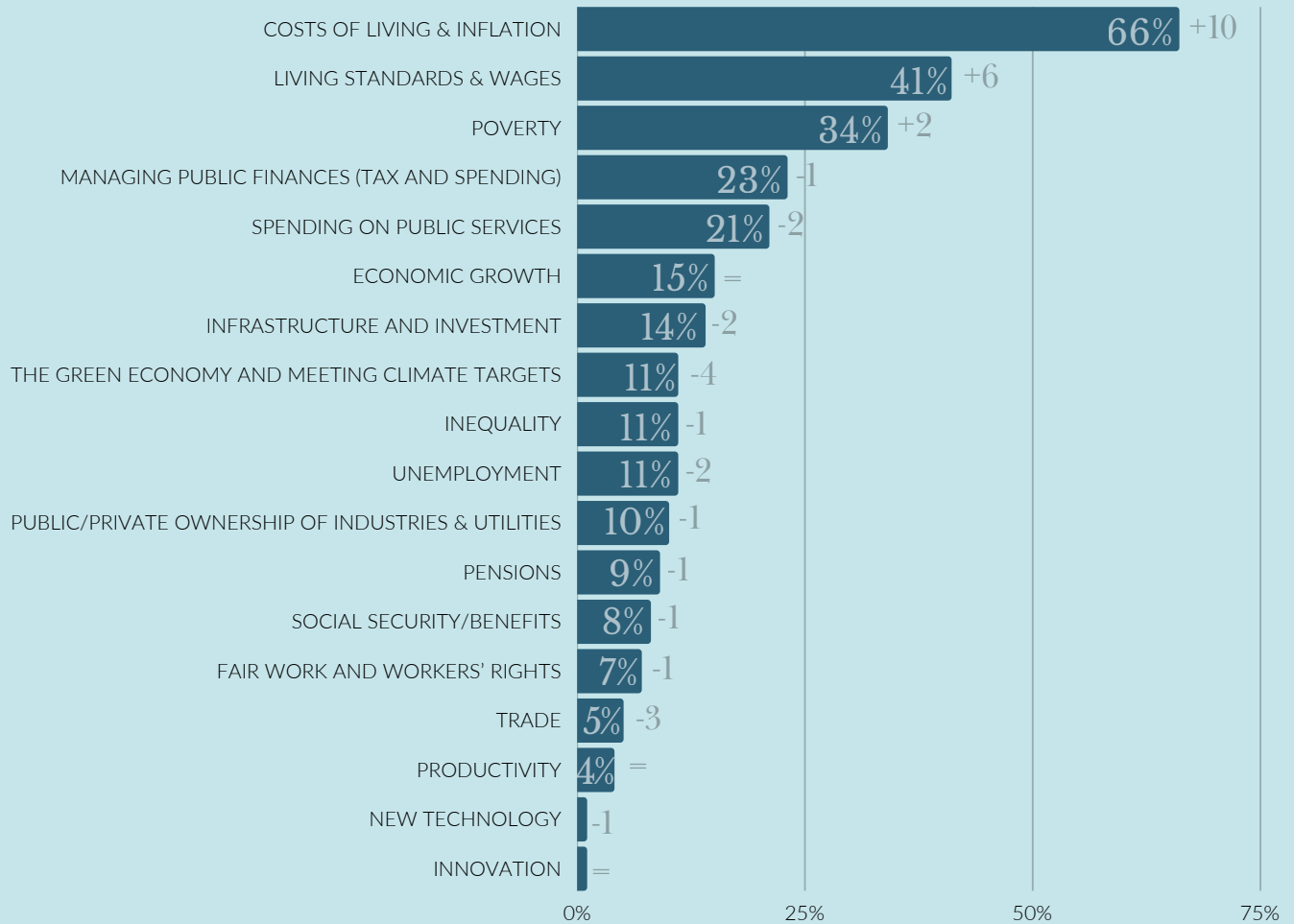
In addition to the cost of living and living standards, younger people and those living in more deprived communities were more likely to prioritise unemployment, poverty, fair work and social security benefits, while older and more affluent respondents prioritised more orthodox concerns, such as economic growth and public finances.

People in paid employment were more likely to prioritise the cost of living, living standards and wages, while the unemployed, inactive and those unable to work were more likely to emphasise the importance of benefits, unemployment and poverty.



ECONOMIC & FINANCIAL PRIORITIES

Proportion of respondents citing each item as being among the top 3 issues facing the Scottish economy (Changes since January 2022)



Thinking specifically about economic and financial issues, which of the following do you think are the three most important issues facing the Scottish economy?



ECONOMIC & FINANCIAL OPTIMISM

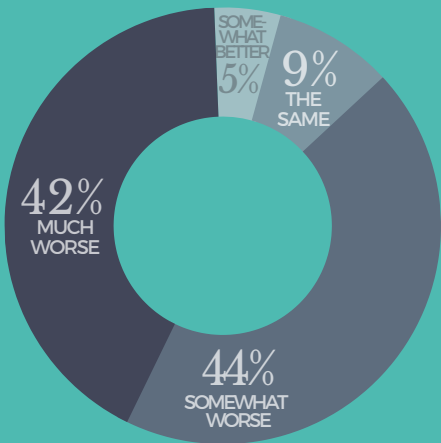
All of our indicators relating to financial and economic optimism recorded their worst results since our regular polling began last September.

Only 5% of people judge current economic conditions to be better now than over the preceding 12 months, while 84% believe they have deteriorated, with 2 in 5 people deeming them 'much worse'. Nor do people expect the economic climate to improve, with 77% of people expecting it to deteriorate further over the coming year.

62% of people judge their own finances to have worsened, compared to only 8% who say their have improved over the past 12 months, and 3 in 5 people (59%) expect their financial circumstances to worsen over the next 12 months.

Alarminglly, 78% of those whose financial circumstances have worsened over the past year expect them to deteriorate further over the next 12 months, while only 3% expect them to improve in any measure.





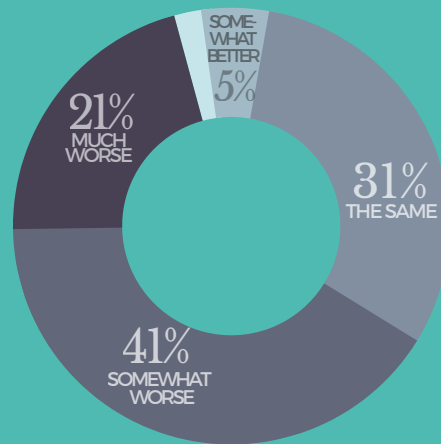
Compared to the past 12 months, do you believe that general economic conditions are better or worse now?



Compared to the past 12 months, do you believe that your own financial situation/circumstances are better or worse now?



Compared to now, do you believe that general economic conditions will be better or worse over the next 12 months?



Compared to now, do you believe that your own financial circumstances will be better or worse over the next 12 months?

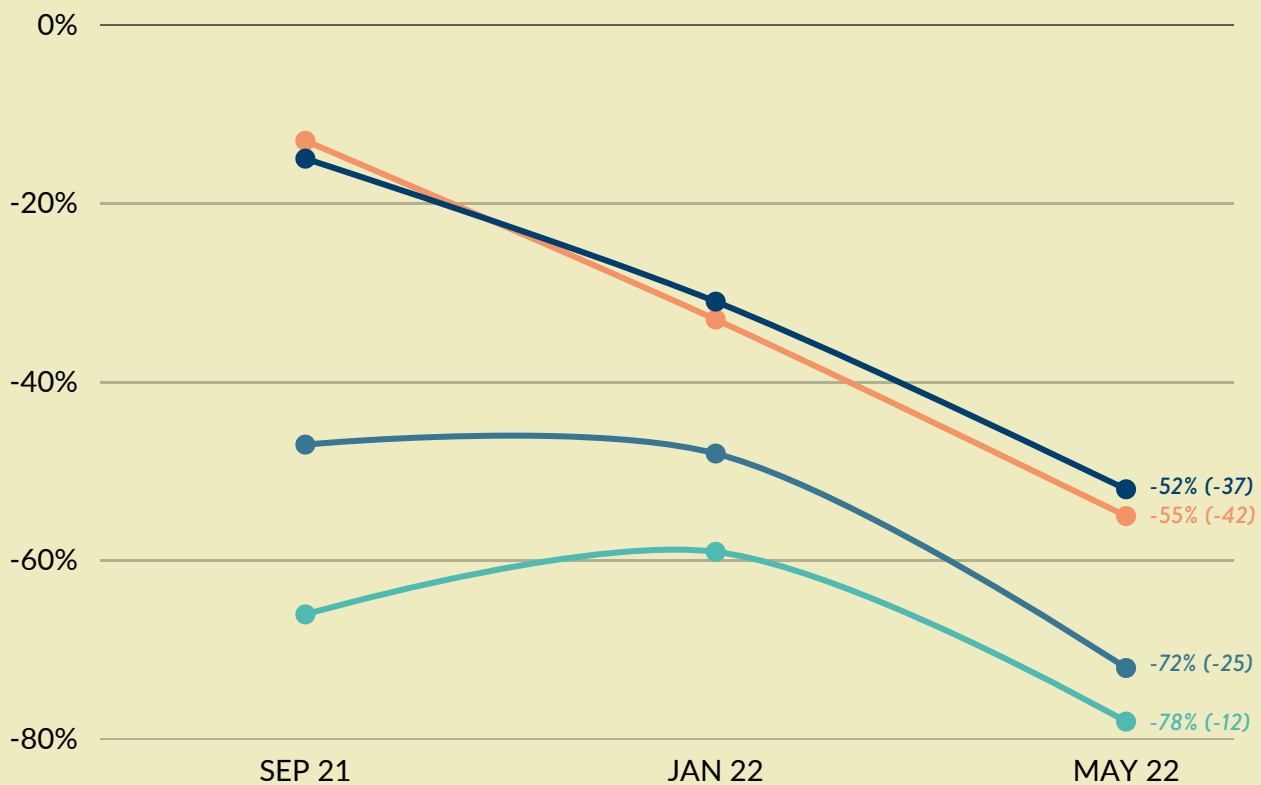
'Don't know' answers excluded. In all cases, the smallest sections reflect the proportion of respondents answering 'much better'. Clockwise from top-left, the figures for 'much better' are 0%, 1%, 0% and 2%



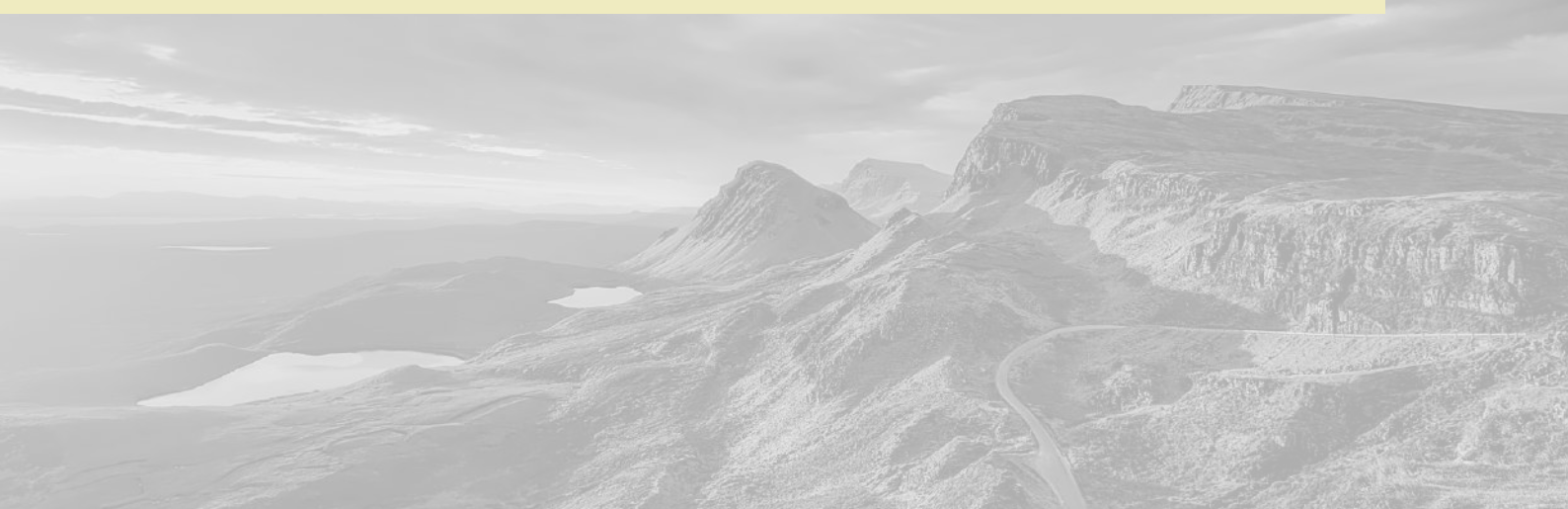
ECONOMIC & FINANCIAL OPTIMISM OVER TIME

'Net' proportion of people reporting/predicting an improvement in financial and economic conditions minus the proportion reporting/predicting a deterioration.

- Compared to the past 12 months, do you believe that general economic conditions are better or worse now?
- Compared to the past 12 months, do you believe that your own financial situation/circumstances are better or worse now?
- Compared to now, do you believe that general economic conditions will be better or worse over the next 12 months?
- Compared to now, do you believe that your own financial circumstances will be better or worse over the next 12 months?



Changes in brackets since September 2021



Certain groups and locales appear to have been especially disadvantaged by these developments. 67% of households with children have seen a deterioration in their personal finances, as have three quarters of those unable to work due to sickness or disability. Surging prices appear to have exacerbated existing disparities, with 23% of those in the most deprived fifth of neighbourhoods saying that their personal finances are in a 'much worse' state now than over the past 12 months. The age brackets worst affected appear to be those aged 45-64, over two thirds of whom report feeling worse off.

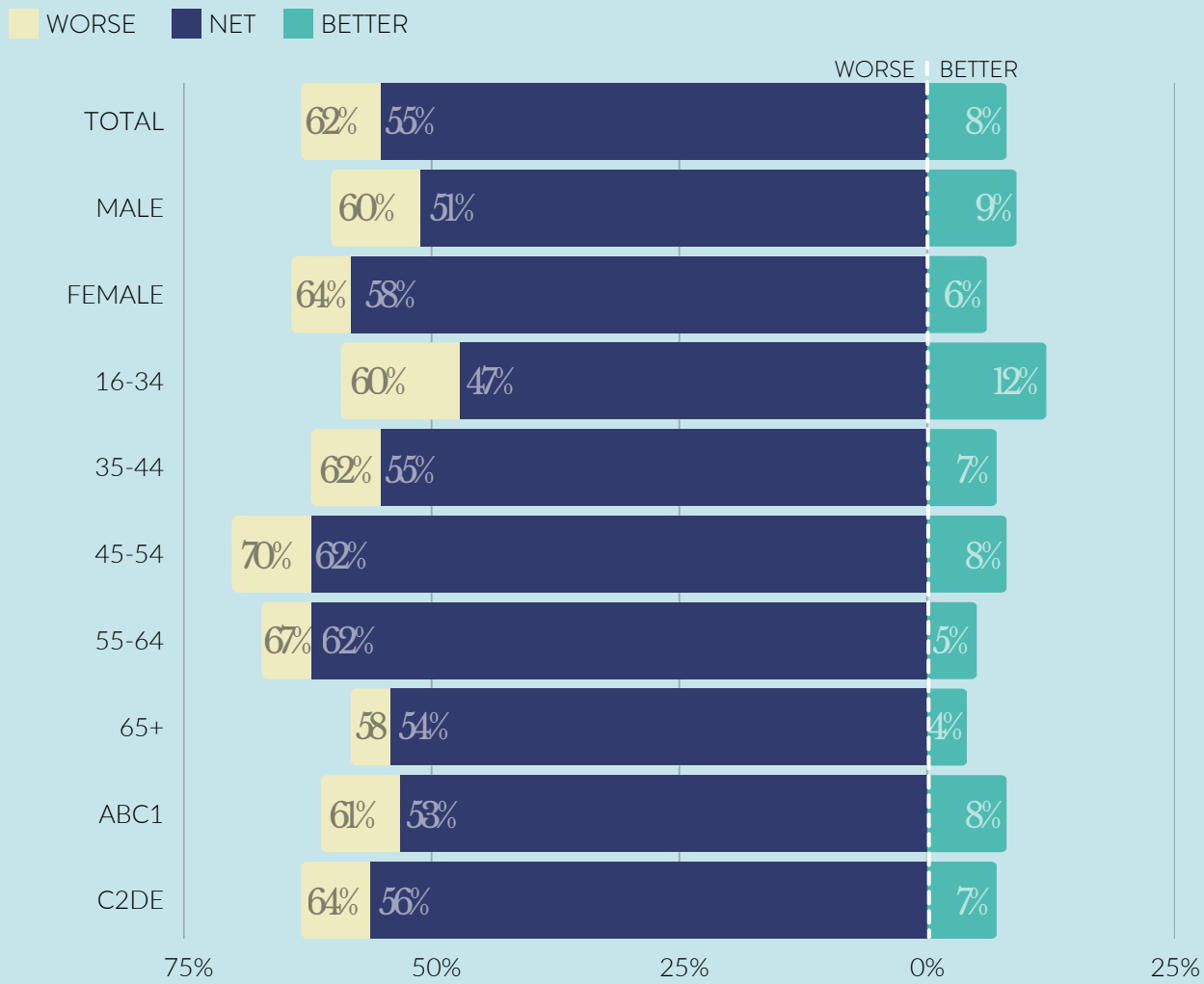
Those in full-time employment and the retired appear to be marginally better insulated from the cost of living crisis, with 30% and 37% respectively reporting that their finances have stayed the same. Nevertheless, 3 in 5 people in both groups reported that their finances had worsened.

Certain geographical locales also appear to have been especially hard hit, with 70% of people in Glasgow and the North East reporting a deterioration in their finances, and 64% of respondents in urban areas, compared to 57% in rural areas.



CHANGE IN FINANCIAL CIRCUMSTANCES

Proportion of respondents reporting that their personal financial circumstances have improved or worsened over the past 12 months



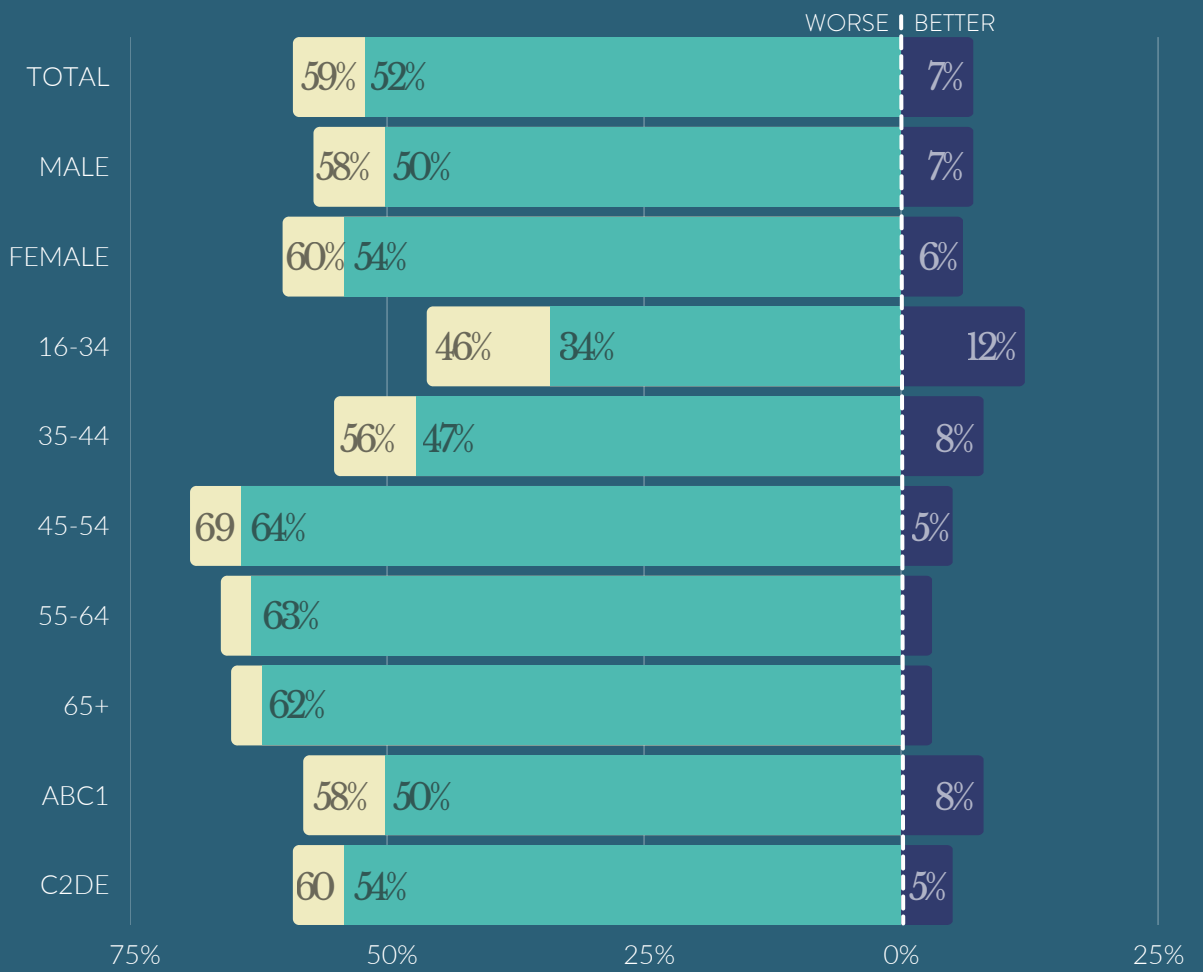
Compared to the past 12 months, do you believe that your own financial situation/circumstances are better or worse now?



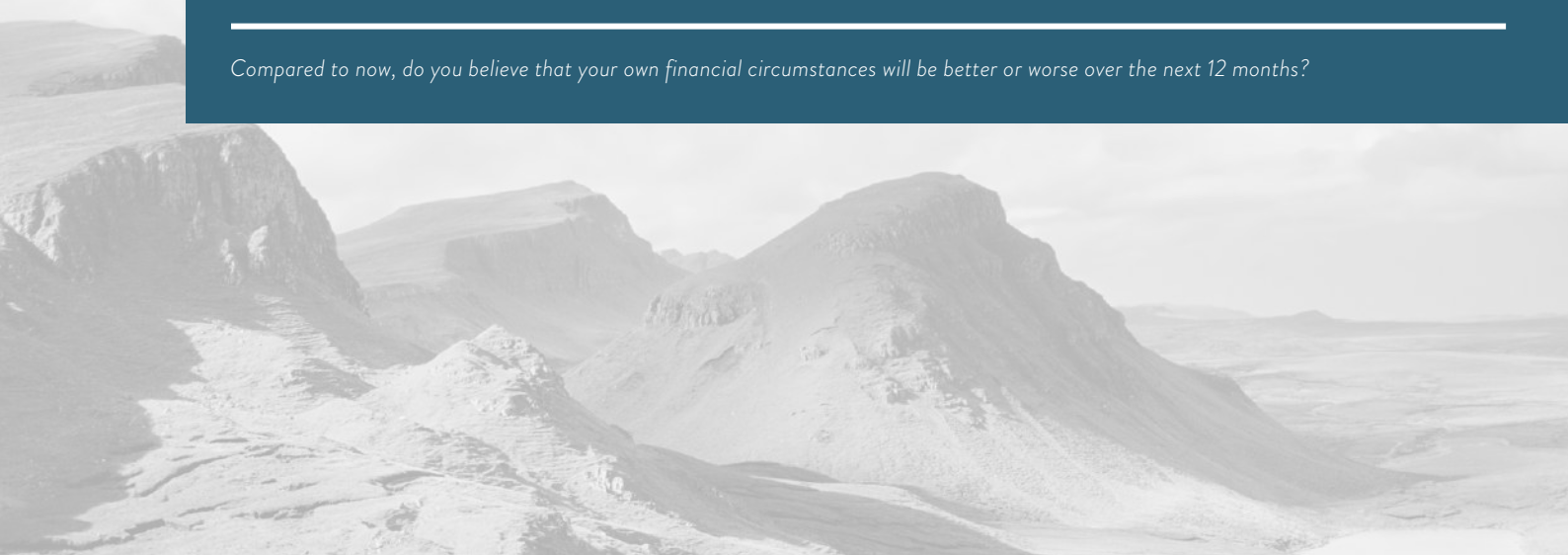
FINANCIAL OPTIMISM

Proportion of respondents predicting that their own financial circumstances will get better or worse over the next year

■ WORSE
 ■ NET
 ■ BETTER



Compared to now, do you believe that your own financial circumstances will be better or worse over the next 12 months?



INCOMES & ADEQUACY

A plurality of people now report dissatisfaction with their income, their ability to meet household bills and living costs, and their work-life balance. Since September of last year, on each of these indicators, the proportion expressing dissatisfaction has eclipsed the proportion reporting satisfaction.

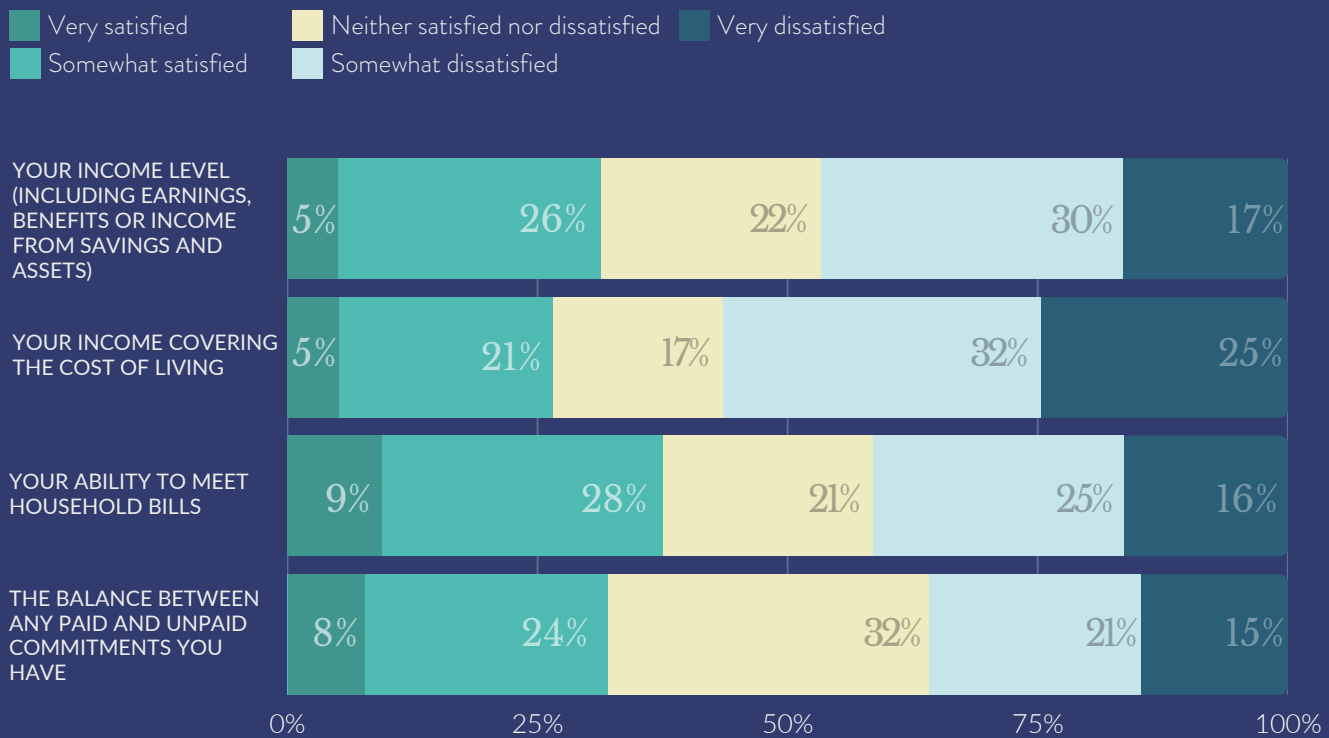
All demographic groups now show net dissatisfaction with the extent to which their earnings/income covers their living costs, with respondents of a lower social class and those aged 45-54, reporting especial difficulties. Larger households also appear to face particular challenges, with 3 in 5 households of 3 people or more, and 58% of households with children, reporting dissatisfaction. Older people and ABC1 respondents appear marginally better-placed in general to meet their living costs, though half of these groups still report dissatisfaction.

Across all employment characteristics bar retirement, and including those in all forms of (paid) employment, an outright majority of respondents reported that their incomes did not satisfactorily cover their living costs. 53% and 57% respectively of those in full and part-time employment reported dissatisfaction, rising to 77% of the unemployed and 75% of those unable to work due to sickness or disability.

In all but two geographical regions (Lothian and Mid Scotland & Fife) an outright majority of respondents were dissatisfied with the extent to which their incomes covered their living costs, and dissatisfaction was especially high in Glasgow and Central and Southern Scotland.

WORK AND INCOME SATISFACTION

Proportions of respondents reporting satisfaction and dissatisfaction with their income levels and adequacy, and their work-life balance (excluding those answering 'Don't know' or 'Not applicable')

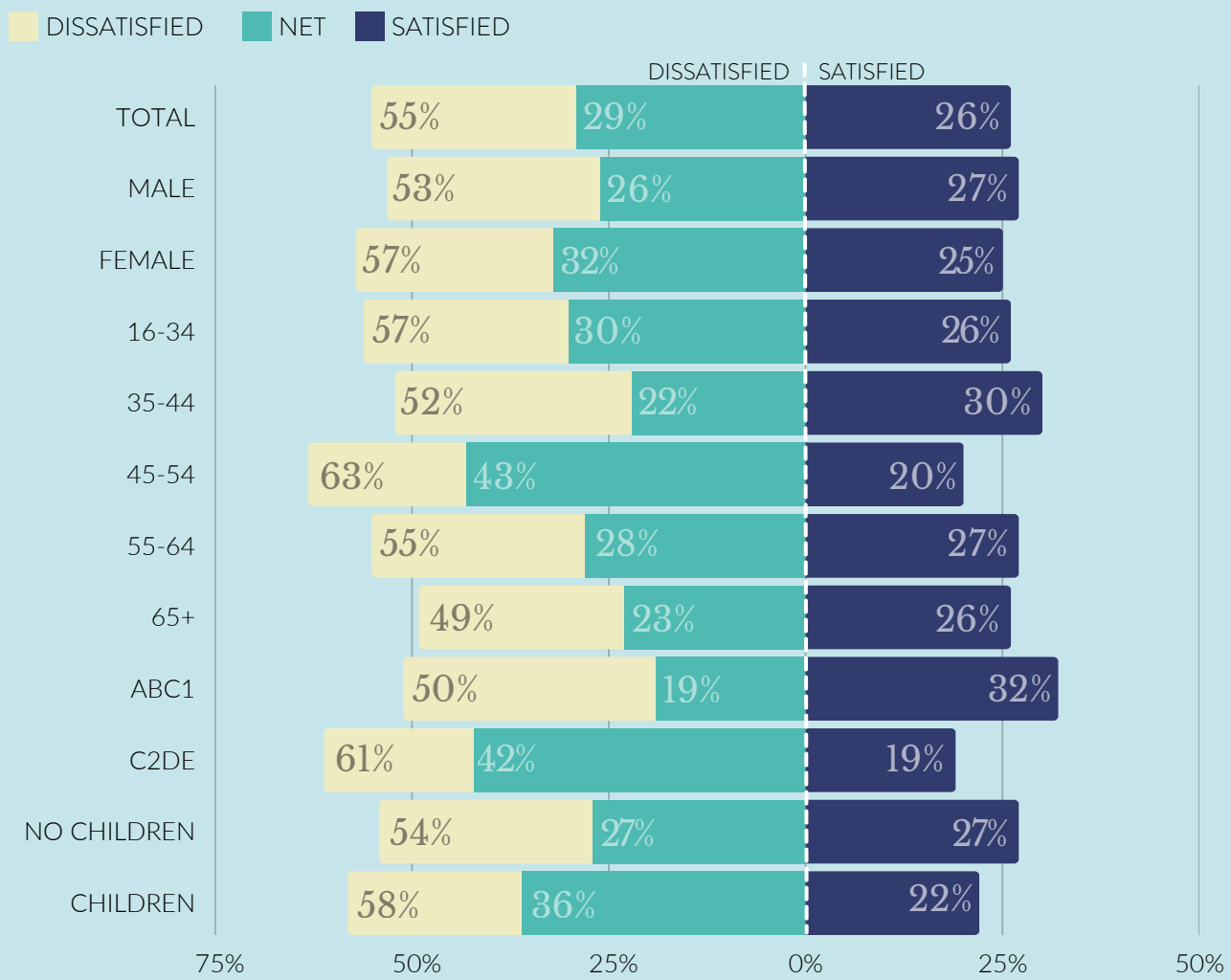


How satisfied are you with the following?



INCOME ADEQUACY BY DEMOGRAPHIC GROUP

Proportion of respondents reporting satisfaction and dissatisfaction with the extent to which their income covers their costs of living



How satisfied are you with the following? Your income covering the cost of living



People's satisfaction with their income and the extent to which this covers their costs of living have both fallen especially sharply since September of last year. At this time, 40% of people reported satisfaction with the latter, since falling to 26%. In parallel, the proportion saying they are dissatisfied with their ability to cover living costs has risen from 37% to 55%, and over a quarter are now 'very dissatisfied'.

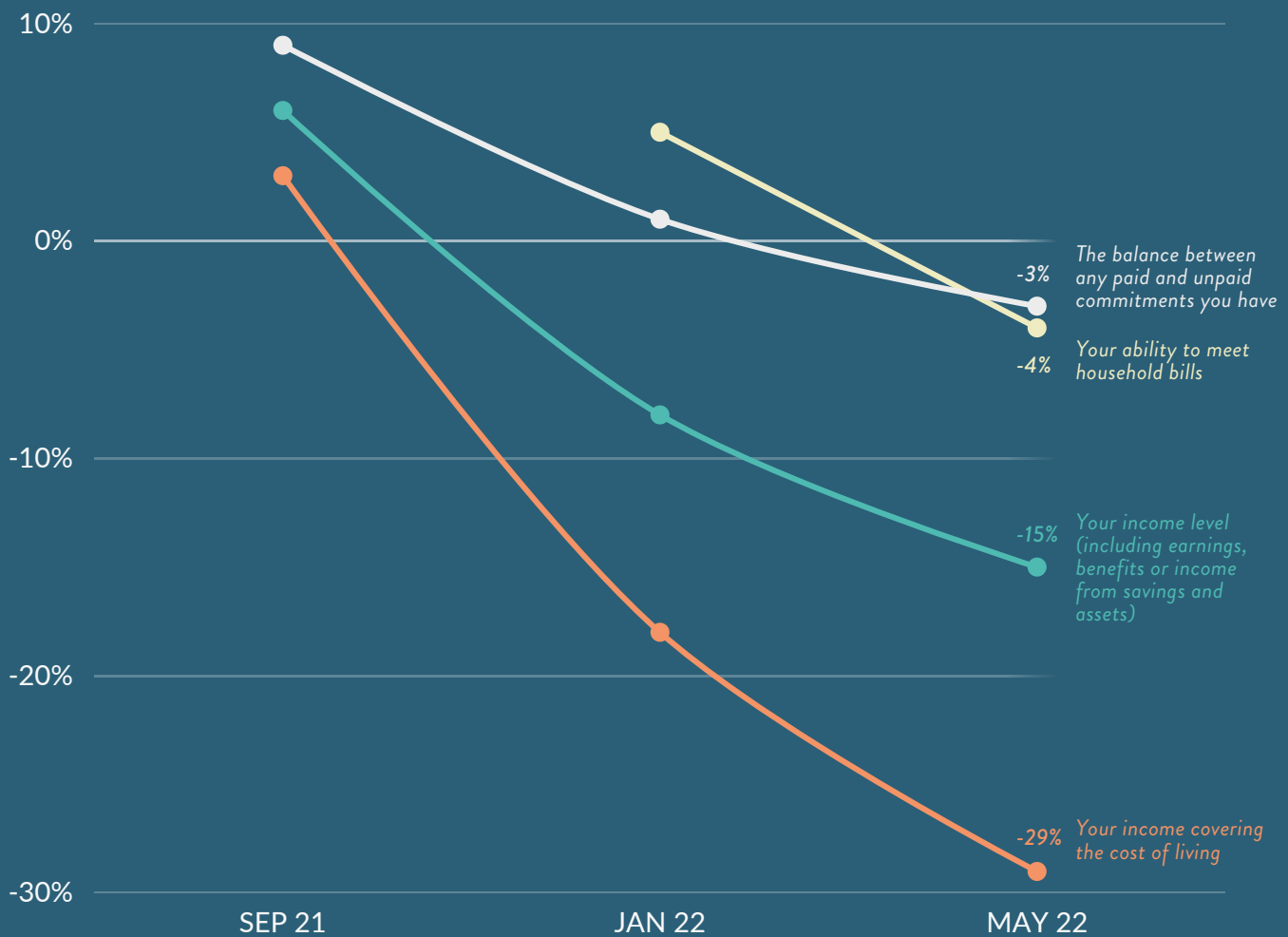
61% of C2DE respondents are dissatisfied - and 30% 'very dissatisfied' - with their ability to meet living costs, compared to half of ABC1 respondents. The former are also 13 percentage points less likely than the latter to deem themselves satisfied. Almost two thirds (64%) of households in the most deprived fifth of neighbourhoods reported difficulties covering the cost of living, and were half as likely as those in the most affluent households to be satisfied with their ability meet these costs. Despite this trend, even in the most affluent areas, a plurality (45%) of households were struggling to meet their living costs.

While satisfaction with this has fallen across the board, the sharpest fall (compared with January) can be seen in the most deprived fifth of neighbourhoods, while the most affluent neighbourhoods recorded only a minimal reduction.



INCOME ADEQUACY OVER TIME

Net satisfaction with income levels/adequacy and work-life balance. ('Net' proportion of people reporting satisfaction minus the proportion reporting dissatisfaction)

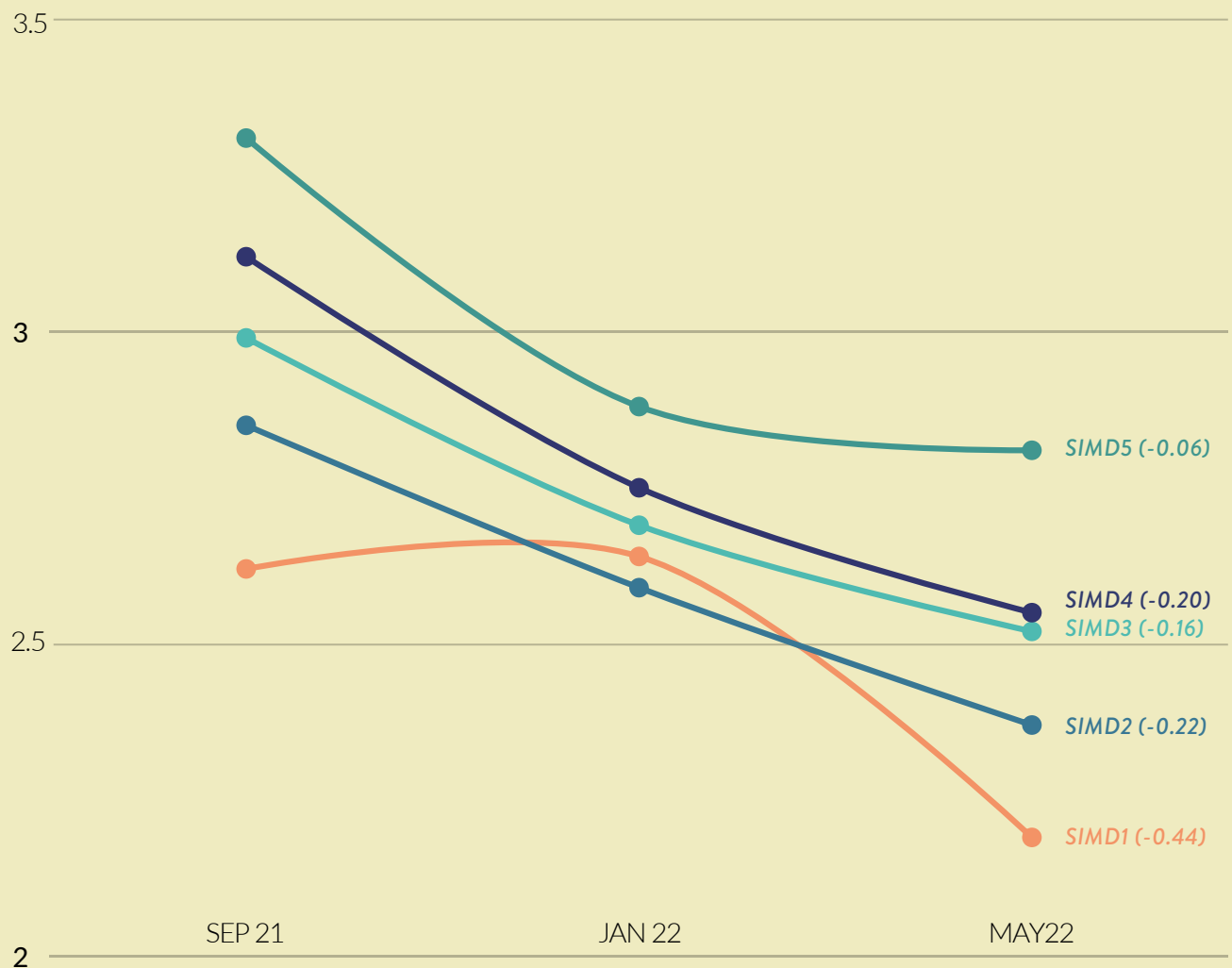


How satisfied are you with the following?



INCOME ADEQUACY OVER TIME BY SIMD QUINTILE

Weighted average* of the extent to which income satisfactorily covers living costs, shown over time by SIMD quintile, where SIMD1 is the most deprived



How satisfied are you with the following: Your income covering the cost of living

*Numerical average scaled from 1 ('Very dissatisfied') to 5 ('Very satisfied'). Changes since January 2022.

COST OF LIVING CRISIS

There is evident and widespread alarm at the cost of living crisis. Almost a quarter (23%) of respondents overall report losing sleep due to stress and anxiety relating to their finances, as do 26% of parents and 28% of those in the most deprived fifth of neighbourhoods. This rises to half of all people unable to work due to a disability or long-term sickness.

7 in 10 people have made efforts to cut down on non-essential purchases and leisure in order to save money. We also find evidence, however, that a significant proportion of the population are foregoing more basic needs such as food and heating to save money. 3 in 5 people have foregone heating, and 22% have skipped or cut down on meals in order to save money. The equivalent figures are higher in more deprived communities, and within certain vulnerable groups. Among those unable to work due to a long-term sickness or disability, for instance, three quarters have forgone heating, and 2 in 5 have skipped meals. A worrying 14% of this group have also resorted to using a foodbank.

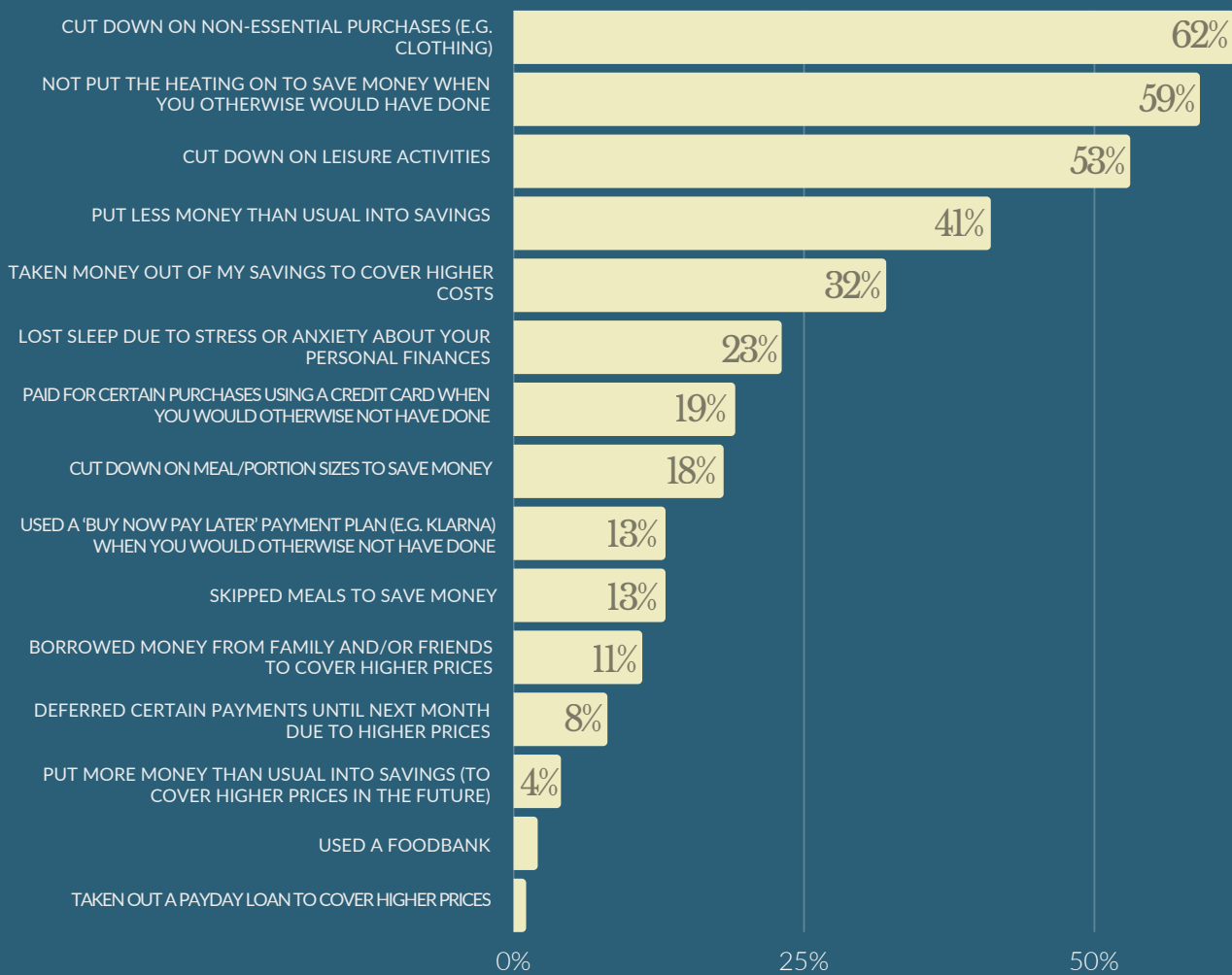
We also notice a number of alarming trends around personal finance and increasing vulnerability, with evidence of increased debt and diminished savings. 42% of people report putting less money into savings than they typically would, and 32% have taken money out of their savings to cover higher outgoings. Only 4% of people had managed to put more money than usual aside in the expectation of higher costs.

At the same time, 26% of people have taken on extra debt, or 31% including those who have borrowed money from family or friends. One in five people have put certain expenses on credit, and 13% have used a 'buy now pay later' plan, rising to 26% and 18% respectively in the most deprived fifth of neighbourhoods. 3% of the economically inactive and unable to work have taken out payday loans, and at least a quarter have taken on credit card debt.

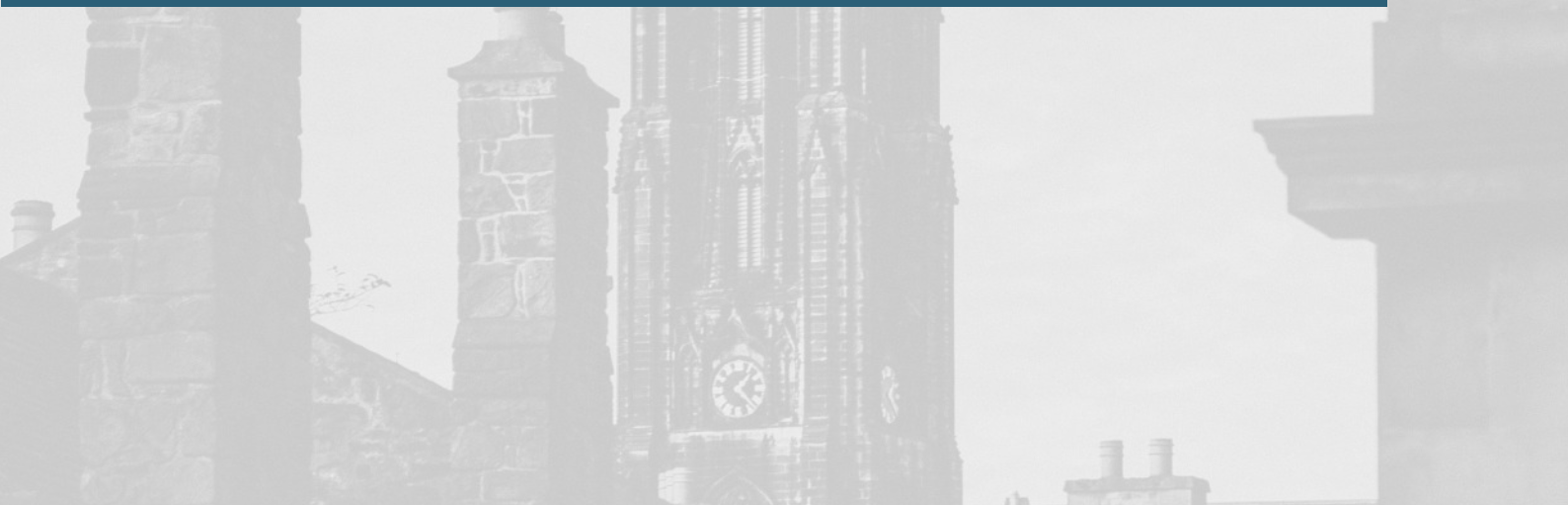
32% of those who have diminished their savings report also putting expenses on credit. Taken together, this points to an alarming increase in financial vulnerability, especially pronounced among those with the least broad shoulders.

RESPONSES TO THE COST OF LIVING CRISIS

Proportions of respondents saying that they have done each of the following in response to rising prices



Which of the following have you done in response to the so-called cost of living crisis?





TECHNICAL DETAILS

The survey was designed by Diffley Partnership and invitations were issued online using the ScotPulse panel. Fieldwork was conducted between the 5th - 9th May 2022, and received 2,170 responses from the adult population, aged 16+, across Scotland. Results are weighted to the Scottish population (2020 estimates) by age and sex.



FIND OUT MORE

To explore the results for yourself, visit our website [here](#), and register for exclusive updates and a quarterly bulletin [here](#).

If you are interested in having your own questions asked and answered in future waves of Understanding Scotland, email us at contact@understanding-scotland.co.uk



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