

New UK study finds 300,000 more people living in poverty

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A report by the Joseph Rowntree Foundation (JRF), based on research carried out by the Institute for Fiscal Studies, found that 300,000 more people are living in poverty in the UK than previously calculated.

The report, “Measuring poverty when inflation varies across households”, documents how soaring food prices and fuel costs have had a greater impact on struggling families, who are forced to spend a greater proportion of their income on staple goods.

The government’s method for calculating absolute poverty, that is the number of people living below a breadline that increases each year in line with the cost of living, is based on the assumption that all households faced the same inflation rate. But this assumption is based on the false concept that price changes affect all households equally across the differing income groups. The JRF research shows that this method of analysis may overstate or understate actual changes in living standards among different levels of income distribution.

Standard measures give an inaccurate impression of trends in the prevalence of poverty. This applies to both the measurement of “relative poverty” (those living in households with less than 60 percent of median income in any given year) and the measure of “absolute poverty”.

JRF’s research showed that in a period of six years from early 2008 to early 2014, the cost of food rose by 32 percent and the cost of fuel by 67 percent. The retail price index (RPI), measuring the cost of a basket of goods and services, increased by 22 percent.

The poorest 20 percent of households spent 8 percent of their budgets on energy and 20 percent on food, in contrast to the richest 20 percent, who spent 4 percent on energy and 11 percent on food. Following the global financial crash of 2008, low income and high income households have experienced significantly different

impacts from inflation. The budgets of households in poverty have been affected disproportionately, with the prices of food and fuel increasing at a faster rate than the average inflation rate.

Higher income households have been affected less because the goods they purchase, leisure services, motoring and mortgage interest payments, have tended to rise less quickly than average.

The JRF concluded that the real annual inflation rate faced by the poorest 20 percent had been higher than it was for the richest 20 percent of households. The real cost of living for low income households went up 50 percent between 2002 and 2014 compared with 43 percent for high income households.

One of the factors contributing to the impact on poorer households and exacerbating their ability to pay for the increasing cost of goods and services is defined by the JRF as the “poverty premium”. Last year the JRF released a report calculating that the premium paid by poor people on essential utilities and access to financial services is as much as 10 pence on the pound.

For example, poorer households pay more for their energy as they are more likely to use more expensive pre-payment meters because they do not have access to banking facilities for direct debit payments. They also pay more in fixed costs for fuel, due to low consumption. People in poverty are more likely to live in deprived areas, where home contents insurance premiums are higher, or live in an area where the cost of food and goods are more expensive.

Millions of families across the UK are living below the breadline. People on a low income have to constantly trade down on the price of food, ending up eating the cheapest, least healthy food products.

The existence of generalised poverty in the UK is indicated by the explosion in the number of food banks

that operate in every town and city in the country. Oxfam and Church Action on Poverty have calculated that 20,247,042 meals were provided to people in food poverty in 2013-14, representing a 54 percent increase on 2012-13. The Trussel Trust, the UK's main food bank network, have reported helping people who live on a household budget of £6 a week, who live on one meal a day, and are forced to drink hot water and lemon juice to tame hunger pains.

It is estimated that there are now half a million children living in families in the UK who are unable to provide a minimally acceptable diet for them.

The JRF research follows an extensive study by the Social Mobility and Child Poverty Commission that predicted the number of households in absolute poverty will rise by one third this decade. It warned, "2020 could mark a watershed between an era in which for decades there have been rising living standards shared by all and a future era where rising living standards bypass the poorest in society."



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