

# Beyond a crisis

by Paul Morrison

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Paul Morrison from the Joint Public Issues Team (JPIT) argues that we need to understand the current cost-of-living crisis in the context of over a decade of rising poverty in the UK, and move beyond crisis response towards long-term solutions.

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Since April 2022, the headline rate of inflation has been running above 9%. Increasing prices have had huge impacts across our society, but the sharpest and most immediate effects are being felt by the least well-off. The charity Action for Children recently reported that ‘Our frontline staff have told us that child poverty levels are at the worst they can remember.’<sup>1</sup> In communities that have gone through a decade of austerity followed by the pandemic, who understand and are sadly acclimatised to deprivation, the sentiment that ‘this is the worst we have seen’ has been repeated time and time again.

Churches have been responding with extraordinary energy and generosity. Foodbanks are the busiest they have ever been and thousands of Warm Welcome spaces were opened. Churches are making a hugely positive contribution, and their role in supporting vulnerable people is likely to become more important.

However, churches are also called to act for justice, which means seeking to tackle this situation at its roots. Poverty is unjust, diminishes individuals and communities, and is far from the vision of ‘life in all its fullness’ that is held out by Jesus. As Desmond Tutu famously said, ‘There comes a point where we need to stop just pulling people out of the river. We need to go upstream and find out why they’re falling in.’

To understand the context of the current cost-of-living crisis, this article draws on analysis of public data and evidence provided by a long series of interviews, focus groups and conversations that JPIT and the Methodist ‘Church at the Margins’ programme have held with church and community leaders and people battling poverty day to day.

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BETWEEN APRIL 2020 AND SEPTEMBER 2021, THE NUMBER OF PEOPLE REPORTING DIFFICULTY PAYING BILLS DOUBLED TO

**15 MILLION**

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## INFLATION IS HIGHER FOR THE POOREST FAMILIES

The cost of living has been rising for everyone, but has risen fastest for the least well-off. The effective inflation rate for the poorest families is conservatively estimated at 12.5% for the year to April 2023.

The major driver of inflation is increasing household energy costs (90.9% in the year to January 2023). This has been accompanied by food price rises of 13.3% overall, and 19% for processed and often cheaper foods. Only alcohol and tobacco saw price rises limited to single digits, due to the government's decision to introduce a real terms cut in duty. The poorest families by necessity spend a much greater proportion of their income on food and fuel than the average family, which means the inflation rate for the poorest is higher.

Moreover, the least well off buy cheaper foods, such as 'value' ranges of rice and pasta, which have rocketed in price more than other foods. Value products contain little profit margin, so their price fluctuates in response to commodity price changes much more than higher cost foods. Also, the availability of deals and discounted 'yellow sticker' items has markedly reduced. Another factor is the difference in prices between large out-of-town supermarkets and local shops

has increased, meaning even higher costs for those without easy access to transport.

## IMPACT ON LIVING STANDARDS

Analysis by Professor Donald Hirsch (published by JPIT, autumn 2022<sup>2</sup>) highlighted that an average family of four receiving benefits, even taking into account additional payments and energy price caps, will be around £1,400 worse off this year than last. As around half of adults receiving Universal Credit regularly skip meals because they cannot afford them, a £1,400 reduction is extremely serious.

As a result, many people have faced awful choices. The cliché is the choice between heating or eating. It is a cliché because it is so common now that it often goes unremarked. One woman who joined a focus group had difficulty talking. It transpired that her choice was between food for the family and dental treatment. Prioritising her children meant weeks of toothache. Stories of families moving lightbulbs from room to room – not just to save on buying bulbs but to ensure that electricity was not wasted – are no longer rare. The seemingly abstract percentages of inflation rates quickly translate into stories of real struggles in families where budgets are tight.

## CRISIS RESPONSES

The increasing financial challenges translate directly into greater demand for charitable help. The Trussell Trust is delivering more food parcels than in the pandemic: 1.3 million in the six months to September, with strong evidence of higher demand since. Post-pandemic there was a surge of debt in low-income families, which continues to increase, and debt charities such as Christians Against Poverty and Stepchange are reporting a surge in people needing advice.

Churches and charities picking up the signs of greater financial strain in communities are often responding with greater provision of services. These groups themselves have been under the pressure of slowly increasing need for a decade, followed by an enormous surge during the pandemic. The perseverance and energy that has been shown is extraordinary, but cannot be relied upon indefinitely.

## THE CONTEXT: TEN YEARS OF AUSTERITY FOLLOWED BY A PANDEMIC

Community leaders have told us that the cost-of-living crisis is not a crisis in isolation: it is happening to people and places that experienced a decade of austerity, topped by two years of the pandemic. In a focus group with people who experience poverty, it was



noted that they had seen drops in their standards of living for many years, having to make harder and harder decisions about what to cut out of budgets, but it only became labelled a 'cost-of-living crisis' when 'average' middle-income families began to experience losses.

### The decade 2010-2020

From 2010 to 2020, average household incomes rose slowly (from £28.1k to £31.3k for the median household).<sup>3</sup> Average wealth per household rose markedly, largely due to rises in the values of property, stocks and shares (from £250k to over £300k for the median household). While the average and higher income family saw increases in income and wealth, the story for those with lower incomes was very different.

By the spring of 2020, around 14.6 million people were experiencing poverty, up from 13.1 million in 2010. Poverty had become deeper with the number in destitution – the deepest form of poverty which we believed was virtually eliminated in the UK – rising past 1.5 million in 2015, to 2.5 million in 2020. Deeper poverty became harder to escape with 13% of the population experiencing persistent poverty.

It is important to recognise that this was not a story of unemployment. Unemployment had fallen and people were working increasing hours. It was instead a story of families having to work harder yet remaining in poverty.

This decade also saw large cuts to benefits, largely through changes in who was able to claim, and freezing benefit levels in cash terms thus allowing inflation to erode their value. The remaining money in the benefit system was rebalanced to favour those in work, particularly with the introduction of Universal Credit. This, alongside a steadily increasing minimum wage, meant that poverty for single people in work reduced, while poverty for those unable to work full time, or families with children, increased markedly.

Austerity policies meant that local authorities faced huge funding cuts over this period, with overall spending falling by 23% per person. Changes to the funding formula increased the importance of an area's demographics, especially old age, and reduced the importance of economic factors. This meant that the cuts were focused on the least well-off parts of the country. In England, the most deprived areas averaged 31% in funding cuts, whereas the wealthiest areas saw cuts of 16%.<sup>4</sup>

We therefore entered the pandemic with many low-income families' budgets under stress, many public services under pressure, and the budgets of the local authorities where poorer families tended to live under particular pressure.

### Effects of the pandemic

The effects of the pandemic were felt across the population, but it had a

particular effect on those in poverty. Outside of residential care settings, people on low incomes experienced the worst health outcomes as a result of Covid-19. They also experienced the most severe financial pressures.

Those on low incomes were most likely to lose their job altogether, most likely to be furloughed, and least likely to have their furlough pay topped-up. Low-income families also faced increasing costs – as strategies that they had previously used to make their budgets work, such as shopping around for the lowest prices and sharing with neighbours, were not easily available during lockdowns.<sup>5</sup>

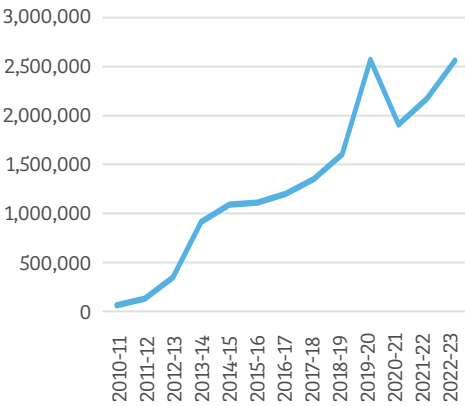
For the families who entered the pandemic just about managing, increased costs and lower incomes gave people no choice but to borrow, often by delaying paying bills. Between April 2020 and September 2021, the number of people reporting difficulty paying bills doubled to 15 million, with 4 million needing to borrow to cover basic bills.<sup>6</sup>

It was generally a different story for higher income families, where people were more likely to be able to work from home. Here, income remained the same while opportunities to spend reduced, leading to record repayments of household debt, and at least £250 billion in increased household savings. At times this had the effect of masking the experiences of the many millions whose financial situation was getting worse.

“ THE TRUSSELL TRUST IS CURRENTLY DELIVERING MORE FOOD PARCELS THAN IT DID IN THE PANDEMIC: 1.3 MILLION IN THE 6 MONTHS TO SEPTEMBER ”

## THE CRISIS IN TWO GRAPHS

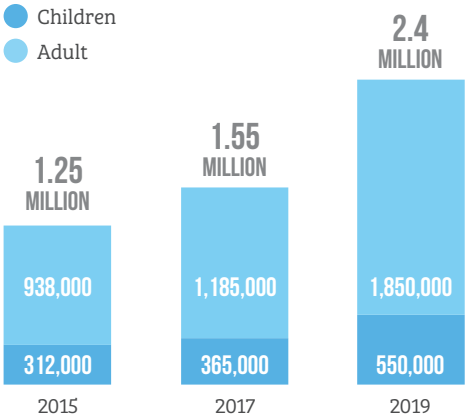
### FOODBANK USE, 2010 – 2023



Trussell Trust food parcels delivered each year. Trussell represents around half of foodbanks in the UK, and there are thousands of other emergency food aid providers including soup kitchens and social supermarkets.

Source: [www.trusselltrust.org/news-and-blog/latest-stats/](http://www.trusselltrust.org/news-and-blog/latest-stats/)

### LEVELS OF DESTITUTION



Destitution was not systematically measured before 2015, however rises in deep poverty measures indicated large rises in destitution were likely prior to 2015. The pandemic and cost-of-living crisis will increase these numbers further.

Source: [www.jrf.org.uk/report/destitution-uk](http://www.jrf.org.uk/report/destitution-uk)

## FROM CHARITY TO JUSTICE

This analysis shows that the current cost-of-living crisis is part of a structural problem that needs structural solutions. Churches and Christians, with a calling to speak for justice and build God’s kingdom, can and should bring our voices and our strengths to the task of building long-term solutions to poverty in the UK.

Three suggestions about how this task might begin:

**1 Listen to the experiences of those living in poverty.** The experts in poverty are those who live that life. Making ends meet with very little money requires knowledge, skills and ingenuity most do not possess. Any solution to poverty starts with knowledge and expertise only these experts have.

Traditionally, people from the government or the fields of politics or economics have imposed their solutions onto impoverished communities. Programmes which look great on paper have had disastrous results because they were designed without the expertise of those who truly understand poverty. Universal Credit is a good example – a huge programme to shape behaviour and move people into work failed to increase employment, but increased foodbank use as well as financial and food insecurity. Respect for communities battling poverty must be the starting point.

**2 Ensure the social security system provides enough for people to live on.** The welfare state was founded on the principle of providing a safety net to ensure that when someone’s circumstances change for the worse, no one goes without the essentials. However, Universal Credit and other benefit rates are not based on any objective rationale or assessment of need. This has left Universal Credit’s basic standard allowance at the lowest level it, or its equivalents, have been in 40 years, and is often reduced as a result of caps and repayments. It means it doesn’t cover the essential needs for over 90% of those on low incomes.<sup>7</sup> A number of charities and churches have come together this spring (2023) to call for

the government to commit to ensuring the basic rate of Universal Credit should at least cover the cost of essentials like food, household bills and travel costs. Find out more about the ‘Guarantee our Essentials’ campaign from the Trussell Trust and Joseph Rowntree Foundation.

**3 Build support for ending poverty in the UK.** In a wealthy country, poverty and inequality are ultimately the result of political and economic choices. Many tools to end poverty exist, in workable policy proposals put forward by charities and other organisations. However, the political willingness to prioritise them does not. Despite the huge pressures to address the impact of the rising cost of living, it is clear that none of the major political parties are currently committed to a programme that would transform the trajectory of UK poverty. To make this a priority will require the generation of public and political will. In 2005, the Make Poverty History campaign secured a renewed commitment to tackling global poverty. Many people are now wondering if it is the time for something equivalent to turn the tide on poverty in the UK. Churches, which have been at the frontline in responding to the current cost-of-living crisis, would be well placed to bring their experiences and their moral voice to such a movement.

1. Ask the government to tackle the cost-of-living crisis, Action for Children, accessed 18/05/2022. Source: [https://take.actionforchildren.org.uk/page/98558/petition/1?ea.tracking.id=afc\\_website\\_hp](https://take.actionforchildren.org.uk/page/98558/petition/1?ea.tracking.id=afc_website_hp)
2. Professor Donald Hirsch, ‘Enough to get through the winter’, analysis published by the Joint Public Issues Team, 21 September 2022. Source: <https://jpit.uk/wp-content/uploads/2022/09/September-2022-DH-Report.pdf>
3. Average household income, UK: financial year ending 2021. Source: [www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2021](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2021)
4. The outlook for councils’ funding: is austerity over? Institute for Fiscal Studies, 2019. Source: [https://ifs.org.uk/sites/default/files/output\\_url\\_files/The-outlook-for-councils-funding-is-austerity-over.pdf](https://ifs.org.uk/sites/default/files/output_url_files/The-outlook-for-councils-funding-is-austerity-over.pdf)
5. Reset the Debt Joint Public Issues Team, 2021. Source: <https://resetthedebt.wordpress.com/>
6. Credit Safety Net Stepchange, 2022. Source: [www.stepchange.org/policy-and-research/credit-safety-net.aspx](http://www.stepchange.org/policy-and-research/credit-safety-net.aspx)
7. Joseph Rowntree Foundation, [www.jrf.org.uk/report/guarantee-our-essentials](http://www.jrf.org.uk/report/guarantee-our-essentials)

### Paul Morrison

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