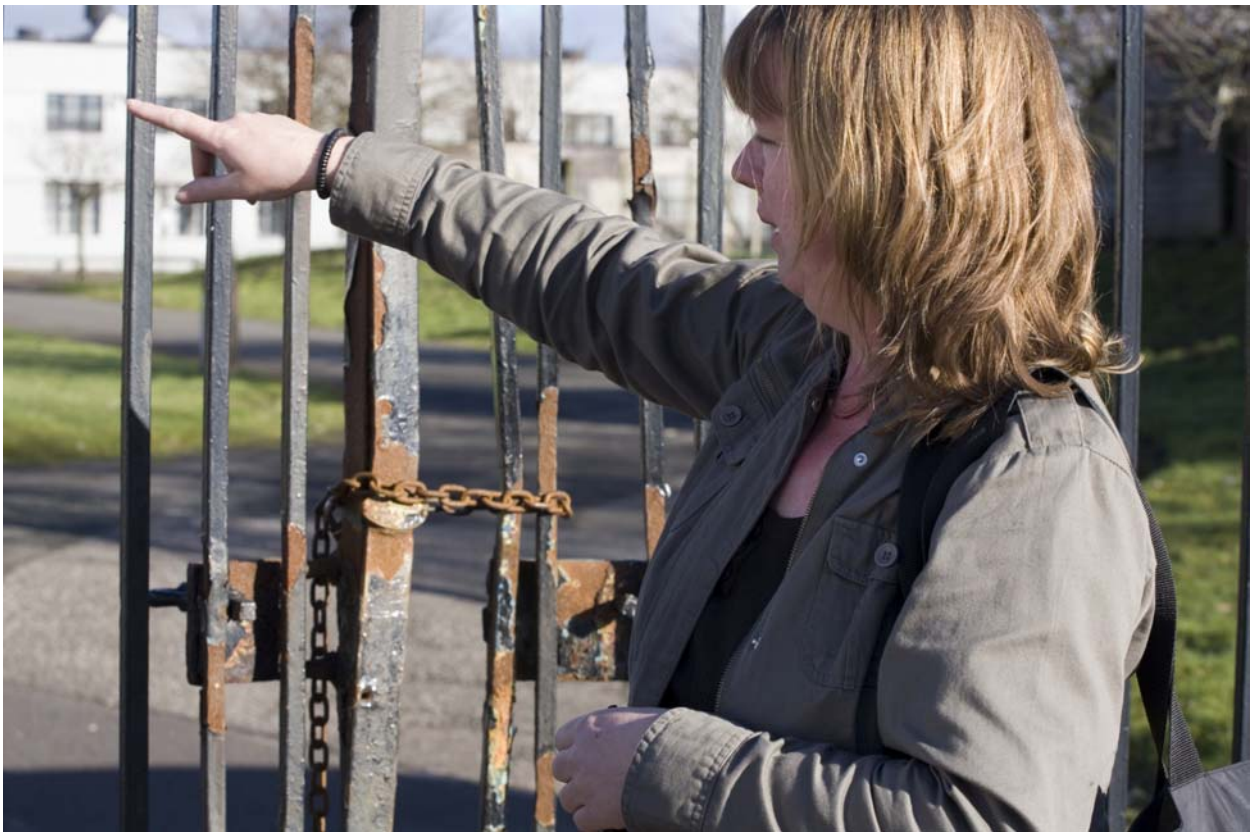


Close to Home

UK poverty and the economic downturn



Jean Smith outside the factory where she used to work. © Chris Worrall/Oxfam

The UK is in recession, and things stand to get much worse for the fifth of the population already living in poverty, and for the millions more whose livelihoods will become more vulnerable as a result. The UK government has recognised its responsibility to help people through the recession, but needs to do more to help the poorest, and to provide security for all. As importantly, policy makers need to take the opportunity that the recession provides to rethink many of the policies of the past decades. This paper sets out a pro-poor policy response to the recession that lays down the foundations for a more equitable, sustainable society.

Summary

Introduction: challenges and opportunities

The major social policy challenge of the current economic recession is how to prevent a precipitous rise in poverty in the UK. In addition to limiting the numbers of people plunged into poverty because of the recession, government must also mitigate the impact on people already living below the poverty line. But, this paper will argue, responses to the recession present an opportunity to make a step-change, ensuring that actions taken also help build a fairer, more sustainable society in which poverty is ended in the long-term.

Analysis: the recession and poverty

The UK is now in recession, which is likely to continue at least into 2010. Unemployment is already at the highest level for 11 years, and may reach three million or more in the next two years. House repossessions are rising. People in poverty have been hit particularly hard by recent cost of living rises, with incomes – both benefits and wages for the low paid – failing to keep pace. We are seeing recent reductions in some forms of poverty reverse.

Recession leads to a number of risks to the livelihoods of those in and vulnerable to poverty. It is clear that redundancies and low benefit levels will lead to hardship. We also fear an increase in exploitation and vulnerable employment. There is also a particular risk that, as in previous recessions, the immediate damage caused to people's lives can lead to the scarring of lives and communities and to long-term unemployment. This makes it especially important that government does not give in to the temptation to balance budgets by cutting back on essential public services and protection just as they are most needed.

Recommendations

Government action should be based upon a long-term vision of moving to a society based on sustainability, with good quality jobs that allow people to have a more secure livelihood, but also backed up by a welfare state safety net which neither traps people nor leaves them living in poverty. We need a people's bailout that provides not just immediate relief, but builds towards this long-term vision.

- Make the tax system more progressive, including by increasing the threshold at which income tax is paid and lowering tax and benefit tapers.
- Invest in infrastructure, including a comprehensive energy efficiency programme, an expansion of free, high quality childcare and social care and a social house building programme.
- Introduce an emergency increase in out-of-work benefits and tax credits.
- Put further welfare reform on hold, and renew the welfare state so it becomes a genuine safety net for all.
- Effectively enforce existing employment rights.
- Set a maximum level of interest and widen eligibility for social fund hardship loans
- Give more help to struggling homeowners and private tenants.
- Redouble government's commitment to equality, anti-discrimination and community cohesion.

Poverty is not having enough money to see the week out – and being shunted aside by other people.

Robert, Glasgow

The UK is the sixth richest country in the world.¹ In a society with such great resources, poverty is not inevitable. Yet it still exists, and in a recession it could increase.

This paper sets out initial thinking from Oxfam about how to prevent the deepening recession causing a major rise in poverty here in the UK. Previous recessions have led to larger numbers of people experiencing poverty for a limited time, but they have also entrenched long-term poverty and exclusion for some people and some communities. Bold action now can mitigate the short-term impacts and prevent the slow-burn effects of recession on people's life chances, aspirations, and opportunities.

The challenge is to minimise the impact of recession on people already living below or near the poverty line, and ensure that those who previously had an adequate income are not plunged into poverty. Oxfam believes that the UK government must set out a broad approach to meeting both challenges. This must include action to raise the incomes of the poorest, alongside protecting the incomes of those who are vulnerable to poverty, reforming the tax and benefits system for the long term, and transforming attitudes towards poverty. Economic and pro-poor arguments converge: money spent on mitigating recession is best directed towards those on low and moderate incomes who will put that money back into the economy.

Background: the nature of poverty in the UK

Sarah has a history of depression and had to leave her job because of the stress. Her income dropped from £22,000 a year to just £6,000.

I'd like to go out for meals – that would be gorgeous. And I'd like to go to the cinema. For me it's a choice between my health and being really poor.

Sarah, Manchester

In the United Kingdom, many of the conditions for poverty eradication are met: democracy and good governance, a relatively independent media and judiciary, well-resourced provision of basic services, and laws enshrining rights and prohibiting anti-discriminatory practice. Yet millions of women and men live in relative poverty and are systematically excluded from the benefits of this rich society, as a result of systemic structural discrimination, powerful institutions, vested interests, and negative public attitudes such as racism.

While basic material needs are generally met, close to a quarter of the UK population still survives on the margins. The UK government defines poverty as having an income of 60 per cent or less of the median: using this measure, 13.2 million people in the UK live in poverty – that is 22 per cent of the population.² Over the last fifteen years, steady economic growth and government action to tackle poverty have made a difference; but insufficient and stealthy redistribution of income and unequal access to services and opportunity mean that inequality remains a defining characteristic of UK society.

Already, before the inevitability of recession was evident, progress on poverty reduction was slowing. Despite more than 15 consecutive years of economic growth, in which average earnings have gone up by 80 per cent, the numbers living in poverty dropped by only 7 per cent, and have begun to rise again.³ While there had been significant, though mixed, achievements in the period 1998–2003, progress on a range of anti-poverty indicators stalled in the five years 2004–2008.⁴ Levels of child poverty have begun to rise again in the past two years, having been in decline since 1998/99.⁵ And while poverty among all other age groups has decreased overall since 1997, the number of childless working-age adults living in poverty has risen by 500,000.⁶ Meanwhile, those remaining in poverty despite being in work – the working poor – form a larger proportion of the total numbers in poverty.⁷

Robert lives only on benefits

I've not had any money for four days but would not ask anybody to borrow money. I have another eight days to go until I am next paid.

Robert, Thornaby

In addition, a number of factors had already worsened the position of people living in poverty prior to the onset of recession.

John and Donna live with their four young children in Thornaby, near Darlington. They have been hit particularly hard by food price rises.

Everything is doubling in price. It's so expensive. It's double our budget, and we're getting into debt.

John and Donna, Thornaby

Helen lives only on benefits

You sit there with no heating on during the winter, because if you put it on, you know you can't afford it. It goes off and you get the duvets down and sit in front of the TV.

Helen, Thornaby

The cost of living has risen sharply in recent years, which has hit those living in or close to poverty particularly hard, especially as incomes have not kept pace. Though inflation has now eased, food prices are still more than 10 per cent higher than a year ago, and the cost of fuel and light has risen by 36.3 per cent in the same period.⁸ As poor people spend more of their incomes on these essential items, the pressure on their budgets has been greatest. Though the figure is not officially collected, it has been estimated that this effect has more than doubled the most recent inflation rate for the poorest 10 per cent of people, compared with the average,⁹ with a particularly pronounced effect on pensioners.¹⁰ A range of international factors, including rising demand in India and China and the expanding use of biofuels replacing food production, mean that prices for both food and fuel are likely to rise in the long term, even if they have eased slightly in the immediate term.

In addition, even before the recession, the income of poor people had not risen in line with costs or with the average incomes of the rest of society. Benefit levels are set below the poverty line and have lagged further and further behind earnings. The gap between unemployment benefits and earnings has grown by 20 per cent since 1997. Within the last year, inflation has been volatile, reaching both highs and lows, yet benefits have failed to compensate for the fluctuating cost of living. With increases in the national minimum wage also lagging, the incomes of poor people have actually decreased in real terms over the past year. The latest increase in the minimum wage of 3.8 per cent was easily outstripped by the then inflation rate of 4.7 per cent, while benefit levels rose by only 2.3 per cent in April 2008.

3

The implications of recession for people living in poverty

Paul is a caretaker. He takes home £230 a week to support himself, his wife, and their 21-year-old daughter, who is unemployed.

I'm never going to get anywhere from where I am financially. I haven't been on holiday for years. Even though it was like this in the past, you didn't worry about it in the same way ... but everything is going up now, and you feel more insecure.

Paul, Manchester

The UK is now officially in recession: GDP fell in each of the last two quarters of 2008, and the Bank of England has accepted that this period of stagnation is likely to continue until 2010. This recession is likely to have a severe impact on both the rate of poverty and the nature and depth of poverty. It will also widen the pool of people vulnerable to poverty.

It is difficult to estimate the precise number of people who will experience poverty as a result of the recession; this may not become clear for some years, and statistics may not take full account of the numbers of people living in poverty due to factors such as under-reporting of intra-household poverty, for example.

Unemployment and the welfare state

The unemployment rate has been increasing, and the latest figures – 2.03 million for the three months to January 2009 – were the highest for 11 years.¹¹ The number of unemployed people is expected to rise substantially, with some forecasting that 3 million or more will be unemployed in the next two years.¹²

The number of people claiming benefits will rise substantially; in the most recent previous recession in 1993, almost one-sixth of the entire British population was receiving income support. So, as thousands of people become newly unemployed, the welfare state will be a crucial safety net. But the cash value of Jobseekers' Allowance is just £60.50 per week for those aged over 25, and even less for younger people, and so unemployment will be an enormous financial shock for which many are unprepared. This will have an impact on their ability to take up opportunities and to manage their commitments, not least given the high levels of debt and low levels of savings in the UK.¹³ Many of these claimants may move into informal work to make ends meet, which may expose them to the risk of exploitation and criminal prosecution.

The damage caused by unemployment can lead to longer-term blight on lives and communities, as well as immediate difficulties. Redundancies in previous downturns have, for many, led to sustained unemployment; those who were better educated and without

dependent children quickly returned to employment, leaving the most disadvantaged behind. Spells of unemployment when young can be particularly damaging; more than a third of the estimated three million who will become unemployed in this recession are likely to be aged 18–24, which may leave a legacy of long-term unemployment and a ‘lost generation’.¹⁴

Insecurity at work

Keith works 20 hours a week, having been on incapacity benefit for 20 years following a very serious injury. His take-home pay is £495 a month. He lives alone.

I'm worse off now that I'm not on incapacity benefit. I got full housing benefit and only paid a nominal amount of council tax. When my wages go in, it pays off my overdraft. I make sure the rent and the council tax are always paid, because I don't want to lose my home. And then I've got very little to live on.

Keith, Manchester

During a recession, the risk of being exploited at work is greater, as workers are scared of losing their jobs or may be desperate for any paid employment, and so are prepared to put up with worse pay, conditions, and treatment. Since the last recession, the UK labour market has changed and become more flexible, with more people employed on temporary contracts, with many fewer rights on dismissal and little job security. Particularly at risk are women, ethnic minorities, migrants, and young people, all of whom are more likely to be in low-paid or temporary employment.¹⁵ Incomes are projected either to remain static until 2010, or, in a deeper recession, to fall by 1 per cent in 2009 and 2010 before recovering.¹⁶

Vulnerability to poverty

One of the effects of the recession will be to increase the number of people who are vulnerable to poverty. Already reeling from the rising costs of feeding their families and heating their homes, people living in or on the edge of poverty are desperately vulnerable to the effects of recession. They tend to have few savings, and an external shock such as an illness, the loss of a job, or a broken boiler can represent a devastating blow.

Formerly a successful market trader, Kathleen now does not work as she has to care for her disabled husband and son. She has problems with debt.

People living in poverty go for doorstep loans. The interest is very high... It's basically a loan shark – but when you've got no money, that is what you do. You have no other option.

Kathleen, Thornaby

This vulnerability is already shared by a high proportion of the UK population, with just under half the population living in poverty for at least one of the ten years between 1991 and 2000.¹⁷ While people do move out of poverty, many do not move far up the income scale, and many more experience poverty intermittently. Middle-income people may still find themselves vulnerable in the current economic climate, risking poverty through the loss of a home or a job. Some groups may have more personal resources (both financial and human resources, and also social capital) on which to draw than others, but this recession is nonetheless broadening the extent to which people feel vulnerable to poverty and financial hardship.

This has a particular impact on women, who, in the UK as elsewhere, tend to find themselves in the front line when external shocks affect a household's livelihood. Acting as 'shock absorbers', women tend to deprive themselves in order to help their families to cope, or they take on the extra burden and stress of debt. In these circumstances, unscrupulous lending at punitive interest rates, such as those charged by doorstep lenders and pay-day loan services, have the potential to turn a shock into a long-term crisis for poor people.

Housing insecurity

The effect of the recession is also to increase housing insecurity. Repossessions rose by 55 per cent in 2008 to a twelve-year high of 40,000.¹⁸ A significant proportion of these involved landlords with buy-to-let mortgages, repossessions of whose properties doubled from the first half of 2007 to the first half of 2008;¹⁹ in some cases, tenants, unaware that the owner was in difficulties, may lose their home at a few days' notice. In addition, in areas of high-cost privately rented housing, the income available from work may not cover the cost of renting, which may make people who are dependent on Housing Benefit unable to afford to work. It is also likely that the numbers of people in temporary accommodation will rise, as social housing is scarce and difficult to access. Declining levels of social housing (down by 117,000 in the last year alone)²⁰ mean that the social housing that does remain is often in estates where there are high levels of deprivation and few employment prospects.

The economic and moral case for helping the poorest first

In a time of recession, more than ever, government has an active role to play. This includes promoting economic stability and curbing market excesses, redistributing wealth and tackling inequality, ensuring the security of welfare systems and public services, and encouraging employment. Recession will place strains on the budgets of governments around the world, with tax revenues dropping as the financial costs of unemployment, homelessness, and business failure rise, and tax revenues decline. This presents the danger that short-term budgetary constraints will be allowed to hamper the long-term fight against poverty. Yet if there was any doubt that the UK government has the resources and the will to act when it needs to, the vast sums of money spent on propping up the banking system have dispelled it. Hundreds of billions of pounds have been made available to banks in an effort to avert financial meltdown – throwing into sharp relief, for example, the £4.2 billion needed to meet the interim child-poverty target.²¹

Decisions that determine who loses most in a downturn must be made in the light of who benefited from the preceding period of growth. The neo-liberal consensus, on which economic growth was built, largely benefited the already affluent; moreover, the cheap credit and housing-market bubble which led to this recession were not created by people living on low incomes, so they should not bear the brunt of an economic crisis to which their actions did not contribute.

In an economic downturn, policy makers may seek spending cuts to balance the books. Aside from the economic arguments against cutting spending, it should be noted that people experiencing poverty are much more dependent on public services than those who are better off. At a time when recession means that the resources of people in poverty are shrinking, and when broader vulnerability and insecurity cause the number of people reliant on public services to increase, public services become even more important. Most vulnerable to cuts are likely to be investments in social protection - the very programmes that people in poverty need in times of crisis. The burden of reductions in social spending will fall most heavily on the poorest, likely to be disproportionately women, families with disabled members, and ethnic minorities. There can be no justification for cutting social-protection spending just when it is needed most.

Jasmine has four children and works in a community centre.

The money I'm on isn't enough to live on. I work 20 hours a week and am going up to 25 hours. But everything extra I earn will be taken off me in tax. I think to myself, why?

Jasmine, Manchester

The current UK government has declared itself committed to spending money to prevent recession turning into depression. Invoking the spirit of Keynes, the government has argued for fiscal pump-priming, putting money into the hands of people who might then spend it, and bringing forward public-works projects. The measures in the November 2008 Pre-Budget Report increased government borrowing in order to put money into the economy immediately. While there are risks in raising levels of national debt, this counter-cyclical spending, if used judiciously, offers great opportunities for poverty reduction and for social investment which will help to create the conditions in which poverty can be ended. However, to do so, new investment must be made, in addition to already-planned investment being brought forward; and secondly, 'investment' must be considered broadly in terms of the future challenges for the UK, which include the needs of our ageing society and the threat of climate change.

Up until now, the UK government's willingness to play an active role in combating the crisis has been most evident in the financial sector, which it sees to be at the heart of the economic downturn. Yet the effects of this crisis are increasingly being felt by ordinary people, and most acutely by those already in or near poverty, who are most vulnerable and have the fewest resources to fall back upon. Government action has started to take account of the effects on the so-called 'real' economy, with measures such as its recent support for the motor industry,²² but it needs to go further.

There is a cold economic logic behind the targeting of spending increases and tax cuts at poor people: these people will spend rather than save. Poor people have a higher propensity to spend any increases in their income – especially given the costs of food and fuel – so that any increase in income will be used to pay for these and other essentials, for which current incomes are inadequate – and so the money will be re-circulated into the wider economy.

What needs to be done

As the reality of the vulnerability of broad sections of society becomes apparent, there is an opportunity for government action to provide the security that is lacking in people's lives, and to help prevent the crisis that many people are facing right now from becoming a long-term catastrophe that entrenches millions in poverty and will take decades to solve.

The UK needs a broad-based 'people's bail-out', focusing on human and social capital as well as financial assets. In order to mitigate the impact of the recession on people living in poverty, prevent poverty rising, and reduce poverty overall, government needs to take a number of actions. The focus should be on creating a society based on sustainability, with good-quality jobs that enable people to have a more secure livelihood, supported by a safety net which neither traps people nor leaves them subsisting in poverty.

Introduce a fairer tax policy

The political will to use fiscal levers to combat the downturn provides an opportunity for tackling poverty. The existing tax system takes a substantially larger proportion of the income of the poorest tenth than it does from the richest tenth.²³ The government should make the tax system more progressive – for example, shifting from indirect taxes to income taxes at higher earnings levels, building on the small changes in this direction that were included in the November 2008 Pre-Budget Report. This will also have a long-term benefit, by preventing the economy from overheating when it begins to grow again. Where the government takes the opportunity to reframe the tax system in favour of environmental taxation, any regressive effects should be tempered by increasing the progressiveness of other aspects of the tax system.

For sound economic reasons, tax cuts should be aimed at low-paid people, as they are more likely to put the money straight back into circulation. The November 2008 reduction in VAT – a particularly regressive form of taxation – was welcome, but its redistributive effect should not be overstated, because VAT is not currently charged at the full rate on most basic items. Tax thresholds should be increased, so that the burden of taxation is removed or diminished for people on low incomes. In order to reduce the poverty trap, tax and benefit tapers – marginal tax rates – should be lowered, so that work is strengthened as a route out of poverty and people do not become trapped in low-paid work. As well as increasing tax thresholds, this will include measures such as reducing the taper at which housing

and council tax benefits are withdrawn, and making tax credits more flexible and responsive to changes in income, so that they are not abruptly withdrawn as incomes rise, thereby causing hardship.

And it is also important that tax that is levied is collected. Building an effective global financial system will require increasing levels of regulation and transparency internationally, and part of this will involve tackling tax havens across the world. If this can be achieved in a spirit of international co-operation, then the old arguments about competing for global talent by turning a blind eye to tax loopholes can be broken. A more effective international financial system can then emerge, giving the UK and other governments more resources to meet their priorities.

Box 1: The tax system

- The poorest fifth of households pay more of their income in tax than the richest fifth of households – 38.6 per cent and 35.3 per cent respectively in 2006/7.²⁴
- The measures announced for 2009/10 in the November 2008 Pre-Budget report will increase the incomes of the poorest fifth of households by 2.9 per cent, compared with 1.8 per cent for the richest fifth of households.²⁵
- The effects are less pronounced when measured by the spending, rather than the income, of the bottom and top fifth of households – with increases of 2.4 per cent and 1.9 per cent respectively.²⁶

Stimulate the economy and put money in the pockets of the poorest

Fiscal stimulus used to combat the recession should combine investment which promotes a transition to a green, environmentally sustainable economy with investment in the human and social infrastructure of society that is essential to the long-term eradication of poverty. Each has an important part to play in developing an economy based on sustainable, good-quality jobs, which help to reduce unemployment, tackle in-work poverty, and provide the broad infrastructure needed for future economic growth that is more equitably shared.

Many of the options for stimulating the economy while investing to create a more sustainable future have already become part of the public debate. For example, building a UK renewables industry and setting up a comprehensive nationwide energy-efficiency programme

would create jobs and wealth, reduce poverty, and equip the UK better to mitigate the extent of climate change;²⁷ investing in a house-building programme would also reduce poverty.

Box 2: Energy efficiency

- The government is legally committed to eradicating all fuel poverty by 2016 and in vulnerable groups (such as elderly or disabled households) by 2010, but numbers of people living in fuel poverty have more than doubled in the past two years, to around 5 million households.²⁸
- It is estimated that 3.1 million households need help with fuel bills because of a combination of energy-inefficient homes and rising fuel prices. The Warm Front scheme was launched in 2005, when 1.9 million households were estimated to be in need.²⁹
- According to the National Audit Office, over half of Britain's poorest households are ineligible for help from the £852m Warm Front scheme, and £34m has been given to people who already have energy-efficient homes and are comparatively well off.³⁰
- Customers using pre-payment meters for electricity and gas pay on average 17 per cent more than the average for a direct-debit customer – with the gap doubling from £70 per annum in 2004 to £145 per annum in 2007. The gap between customers paying by cash or cheque and those paying by direct debit also more than doubled in the same period, from £36 per annum to £85 per annum.³¹

The government should also invest in a similar manner in a substantial expansion of care provision. This could provide immense opportunities for reducing poverty, while preparing the UK for future challenges. While it is not physical infrastructure, it is an investment in social and human infrastructure. Workers in these sectors perform a vital role, but both child care and social care are expensive and in demand out of proportion to the availability of the provision. Increasing the availability of provision and making it free at the point of use would meet this challenge and improve the life chances of children and the quality of life of older and disabled people, while enabling their carers to pursue other options. Not only would jobs be created as part of the immediate response to the recession, but it would also serve as a longer-term anti-poverty investment, enabling those with caring responsibilities, the majority of whom are women, to continue in or enter employment. As these are traditionally low-paid, low-skilled sectors, jobs created should be paid at above-market rates to raise the sector as a whole.

Box 3: Child and social care

- The EU has set a target for member states to provide child care by 2010 for at least 90 per cent of children between the age of 3 years and the mandatory school age, and for at least 33 per cent of children under the age of 3.
- British parents face the highest child-care bills in Europe, paying 75–93 per cent of the cost of early-age provision.³²
- On average, child-care costs in the UK absorb around a quarter of a woman's earnings, regardless of whether she works full-time or part-time.³³
- Only around 3 per cent of workplaces provide on-site child-care facilities, and only 2.5–5 per cent provide some financial assistance for child-care costs.³⁴
- It is estimated that universal child-care provision for 1–4 year olds (with government paying 75 per cent of the cost) would incur a net annual cost of £4.7 billion (around 0.5 per cent of GDP) to the Exchequer, but a net benefit of £0.4 billion to the economy as a whole, rising to £40 billion over 65 years.³⁵
- It is estimated that moving to a system where the state pays 80 per cent of social-care costs – the remaining 20 per cent being affordable for most individuals due to the Minimum Income Guarantee, thus minimising the need for means testing – would cost an extra £2 billion per year, or 0.2 per cent of GDP.³⁶

Increase the incomes of the poorest

The incomes of the poorest must be increased. Both for people who have relied on benefits for a long period and for those who are newly unemployed, there must be an emergency rise in all out-of-work benefits. The unique combination of the need for fiscal stimulus, the vastly reduced buying power of benefits compared with previous recessions, and a renewed public acknowledgement that unemployment is caused by structural factors outside the control of the individual means that a significant increase in unemployment benefits makes sense now more than ever. An increase of £15 per week in Jobseeker's Allowance would restore the gap between the benefit and average earnings to its 1997 level and help to protect newly unemployed people from some of the worst effects of a catastrophic fall in income. As well as supporting people in poverty, this will help to develop the key economic role of unemployment benefit as a fiscal stabiliser, ensuring that some degree of spending continues in a recession.

The government's current commitment to increasing the level of support available to people out of work is welcome and should be continued in spite of the economic downturn. People must not be condemned to long-term unemployment, as has been the case after previous downturns. But the continuing welfare-reform programme must be reviewed. The government must not increase conditionality in the benefits system at a time of recession, when fewer jobs are available. Conditionality and compulsion stigmatise poor people and undermine their rights, as well as shifting the blame to individuals and away from the systemic failure of the UK economy to provide an adequate living for all. Support given to people who are newly unemployed must not be given at the expense of those already unemployed. The newly unemployed may push the long-term unemployed, likely to be furthest from the labour market, to the back of the queue for help and support. This is especially likely as private companies delivering welfare services are offered incentives to get people into work, which could lead them to concentrate resources on those people who are easier to help into jobs.

An emergency increase in benefits levels should also act as a springboard towards a more realistic system for regularly up-rating benefits, with the aim that they become sufficient to keep recipients out of poverty. In the longer term, the government should examine the systemic problems and barriers faced by people living in poverty and the role that an inflexible benefit system has played in exacerbating these difficulties.³⁷ The UK requires a social-protection system which genuinely acts to alleviate poverty. Such a welfare state should ensure that people are able to undertake short-term or part-time work, and educational and training opportunities, as a step towards long-term, sustainable employment, without financial penalty, or a reduction in income security.

There should also be an emergency increase in tax credits, to support the working poor to manage the impact of the recession. In addition, both as a symbol of the government's determination not to allow the recession to derail its anti-poverty drive and as a practical help to millions of families, the government should invest in increased child benefit and tax credits, to ensure that it meets the target of halving child poverty by 2010.³⁸ And to tackle the enormous rises in energy costs and the consequent leap in levels of fuel poverty, the Winter Fuel Payment should this year be extended to all families in receipt of benefits and tax credits, to be reviewed next year once emergency increases in benefits and the minimum wage have been factored in.

Box 4: Out-of-work benefits

- Jobseeker's Allowance (JSA) for a newly unemployed person over the age of 25 is £60.50 per week (£47.95 for people aged 16-24).
- The gap between benefits and earnings has almost doubled since 1979, when benefit increases stopped being linked to earnings increases.³⁹
- If that link was still in place, JSA in 2007 would have been £113.26 per week.⁴⁰
- Increasing JSA in line with earnings since 1997 would give it a value of £75 per week.⁴¹
- Recent research by the Joseph Rowntree Foundation into minimum income standards has shown that a single working-age adult needs an income of at least £153 a week 'in order to have the opportunities and choices necessary to participate in society'.⁴²

Protect rights at work

And for those in work, effective enforcement of employment rights, including awareness raising, is essential to ensure that vulnerable workers do not face greater hardship or exploitation. Employers must be prevented from illegally singling out for redundancy part-time workers, those who are pregnant or are on maternity leave. As the risks of mistreatment increase, the government must make clear that the recession cannot be used as an excuse for denying staff their legal rights. In addition, the government must resist the siren call to retrench and reduce employment rights already in place or promised; for example, maternity leave and access to flexible working must be extended as intended.

Box 5: Rights at work

- In 2008, the TUC estimated that there were 2 million vulnerable workers in the UK.⁴³
- HM Revenue and Customs is expected to enforce the NMW with a mere 89.5 inspectors – 5% of the number of inspectors available to the DWP benefit fraud unit. It has been estimated that the average employer could expect a visit from HMRC once every 320 years⁴⁴
- The Employment Agency Standards Inspectorate has to enforce the law for agency workers with just 24 inspectors.⁴⁵

- Only one in seven workers earning less than £7 an hour belongs to a trade union, compared with two-fifths of those earning £10 to £20 an hour.⁴⁶
- One in ten successful claimants in the employment tribunal system does not receive the due monetary award.⁴⁷

Reduce vulnerability to financial shocks – affordable credit

Paying for the cost of living on a very low income has driven many people living in or near poverty into unsustainable debt. Risky lending practices and a lack of financial regulation have been one of the causes of the present crisis. A maximum level of interest should be set, in order to prevent exploitation of people in vulnerable situations, with action taken to crack down on unscrupulous lending, including better regulation of sale-and-rent-back schemes. Government should promote and fund credit unions, and there should also be wider eligibility for social-fund hardship loans, making them more responsive to people's needs and providing a genuine alternative to commercial credit in emergencies.

Provide secure housing

Government housing policy should be focused on preventing people from falling into homelessness or temporary accommodation, and rebuilding the UK's housing stock for the future.

Having a secure and affordable home is crucial to lifting people out of poverty in a sustainable way. Oxfam welcomes the government's mortgage-rescue scheme, which will allow those struggling with mortgage payments to defer interest payments and stay in their homes. But the government must also act to protect private tenants whose landlords are at risk of repossession. This should include enforcement of a two-month notice period, and exploring options such as whole or part purchase of such properties by councils, housing associations, or the tenants themselves, in each case enabling the tenants to remain in their home.

But housing insecurity will never be ended while there are insufficient homes being built. Much of the government spending brought forward should be used to build more social housing, helping to fix one of the causes of the housing crisis: the lack of decent, affordable accommodation. In addition, this will help to make up the shortfall in

private house building, tackling the long-term housing shortage, and protecting construction jobs in an environment where new construction starts fell by almost two thirds year on year during the three months from November to January.⁴⁸ Such housing should be in mixed developments, and with access to employment opportunities, to ensure that new 'sink' estates are not created. Finally, increased spending on improved energy efficiency for all homes can cut down on energy bills and reduce fuel poverty, as well as quickly providing new jobs.

Box 6: Social housing

- The government has a target of building 240,000 new homes a year in England, but only 141,900 new houses were built in 2008, a drop of 19 per cent compared with the previous year, with new starts down 37 per cent at 105,000.⁴⁹
- 1.77 million households in England were on social-housing waiting lists in 2008, with a further 489,400 households living in officially overcrowded homes.⁵⁰
- One in four local areas in England has seen its housing waiting list at least double in the last five years.⁵¹
- The government's Barker Review⁵² estimated that 17,000 new social homes were needed per year just to meet the needs of new households, and a further 9,000 a year to make inroads into the backlog of need. In contrast, not one English region has seen a net increase in its social housing stock in the last five years.⁵³

Encourage social cohesion and solidarity

The recession has the potential to bind people together through a common feeling of vulnerability and a shared desire for security. In particular, after a prolonged period of growth, the realisation that more people's livelihoods are insecure than previously thought offers space for government to make a renewed case for ending poverty and vulnerability, based upon a shared desire for security across society.

The emergence of 'new poor' people presents a challenge to the treatment of the existing poor. There may be increased empathy with those living in poverty, as the unavoidable effects of circumstance are demonstrated, but also a risk that the stigma of poverty will increase: for example, attitudes towards people claiming benefits have hardened in recent months.⁵⁴ The government must advocate renewed solidarity, ensuring through rhetoric and action that the

newly poor are not portrayed as 'deserving' while those who were poor before the recession are seen as 'undeserving'.

However, as well as opportunities for combating negative attitudes, there are dangers that new divisions may arise and increase tensions. In particular, migrants and members of some black and minority ethnic communities may experience increased resentment and discrimination as unemployment rises. The government must redouble its public commitment to equality, anti-discrimination, and community cohesion, and ensure that it takes the opportunity to put equality at the heart of the renewed solidarity effort, rather than allowing it to drift off the agenda.

Conclusion

The current period of recession will exacerbate existing poverty and cause more people to fall into poverty. Already it is causing real suffering to people, and there is every likelihood that things will get worse. It is vital that the government deals with the short-term challenges that this crisis presents – but also vital that it does so in a way that is consistent with ending poverty in the long term.

The recession could be an opportunity to change thinking about poverty – in government and beyond. In tackling the economic crisis, government policy should seek to build the foundations for future recovery on a fairer, more sustainable basis. Through its actions and words, government should show leadership in working to renew people's sense of solidarity with one another, based on a shared need for security. The government must recognise its power to influence public attitudes as well as to change its policies, and use both to renew its commitment to ending all poverty in the UK.

Notes

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- ¹ *The World Factbook*, CIA, 5 March 2009.
- ² When poverty is measured as living on an income of below 60 per cent of median income: p. 37, *Poverty and Inequality in the UK*, Institute for Fiscal Studies, 2008.
- ³ From 14.2 million in 1992 to 13.2 million in 2006/7: source: *Households Below Average Income*, Department of Work and Pensions (DWP) and Institute of Fiscal Studies (IFS).
- ⁴ *Monitoring Poverty and Social Exclusion 2008*, New Policy Institute.
- ⁵ Study by the IFS and Joseph Rowntree Foundation (JRF), June 2008, since updated in light of that failure to an estimate of £4.2 billion a year above current plans to meet the 2010 pledge (see *Ending Child Poverty in a Changing Economy*, Donald Hirsch, JRF, 18 February 2009).
- ⁶ *Poverty and Inequality In the UK*, Institute for Fiscal Studies, 2008
- ⁷ 57 per cent of poor households have a household member in work, and the number of these households has increased by half a million in the past ten years, according to G. Cooke and K. Lawton, *Working Out of Poverty: a Study of the Low Paid and Working Poor*, IPPR, January 2008.
- ⁸ Office for National Statistics CPI First Release December 2008:
<http://www.statistics.gov.uk/pdfdir/cpi0109.pdf>.
- ⁹ 'Average inflation falls, but remains high for some', Institute for Fiscal Studies press release, 9th March 2009, which calculated the inflation rate for the poorest decile to be 5.4%, compared with 2.1% on average.
- ¹⁰ Consumer prices have risen for pensioner households in the poorest fifth by 20%, compared with 14% for non-pensioner households on average incomes, according to *Monitoring Poverty and Social Exclusion 2008*, New Policy Institute.
- ¹¹ *Labour Market Statistics First Release – March 2009*, Office for National Statistics (18 March 2009).
- ¹² http://www.cbi.org.uk/ndbs/Press.nsf/0363c1f07c6ca12a8025671c00381cc7/_79d10a7e36bb511580257507005f5cf8?OpenDocument; *Economic Outlook for Business, Winter 2009*, Ernst and Young ITEM Club (<http://www.guardian.co.uk/business/2009/jan/18/jobless-to-reach-more-than-3-million>)
- ¹³ See, for example, Chapter 5: 'Income and wealth', and Chapter 6: 'Expenditure', *Social Trends 38: 2008 Edition*, Office for National Statistics (ONS).
- ¹⁴ The latest labour-market survey shows unemployment growing fastest among 18- to 24-year-olds: of the 137,000 rise in unemployment in the three months to October, 55,000, or 40%, were aged 18 to 24.
- ¹⁵ *Hard Work Hidden Lives: the Final Report of the Commission on Vulnerable Employment*, TUC, 2008.
- ¹⁶ *Ending Child Poverty in a Changing Economy*, Donald Hirsch, Joseph Rowntree Foundation, York, February 2009.
- ¹⁷ Department for Work and Pensions, *Low Income Dynamics*, 2002, based on the British Household Panel Survey, 1991–2000.
- ¹⁸ According to the Council of Mortgage Lenders, *Housing Finance at a Glance*, March 2009.
- ¹⁹ Figures rose from 900 to 1800: *Possessions on Mortgaged Properties*, Table AP5, Council of Mortgage Lenders (2008).
- ²⁰ Communities and Local Government figures, released 22 January 2009.
- ²¹ *Ending Child Poverty in a Changing Economy*, Donald Hirsch, JRF, 18 February 2009.
- ²² <http://www.timesonline.co.uk/tol/news/politics/article5601310.ece>
- ²³ *The Effects of Taxes and Benefits on Household Income, 2006/07*, Office for National Statistics (July 2008).
- ²⁴ *The Effects of Taxes and Benefits on Household Income, 2006/07*, Office for National Statistics (July 2008).
- ²⁵ *The Distributional Effect of the 2008 Pre-Budget Report*, Mike Brewer, James Browne, and David Phillips, Institute for Fiscal Studies (November 2008).

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- 26 *Ibid.*
- 27 For example, A Green New Deal: Joined-up Policies to Solve the Triple Crunch of the Credit Crisis, Climate Change and High Oil Prices, New Economics Foundation (NEF), London, 2008.
- 28 Consumer Focus (press release, 2.10.2008) estimates that 5.5 million households are in fuel poverty.
- 29 *The Warm Front Scheme*, National Audit Office (February 2009).
- 30 *Ibid.*
- 31 *Fuel Poverty Advisory Group (for England), Sixth Annual Report, 2007*, Department for Business, Enterprise and Regulatory Reform (March 2008).
- 32 *Reconciliation of Work and Private Life: A Comparative Review of Thirty European Countries*, Chapter 2, 'Childcare services', European Commission (September 2005).
- 33 *Reconciliation of Work and Private Life in the UK*, Colette Fagan, Rory Donnelly, and Jill Rubery, University of Manchester (March 2005).
- 34 *Ibid.*
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- 36 *Paying for Long-term Care: Moving Forward*, Donald Hirsch, Joseph Rowntree Foundation (April 2006).
- 37 For a more detailed critique of welfare reform, see Oxfam's response to the DWP green paper, *No-one Written Off*.
- 38 For details of how this might be composed, see *How to Halve Child Poverty by 2010*, published by Barnardo's and the IFS.
- 39 *Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings, 2007 Edition*, Department for Work and Pensions (2008).
- 40 *Ibid.*
- 41 *Ibid.*
- 42 *A Minimum Income Standard for Britain: What People Think*, Bradshaw *et al.*, Joseph Rowntree Foundation (July 2008).
- 43 *Commission on Vulnerable Employment Report*, Trades Union Congress (May 2008).
- 44 Trades Union Congress, *op. cit.*
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- 46 Labour Force Survey, 2007 Quarter 4, Office for National Statistics (March 2008).
- 47 *Justice Denied*, Citizens Advice (October 2008).
- 48 National House-Building Council (2008): <http://www.nhbc.co.uk/NewsandComment/Name.36958.en.html>
- 49 *House Building: December Quarter 2008, England*, Communities and Local Government (February 2009).
- 50 *Local Authority Housing Statistics, England: 2007/08: Housing Strategy Statistical Appendix (HSSA) & Business Plan Statistical Appendix (BPSA)*, Communities and Local Government (January 2009).
- 51 *Home Truths 2008*, National Housing Federation (July 2008).
- 52 *Barker Review of Land Use Planning*, HM Treasury (December 2006).
- 53 *Home Truths 2008*, National Housing Federation (July 2008).
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Published by Oxfam GB, March 2009

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This paper was written by Moussa Haddad with Antonia Bance.

Oxfam is grateful for the assistance of Kirsty Hughes (Oxfam GB), Nicola Smith (TUC), Dan Paskins (Ealing Community and Voluntary Service), Maeve McGoldrick (LinksUK), Duncan Shrubsole (Crisis), Susan Himmleweit (Open University), and Peter Kenway (New Policy Institute) in its production.

Oxfam would also like to thank our partner organisations Thrive (Thornaby) and Community Pride (Manchester), and the many individuals who talked to us about their experience of living in poverty. Some names have been changed.

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The information in this publication is correct at the time of going to press.

Oxfam is a registered charity in England and Wales (no 202918) and Scotland (SCO 039042). Oxfam GB is a member of Oxfam International.

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Oxfam works to overcome poverty in the UK in three ways. We develop projects with people living in poverty to improve their lives and show how things can change. We raise public awareness of poverty to create pressure for change. And we work with policy makers to tackle the causes of poverty. For more information on the issues raised in this paper, or Oxfam's work to end poverty in the UK, email ukpoverty@oxfam.org.uk.