

# Caritas Cares

## United Kingdom Report

### November 2015

### What this report is about

This report describes the main challenges related to poverty and social inclusion in the United Kingdom and provides recommendations for policy makers to address these challenges. The recommendations are based on an analysis of the grass-roots experience of the Caritas Social Action Network (CSAN) which is compared to official data.

### About Caritas Social Action Network (CSAN)

CSAN is a network of 42 Catholic charities working across England and Wales. These charities provide support for a number of groups, including but not limited to children, older people (65+), homeless people, ethnic minorities (including Irish travellers), migrants and refugees, people with physical and intellectual difficulties, unemployed people, and prisoners. Services and programmes provided by CSAN include food banks, care homes for older and disabled people, unemployment and in-work support, benefits advice as well as assistance with asylum and migration claims. In 2014, the organisation reached a total of 480,000 beneficiaries in the UK.



#### Recent publications by CSAN:

[CSAN review of the year 2014](#)

[National Board of Catholic Women – Women and poverty toolkit](#)

[CSAN Response to Benefit Sanctions Inquiry](#)

[Housing Justice – Housing associations and churches report](#)

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**Unaffordable housing combined with unfair remuneration have pushed many in the UK into a poverty trap.**

The UK's main challenges related to poverty and social exclusion:

❖ **Housing has become unaffordable for the poorest**

Low-wage earners tend to spend up to 40% of their income on housing costs. More than one third of working parents in England have to cut back on buying food to be able to pay for their home.

❖ **Minimum wages are inadequate in covering basic living needs**

In October 2015, the minimum wage rose to £6.70/hour; this is still £1.15 below the national living wage (£2.45 in London).

❖ **Low wages and rising housing costs have caused a poverty trap**

Current policies fail to address the housing situation and in-work poverty as interrelated problems.

Policy recommendations for the National Government:

**Adequate income support:**

1. Introduce a genuine, national Living Wage for those in work and its equivalent for those temporarily out of work, or permanently unable to work.

**Inclusive labour markets:**

2. Zero-hours contracts, which are exploitative, should be abolished.

**Access to quality services:**

3. Take sustainable measures to increase the supply of affordable housing by investing in social housing and providing incentives for housing construction.

**Other:**

4. Ensure the coherence between employment and housing policies in order to address the interrelated problem of in-work poverty and unaffordable housing.

# 1. Poverty and social exclusion in the UK: the reality behind the data

## The problems of most concern in the UK

- ❖ Access to housing
- ❖ Lack of minimum income
- ❖ Negative bias against poor

### Access to housing

The cost of housing in the UK is rising disproportionately to wages. In 2012, rents rose in 83% of areas across the country with an average increase of £300/year.<sup>1</sup> Moreover, there is a deep-rooted inequality in the housing market which sees the poorest, young and lowest earners – who are more likely to live in rented homes – spending a far greater proportion of their income on housing than home-owners. People with a mortgage spend 20% of their income on their mortgage whereas private renters and social renters spend 40% and 30% respectively. This financial strain caused by housing is forcing families to cut back on food and other essentials. Families hit by the under-occupancy penalty ('bedroom tax') have found it particularly difficult to stretch their money to pay for rent, food and other essentials and as a result have had to turn to food banks or payday lenders just to get by.

*Peter was referred to the Mentoring and Befriending Project by a South Kensington day centre. He had had a difficult and traumatic experience regarding housing and employment since arriving in England ten years ago. Originally, he found work as a mechanic's hand. However, as he was self-employed on a casual basis, he was only able to earn enough to cover his accommodation in a bed and breakfast, and any thoughts of saving up for a deposit on a flat and establishing long-lasting roots were a distant dream for Peter. When work became harder to find, Peter ended up sleeping rough. Eventually a homelessness charity found him a privately rented studio flat, but, still insecurely employed, he began to struggle with budgeting for his utilities, exacerbated by the fact his cooker and boiler both ran on (expensive) electricity. To cut costs he then accepted an offer of a room in a shared house, at a lower rate than his local housing allowance entitlement. Peter is still looking for steady manual work that fits his skills, but is struggling to find anything that will enable him to improve his housing situation.*

Source: [Housing Justice](#)

### Lack of minimum income

In-work poverty is a huge problem in the UK. Although unemployment is falling, the types of jobs which are being created are often low paid and insecure. For example,

<sup>1</sup> Shelter, 2013. [The Rent Trap and the Fading Dream of Owning a Home](#).

the number of self-employed people has grown by 1.5 million since 2008, and is now higher than at any other point over the past 40 years.<sup>2</sup> At the same time, the average income for the self-employed has fallen by 22% since 2008/9. This problem is exacerbated by two factors. The first is that the level of the minimum wage in the UK is simply not adequate. The UK minimum wage was increased to £6.70/hour in October 2015; however, this still falls far short of the independently-set UK living wage of £7.85/hour and the London living wage of £9.15/hour. The second exacerbating factor is the heavy cuts to the welfare budget over the last 5 years with serious consequences for those who rely on benefits, such as working tax credits or jobseekers allowance, to top up their earnings or see them through a period of unemployment. One of the major changes since 2012 has been the 1% cap on benefit up-rating which effectively disassociates up-rating from cost-of-living. As a result many of the poorest households have experienced net cuts in their incomes. Another major change has been the introduction of a benefit cap limiting the amount of benefits an individual is entitled to. Since September 2013, this has been set at £26,000/year, however, the Government announced plans in the Queen's Speech to reduce this to £23,000. The major problem with the cap is that it effectively ends the link between a household's assessed need and its entitlement to benefit. A report published by Haringey Council on its pilot study found that the cap disproportionately affects those who are already marginalised.<sup>3</sup>

### **Negative bias against poor**

Negatively biased media and political narratives are a huge problem for some of the most marginalised groups in the UK. For example, a recent study by the Jubilee Plus network entitled 'The Myth of the Undeserving Poor' found that media outlets in the UK are unfairly biased against benefits claimants, propagating negative stereotypes of claimants as 'lazy' and 'scroungers'.<sup>4</sup>

**Groups at risk of poverty with the highest need for political action in the UK**

- ❖ Children (0-17 years) in low income families
- ❖ Migrants and refugees
- ❖ People on low incomes

<sup>2</sup>ONS, 2014. [Self-employed workers in the UK – 2014.](#)

<sup>3</sup>Haringey Council, 2013. [Experiences and Effects of the Benefit Cap in Haringey.](#)

<sup>4</sup>Jubilee Plus Network, 2014. [The Myth of the Undeserving Poor.](#)

## Children in low-income families

Poor children live in poor families and do not of themselves have the ability to escape poverty. After paying housing costs, 27% (or 3.7 million) of children in the UK are living in relative poverty and 31% (or 4.1 million) of children in the UK are living in absolute poverty. 61% of children in relative poverty live in a household with at least one adult in work.<sup>5</sup> Childhood is short and it is the time when children need to build the resilience and develop their potential to get out, and stay out, of poverty. The following data highlight the severity of child poverty in the UK:

- 31% of the disposable income of an average family with children is presently taken up by childcare costs; at the current rate of increase, this will rise to 40% by 2024.<sup>6</sup>
- Over one in three working parents in England have to cut back on buying food in order to be able to pay for their home.<sup>7</sup>
- 32% of schoolchildren regularly miss breakfast.<sup>8</sup>
- Emergency foodbank use is growing. Issues with social security remain the top cause of foodbank use but 'low income' is a growing problem.<sup>9</sup>

**Rita's story.** "I arrived from Africa with my husband and 2 children at the end of 2013 and was housed in one room in a shared house. We shared the kitchen and bathroom with strangers, lived and slept in one room. After 3 months, my 13 and 19 year old daughters joined us from Africa. We were 6 people living in one room! I heard about the Catholic Children's Society, St Francis Family Centre while at church from another parent who was attending there." The St Francis Family Centre provided clothes and food for the family as well as toys and a nursery place for their young son. Rita told the centre 'My son has freedom to move around, run and play and make friends with other children.' The centre also helped with housing benefit advice. They found temporary accommodation for the family, a 3 bedroom flat, and assisted the family in furnishing it and moving in. Rita started a childcare course in September. Her husband now works and her eldest daughter will start college in September.

-- Catholic Children's Society, Westminster

<sup>5</sup>Department for Work and Pensions (DWP), 2014. [Households Below Average Income](#).

<sup>6</sup>Children, 2014. [Making Britain Great for Children and Families – The Childcare Guarantee](#).

<sup>7</sup> See footnote 1.

<sup>8</sup>Often this is caused by income poverty and chaotic home lives, and large families who simply do not have enough food to go around. See Magic Breakfast website, 2015. [Why We Do It](#).

<sup>9</sup>Trussell Trust, 2015. [Low Income and Welfare Problems See Foodbank Numbers Rise by 38% Despite Economic Recovery](#).

## The challenges in achieving active inclusion in the UK

- ❖ Adequate Income Support
- ❖ Inclusive labour markets

### Adequate income support

In the UK, minimum income schemes can be considered inadequate in covering basic living needs, as they fail to recognise the disparity between low incomes and the high cost of living in the UK, in particular the year-on-year growth in housing costs. Moreover, the benefits system in the UK is blighted by a punitive sanctioning process whereby claimants can have some or all of their benefits withdrawn for minor infractions. From 2009 to 2013, there was a 106% increase in the number of decisions to apply a sanction to claimants of job seekers allowance.<sup>10</sup> Over 100 people assessed as unfit for work due to mental health problems are sanctioned each day and in 2013/14, approximately 100,000 children were affected by sanctions.<sup>11</sup> CSAN's report<sup>12</sup> on welfare changes found that the sanctioning process is inflexible, lacks any sense of human judgement, and takes a 'blanket' approach which fails to understand the subtlety of individual circumstances.

Therefore, minimum income schemes in the UK are considered to be inadequate in reducing poverty and social exclusion and in leading to the inclusion of people. It is the aim of Universal Credit<sup>13</sup> to reduce poverty and social exclusion by streamlining the process for moving from unemployment into work and ensuring that work pays. However, the benefits of this system have yet to be proven and its roll-out in September 2015 has been blighted by numerous problems.

### Inclusive labour markets

The labour market in UK is not becoming more inclusive. An inclusive labour market must be founded upon fair wages and employment conditions; this is not currently the case in the UK. In August 2014, around 1.8 million zero-hour contracts<sup>14</sup> provided work<sup>15</sup> and more than five million workers were paid less than the living wage.<sup>16</sup> As mentioned earlier, the current minimum and planned new minimum wage are too low to cover basic needs. Additionally, insecure and poor working conditions act as a barrier to career progression and leave low-skilled workers stuck in a cycle of poverty. A recent Resolution Foundation report found that only 25% of workers who

<sup>10</sup>DWP, 2014. [Job Seeker's Allowance and Employment and Support Allowance Sanctions: Decisions made to June 2014.](#)

<sup>11</sup>Church Action on Poverty et al, 2015. [Time to Rethink Benefit Sanctions.](#)

<sup>12</sup>CSAN, 2015. [Caritas Reports: The impact of welfare changes.](#)

<sup>13</sup>The Universal Credit replaces 6 benefits with a single monthly payment to people out of work or on a low income. See also: <https://www.gov.uk/universal-credit/overview>.

<sup>14</sup>N.B. Zero-hours contracts allow employers to hire staff with no guarantee of work. Under such contracts, employees work only when they are needed by employers, which is often at short notice. Their pay depends on how many hours are actually worked.

<sup>15</sup>ONS, 2015. [Analysis of Employee Contracts That Do Not Guarantee a Minimum Number of Hours.](#)

<sup>16</sup>Markit/KPMG, 2013. [Living Wage Research for KPMG: Structural analysis of hourly wages and current trends in household finances.](#)

were low-paid a decade ago have completely escaped low pay.<sup>17</sup> In its “State of the Nation 2014 Report”, the Social Mobility and Child Poverty Commission concluded that Britain is on the brink of becoming a permanently divided nation. The Chair stated: “Too many of the jobs that are being created are low income and high insecurity ... It is no coincidence that whereas a decade ago most poor children were in workless households, today 2 in 3 children who are officially classified as poor live in a household where at least one parent is in work. Poverty has become a problem for working people rather than simply the workless or the workshy.”<sup>18</sup>

## 2. How effective are the UK's policies to fight poverty and social exclusion?

In general, it can be said that the current policies implemented in the UK inadequately address the problems related to poverty and social exclusion in the country. The problem of low wages and increasing housing prices has created a vicious circle that has led large shares of the population into a poverty trap. Current policies fail to address these two issues as interrelated problems.

Regarding policies implemented in recent years, it can be stated that these have been ineffective in addressing the problems of poverty and social exclusion, as they have failed to counteract the rising housing and in-work poverty problems.

## What policies are needed to address poverty and social exclusion more effectively?

In the UK, an integral solution to the housing problem is urgently needed. Lack of supply must be addressed by investing in (i.e. constructing) more affordable social housing; rental prices must be regulated to avoid landlords from charging exorbitant rents. Above all, new policies should prevent further indebtedness of private households.

Furthermore, the two active inclusion pillars, namely “inclusive labour markets” and “adequate income support”, must be strengthened to address the current disparity between low incomes and the high cost of living in the UK.

In this context, the EU could support the Government of the UK to address the problems of poverty and social exclusion more effectively, by providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that address the issue of affordable housing and in-work poverty as an interrelated problem.

## 3. Recommendations to address the described problems

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<sup>17</sup>Resolution Foundation, 2014. [Escape Plan – Understanding who progresses from low pay and who gets stuck.](#)

<sup>18</sup>SMCPC, 2014. [The Chair of the Commission's Statement on the Launch of the 'State of the Nation 2014' Report.](#)

**Recommendation 1: Introduce a genuine, national Living Wage for those in work and its equivalent for those temporarily out of work, or permanently unable to work**

- **Problem addressed if implemented:** Low wages, in-work poverty, precarious work conditions.
- **Governmental department that could lead this measure:** The Department of Work and Pensions.
- **Policy framework:** EC Recommendation on the active inclusion of people excluded from the labour market (active inclusion support pillar).
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that addresses the problem of a lack of affordable housing.

**Recommendation 2: Abolish those zero-hours contracts which are exploitative.**

- **Problem addressed if implemented:** Non-inclusive labour market, unfair wages, in-work poverty, precarious working conditions, zero hour contracts creating barriers to career progression.
- **Governmental department that could lead this measure:** The Department of Work and Pensions.
- **Policy framework:** EC Recommendation on the active inclusion of people excluded from the labour market (inclusive labour market pillar).
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that addresses the problem of in-work poverty.

**Recommendation 3: Take sustainable measures to increase the supply of affordable housing by investing in social housing and providing incentives for housing construction.**

- **Problem addressed if implemented:** Insufficient supply of affordable housing.
- **Governmental departments that could lead this measure:** The Department for Communities and Local Government, and Local Authorities.
- **Policy framework:** EC Recommendation on the active inclusion of people excluded from the labour market (access to quality services pillar).
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that addresses the lack of affordable housing.

**Recommendation 4: Ensure the coherence between employment and housing policies in order to address the interrelated problem of in-work poverty and unaffordable housing.**

- ➔ **Problem addressed if implemented:** Lack of comprehensive policy framework to tackle poverty and social exclusion, covering all three pillars of the EC Recommendation on the active inclusion of people excluded from the labour market.
- ➔ **Governmental departments that could lead this measure:** The Department for Work and Pensions, the Department for Communities and Local Government, and the Department for Business Innovation and Skills.
- ➔ **Policy framework:** EC Recommendation on the active inclusion of people excluded from the labour market (adequate income support, inclusive labour market, and access to quality services' pillars).
- ➔ **How the European Commission could support this measure:** By urging Government to introduce coherent and comprehensive measures that address all three pillars of the EC Recommendation on active inclusion.



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