



Rural Issues Group

HOPELESS

A Summary of our Report on Poverty in Rural Life

April 2022

We believe that everyone in Britain should have the chance of a healthy, decent and secure life. Instead, too many people, including families, experience destitution – meaning that they can't obtain basics such as shelter, heating and clothing.

A household with an income of less than £17940 is below the Poverty Line according to the definitions used by the Office of National Statistics.

We believe that to define poverty we must take account of necessary expenditures. The ONS definition is not fit for purpose. It almost completely obscures Rural Poverty.

Almost a third of children and almost half of single parent families live in Poverty. Three quarters of those children who are growing up in Poverty are in working households. This is not good enough for a civilised country.

The earned average wage in rural areas is 7.5% lower than the urban equivalent.

It is only in EXTREMELY RARE circumstances that it is possible to claim more in Benefits than one would earn for a 16-hour week on the National Living Wage.

Rural people usually live further from work, health care, shopping, and banking facilities. This creates a set of necessary travel expenditures and these are a major factor in Rural Poverty: a key difference between Rural Life and Urban.

We recognise and applaud a number of government interventions to reduce Poverty – such as Pensions, the Pension Credit system, Benefits, Winter Fuel Allowances, Free School Meals and Food Banks. But we exhort the relevant authorities to do more of the same.

A closing thought – what would be the consequences for creditors such as landlords and local authorities - if those who live in Poverty simply give up and conclude that life is hopeless – and default on their debts ??

Recommendations

We recommend a review of definitions of Poverty to take into account necessary expenditures.

We recommend a further increase in the National Living Wage.

We recommend further improvements to the Universal Credit taper rate.

We align with the Joseph Rowntree Foundation recommendation of a Minimum Income Standard for the UK¹ (See Appendix D).

Others may wish to consider the implications of widespread debt default on low end rents and Council Tax.

April 2022 - Addendum

Events have moved on a great deal since the first version of this report was drafted.

Costs are rising very steeply, but we will not attempt to find reasons for this.

The government has stepped in with mitigations, but incomes, particularly Benefits, are not rising nearly as much. Household incomes are set to fall significantly.

Prices

In January 2022, inflation was considered to be running at the rate of 3.1% per year. This has risen – perhaps doubled – prices are now rising faster than we have seen since 1992. The Consumer Price Index rose by 6.2% to February 2022. At present, it is predicted that inflation will rise to 9% later in this year, before falling back to 8% in 2022-23¹.

Fuel Prices

On 1st January 2022, unleaded petrol sold for 145.5 pence per litre and diesel for 148.75.

On 31st March, unleaded petrol was selling for 163.28p and diesel for 177.29p.

So unleaded petrol has risen by 12.2% and diesel by 19.2%. Between a tenth and a fifth.

Further rises are quite possible.

Energy Prices

Prices of gas and electricity are also rising extremely steeply.

Further rises are expected in October.

Tax

Council Tax and National Insurance Contributions also rose by 3.5%, which was the relevant inflation rate of the time, from 1st April.

Spiral Effect

These price rises can be expected to lead to increased wage demands from workers. In turn, this will lead to increased prices. The increased prices can be expected to lead to more wage demands, and so on...

Mitigations

Mitigations include an Energy Bills Discount of £200, a £200 Rebate for energy costs, a Household Support Fund has been announced and extended to help vulnerable households meet daily needs such as food, clothing and utilities: it gives one-off awards of up to £600; a Warm Homes Discount was increased to £150 and eligibility was increased by a third; Fuel duty has been reduced by 5%;

Changes to Universal Credit had already been announced – increasing the work allowance, and reducing the taper rate; the National Living Wage rates increase in April 2022 from £8.91 to £9.50 per hour; Benefits and pensions have been updated.

[A Sketch¹ of the Effects of This Cost of Living Crisis](#)

An MP earns £84144/year. This amounts to at least £1618.15/week or £46.23/hour.

Average Household Income is £31400/year - or £603.85/week or £17.25/hour.

The minimum wage can be calculated as £20064/year: or £9.50/hour.

The (New) State Pension is £185.15/week or £9627.80/year.

A couple aged over 25 with 2 children would receive Universal Credit of £844.42/month: or £10133.04/year. Adding Housing Benefit, that amounts to £371.97/month or £19342.24/year.

Costs are rising much faster than incomes.

The less fortunate will feel this more.

A household living in a rural setting¹, that needs one driver to travel 25 miles/day (such as for work and food shopping and medical necessities) at 35 miles per gallon of unleaded petrol, faces a 12.2% increase in costs – an increase of £22.16 which amounts to £1152.45/year.

Travel cost is a prime indication of the difference for Rural Lives.

“According to the Resolution Foundation, the poorest households are set to see their real incomes drop by 6% in 2022/23.”¹

CONCLUSION

Incomes of our clients are typically rising by 3.1%: costs are rising by double that amount. So far.

For an Average Household Income of £31400/year to keep up with inflation, income must rise by £1946.80.

For the Rural household in our example, with an average Household Income, to keep pace with the costs of getting to work, their income must rise by a further £1152.45/year.

Consequences

The media talk of people being forced to choose between eating and heating. There is an assumption that people are rational – and that if/when life is hard enough, they will improve things by finding employment.

Troubled families may consider changing their job or moving their home so as to reduce travel costs; or just changing their car for something more economical. But we note that all of these have significant upfront costs.

There is an assumption that they will follow the law, and pay their bills. But we are already aware that some people simply do not consider their finances. We have encountered people who take the view that it is simply Hopeless.

It is reasonable to expect an increase in acquisitive crime, at a time when detected crime is at an all-time low and police are in no position to deal with it.

This report was drafted by Nick Hubbard for the Rural Issues Group of Citizens Advice.

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