Helen Barnard, Joseph Rowntree Foundation – Supplementary written evidence (FPO0099)

I would like to thank the Committee for providing the opportunity for me to give evidence in your vital inquiry into the links between inequality, public health and food sustainability. I am writing, as requested, to provide additional information regarding the solutions to food poverty which your Committee can recommend, and how these may be funded.

The Committee has rightly identified a crucial challenge facing the UK – the number of families locked in poverty, prevented from being able to afford essentials and shut out of many parts of ordinary life in our nation. In order to loosen the grip of poverty on families across the UK, we need to redesign the systems which hold them back. There are three ways which we recommend doing this.

First, increasing access to truly affordable, secure homes for families on low incomes.

The Institute for Fiscal Studies has found that low-earning households face housing costs 50% higher than they were 20 years ago, whilst housing costs for the highestearning households have not risen at all. This has been principally driven by an increase in low income families locked out of ownership and social renting and therefore having to rely on the private rented sector to meet their housing needs. This exposes them to higher rents which are inadequately covered by the social security system.

For people living in the private rented sector, rent is usually the biggest monthly outgoing, and increases can really squeeze the monthly budget. High rents have often wiped out gains from positive changes such as the rising National Living Wage and recent reductions in tax and National Insurance. This is also the leading factor pulling families into homelessness.

To remedy this and prevent high housing costs pulling families into hardship, food insecurity and homelessness, the government should commit to ensuring renting households have adequate support to meet their housing costs. Currently, the support tenants can access through Local Housing Allowance (LHA) does not achieve this. LHA has not increased with local rents since 2012 and since 2015, the

rate has been frozen altogether. This has led to more low-income households facing a shortfall between their rents and the support they receive, with Shelter research showing that in 97% of areas in England, people will experience a gap between their rent and Local Housing Allowance in properties that should be covered by the benefit.

While JRF welcome the government's recent commitment to begin uprating LHA in line with inflation again, this will not go far in stemming the rising tide of poverty. Local Housing Allowance must be re-set, so it covers the bottom third of local rents (as it's intended to) and then uprated in line with local rents.

In the longer term, we need to ensure that families in poverty have access to a low cost, secure home and to reduce the pressure on the Housing Benefit bill. To achieve this, we need to see a step change in the delivery of social housing being built, with increased investment so that the 90,000 social rent homes that are needed each year are built and made available to those who need them.

Second, making work a more reliable route out of poverty.

4 million workers are locked in poverty, a rise of around 500 000 in recent years, driven by the growing number of parents in work which does not free them from poverty. Seven in ten children in poverty now live in a working household and recent rises in child poverty have taken place almost entirely in working households. In-work poverty is the central challenge facing our economy. Solving this requires us to grow the number of employers offering good jobs and to revitalise weak local economies which hold people back.

Strengthening weaker local economies requires interventions in towns and cities across the UK. Most cities in the UK are still less productive than their international counterparts, a problem that will need to be addressed to increase prosperity and living standards. Interventions are likely to include: improving public transport within regions, such as investment in reliable and affordable bus services; business support services which seek to both enhance use of digital technologies and support good jobs; and seeking to attract new business that will provide good jobs for existing residents, with some previous success being seen in the use of tax reliefs and incentives.

However, strengthening city economies alone won't be sufficient to boost the prospect of people living in struggling towns. The House of Lords Select Committee on Regenerating Seaside Towns and Communities looked at many of these issues in relation to coastal communities and made many sensible recommendations that we would endorse. People living in towns that are closer to stronger economies may benefit from stronger transport links into the city, but as the experience of Oldham in Greater Manchester has shown, a rail or tram link alone will not be adequate. Action to improve basic skills, investment in further and adult education is equally essential, as is a recognition of the importance of identity and culture to where people are willing to commute for work. Employers often know little about the financial difficulties some of their workers face, or the solutions that could help stem or prevent them. But their role in creating good jobs - through paying wages above the real Living Wage rate, providing security in working hours, and training and in-work progression strategies - can make a real difference in preventing their employees being swept into poverty.

Workers in low-income families are working fewer hours than they were twenty years ago, and this fall has been common across different types of families. At least some of this fall has happened because people can't find jobs that provide them with as many hours of work as they'd like. A fifth of low paid men and women say they would like to work more hours than they can find, around three times the rate for non-lowpaid workers. Employers should aim to offer contracts of a minimum 16 hours a week and try to offer more hours and full-time work for those that request them. Good employers should aim for an open approach to hours sufficiency and working patterns, regularly reviewing contracts of employment so they reflect actual working patterns. Providing sufficiency and security of hours will give households on low incomes the certainty of income needed to escape poverty.

Breaking down barriers to good jobs and encouraging more inclusive forms of growth through the provision of basic skills, and upskilling, retraining, and progression opportunities – including for part time workers – will be a key component of revitalising weak economies. The Conservative Party’s manifesto commitment for a £3bn national skills fund is a very positive move. To supplement the development of a ‘right to retrain’ that was also mentioned in the manifesto, the introduction of a Retraining Tax Credit, targeted at low-skilled workers, would encourage businesses to invest in their workforce. This would cost £0.79 - £0.78 billion per year, to train up to 1.5 million low-skilled workers over five years. An estimated nine million adults are held back by a lack of basic literacy and/or numeracy, and 9.5 million lack basic digital skills. These basic skills are needed for work and life so investing in basic skills training, and adopting the recommendations of the Augar Commission on-post 18 education to provide more funding, simpler access and more financial support for those on low incomes in the further education sector should also be priorities.

Finally, a thriving economy relies on a strong social security system to provide a public service that people can rely on.

The introduction of Universal Credit brings great potential to modernise social security support so that it is better fitted for a modern labour market. However, the current design, delivery and funding of the system is undermining this potential and, in some cases, pulls people into debt and hardship instead of helping them to stay afloat. The minimum five week wait at the start of Universal Credit (which is often much longer than this in reality) drags claimants into debt at the start of their claim and continues to trap them in hardship, even after their payments have begun. We have carried out research to analyse the extent of the problem, who it affects and to propose costed solutions.

Around 2 million families are on Universal Credit, with a further 4.7 million set to move on to it by the time the rollout has been completed. We estimate that 2 in 5 families due to move onto Universal Credit will be unable to meet basic living costs during the five-week wait. That's 2 million families struggling to stay afloat in an impossible situation, unable to afford the basics we all need to get by. Of these, around 700,000 will continue to face a shortfall as they repay their Advance over the following year. There are two steps the government should take to remedy this flaw. Firstly, to help families with children, child tax credit should 'run on' for two weeks after claiming Universal Credit. This would cost £430 million over the four remaining years of the rollout. Secondly, the Government should introduce an upfront grant, which could be targeted at those most in need. Directing it to families who are unable to meet basic outgoings during the five-week wait would cost around £1.3 billion over the four years. Alternatively, for £300 million it could be focused solely on those expected to remain in shortfall during the following year.

Finally, the Committee asked for our thoughts about how investment in these solutions could be funded. Even when the Government faces fiscal constraints, there are a range of options as to how it directs funding. In the last Parliament, the government directed £1.9 billion into tax changes to the Personal Allowance and higher rate tax threshold, measures that disproportionately direct funds to the highest earners. The current government recently committed £2.2 billion to raising the National Insurance threshold from £8,628 to £9,500. This is better targeted at people on lower incomes but still results in around £2 in every £3 of this funding going to households in the richest half of the country. Spending such as this would achieve far more impact if focused on Universal Credit and Housing Benefit, which are well targeted towards those who are struggling to make ends meet. For example, investing in the Universal Credit work allowance is over five times more effective at getting money into the pockets of low-income working families than increasing the Personal Tax Allowance.

Similarly, there is considerable public investment in housing, but it is not always directed at measures which would deliver the greatest impact on low income families' living standards and security. Spending within the Affordable Homes Programme would be better focused to a greater extent on low-cost rent rather than ownership models. The economic case for investing in social housing is clear, particularly in relation to savings in the Housing Benefit bill and from preventing homelessness.

I hope the Committee finds this additional information useful. Please do not hesitate to contact me if there is any further support that we can provide to the inquiry.

Yours sincerely,

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