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How do you think the poverty premium affects low income families?

The poverty premium reinforces poverty; "the poor pay twice" is not just an adage. In my experience of econometric analysis based on income inequality, very little allowance is made for the different cost base experienced by different groups in society. In fact, most analysis of income inequality is based on average statistics for all of society, like the Gini Coefficient or other aggregate statistics, like income shares or income share ratios. This misses the much more complex lived reality of poverty.

The following report (Cherishing All Equally) is of relevance, not least chapter 9 on the cost of goods and services. It was written for the Republic of Ireland but the concepts and broad analysis are entirely applicable to the UK context.

https://www.tasc.ie/download/pdf/tasc_cherishing_all_equally_web.pdf

What is the extent of the poverty premium, in which areas of service or goods provision does it exist, and why does it exist?

Lack of transport means that families often shop in local convenience stores rather than in larger supermarkets or discount chains.

When low income families do use the larger supermarkets, they may be in the perverse situation of taking a taxi home, which adds to the cost. There simply may not be an available bus or someone juggling children plus shopping bags may find it too difficult to take the bus.

Lack of access to banking ("financial exclusion") means that people on low incomes cannot always do a big shop as they have no overdraft facility and have to rely on whatever cash is on hand. Even if they have a banking/payment card, there may be no credit facility.

Lack of banking facilities or credit cards can mean that people on low incomes do not have access to special offers or cheapest rates (e.g. for travel) that are exclusively available to people who book online. Lack of Internet access can also exacerbate this; for example, if someone needs to travel to a library or Internet cafe (and pay for it) to get Internet access.

Cheap goods are more likely to be of poor quality and often don't last long, so need to be replaced more often. They represent a false economy, but people on low incomes can't afford to buy better, more expensive goods from the outset.

People on low incomes often incur small-scale debt, and this can involve high repayment costs; e.g. door-to-door lenders and pay-day lenders. Perversely, people on low incomes often report high satisfaction with these lending services, but they also tend not to have a clear picture of just how expensive this kind of lending is. For example, the interest might not appear much in cash terms, but £2.50 interest paid a week later on a £50 loan is not just 10% of the original loan but represents an annual percentage rate (APR) of 260%

This website compares payday loan rates, and for a £50 loan for 7 days shows APRs up to

1575% (one thousand, five hundred and seventy five per cent!)

[\(https://paydayloans.money.co.uk/\)](https://paydayloans.money.co.uk/)

What else could be done by local authorities, national government or public bodies to mitigate the situation?

National statistical and analysis agencies—especially within the Department for Work and Pensions—need to take the poverty premium into account when they describe and analyse the adequacy of welfare payments and the extent of deprivation that people experience as a result.

Analysis needs to be made of the actual cost of living and its changes over time, and there should be much more detailed analysis of the actual range of goods and services that people can afford on low incomes. For example, the work by Loughborough University is an important reference for this:

<http://www.lboro.ac.uk/research/crsp/mis/>

See also:

<http://www.minimumincome.org.uk/>

One of the problems is that changes to tax credits or welfare benefits is often based on comparison to last year's rates rather than to changes in the real economy, and how they manifest in people's lived experience of poverty and deprivation.

The focus on cash incomes for people to purchase goods/services also ignores the many possibilities for public bodies, social enterprises or imaginative businesses to offer alternatives. There is a need to think outside the box about how we meet people's essential needs, rather than just focus on cash. People's needs tend to include the following:

- Food
- Clothing
- Personal Care
- Health
- Household Goods
- Household Services
- Communications
- Social Inclusion
- Education
- Transport
- Housing
- Household Energy
- Personal Costs
- Childcare (and other costs associated with children)
- Insurance
- Savings & Contingencies

Every essential good or service that people need could be provided in new ways.

For example, housing is made more affordable in Amsterdam or Stockholm because people join co-operatives who own apartment buildings. The co-operatives never sell the land, but charge a ground rent or equivalent into perpetuity. In the short- to medium-term, this makes buying into the co-op cheaper (people buy an apartment unit but not the land, which makes it much cheaper). The counter-balance is that people continue to pay a modest ground rent into

perpetuity, which makes the housing co-ops financially sustainable. A version of this, described for the USA context, is land trusts (see: <https://www.lincolnst.edu/publications/articles/community-land-trusts>).

As another example, a supermarket chain or food co-op could offer people a basic basket of goods every week for a discounted price, based on a large number of people all buying into a scheme to take the same basics every week. This would provide people on low incomes with a means to access bulk buying discounts, while also providing the supermarket with a regular income stream.

Some social enterprises do try to explore these possibilities but much more could be done to support pilot projects and experiments, and then to provide funding for scaling them up to regional and national initiatives.

Please provide examples of good practice.

An example from the Republic of Ireland is relevant to the UK. A state agencies, the Insolvency Service of Ireland (established post-2008 to deal with the huge rise in personal insolvency after the economic crash and housing market collapse) uses itemised data on the minimum essential cost of living—similar to the Loughborough example cited above—to calculate "Reasonable Living Expenses" that people should retain even when dedicating all of the rest of their income to pay off creditors.

See: https://www.isi.gov.ie/en/ISI/Pages/RLE_calculated

Are there key sectors which leave low-income consumers with no alternative other than to use a premium-charging provider? If so, please say which sectors.

This can happen in all sectors, but note that it is not just about sectors. A person's access to transport or whether they live in close proximity to shops and services can make a huge difference. Likewise, people on similar income levels can have very different experiences depending on whether or not they have a supportive network of friends and family.

Suggested content for a business toolkit

A toolkit could be based on "win-win" scenarios for business that innovate in the creation of schemes that meet people's essential needs for goods and services through bulk purchasing, discounts for frequent purchasing, home delivery schemes, etc. These can be for-profit schemes that work for regular businesses; they don't have to be social enterprises or charities. However, there is probably an angle here to target businesses that are currently losing out (like local butchers losing trade as younger people use supermarkets instead).

People should be encouraged to become active participants in the solutions, for example encouraged to find X number of other people to join a bulk purchasing scheme, or simply to take it in turns to do each other's shopping (saving a travel cost every second week and getting some bulk purchasing advantage). This is in line with the ideas expressed by Barry Knight in "Rethinking Poverty" (<https://policypress.co.uk/rethinking-poverty>). The focus here would be on building up people's skills and competencies to innovate to save money while meeting their needs more effectively.