



Unveiling the impact of the cost of living crisis: deepening poverty and policy solutions

Executive summary

In 2022, inflation rates reached historically high levels, causing the price of essentials, particularly food and energy, to soar resulting in a severe cost of living crisis. The cost of living crisis has created significant challenges for many households. However, it has disproportionately impacted the everyday lives of individuals from low-income households, pushing them further into poverty. Over 7 million households were unable to afford essentials such as food, clothing, and shelter in the winter of 2022/2023. Although the inflation rate is now on a declining trend, it does not reverse the lasting effects of the cost of living crisis for people in low-income households who are at the intersections of multiple inequalities of class, income, gender, 'race'/ethnicity, age, disability, etc.

Policy recommendations

1. Improve the benefits system, streamlining the application process for Universal Credit, reducing the time between applying and receiving payments to avoid failing vulnerable people and causing financial hardship by DWP having a strict target for 2-week turnover.
2. Discard benefit sanctions and deductions that push individuals into further financial hardship.
3. Tackle health inequalities and improve access to health services and mental health support programmes to help with the health implications of financial distress and poverty by increasing overall funding for NHS, particularly for community health centres as well as by creating a referral process between financial services and NHS.

4. Close the gap in educational needs and employment skills to improve employability and access to stable and better-paid jobs, for example, i) by using community facilities to provide adult learning; ii) by ensuring that local people are aware of relevant 'skills policies' and their benefits for them; iii) by producing simple guides and explanations of the available services (the rules for these require explanation by a knowledgeable individual).
5. Create an adult version of an Education and Care Health Plan for all residents that can be delivered locally in deprived wards and making them aware of its benefits.
6. Promote energy efficiency and affordability and invest in programmes for home insulation to help low-income households reduce energy costs.
7. Increase funding and resources for community-based local support services that provide vital financial and debt relief, advice, and empowerment for communities living in deprived areas.

About the research

We conducted a qualitative case study in the winter of 2022-23 amid the cost of living crisis. The study focused on Castle Vale, one of the most deprived areas in the country. We investigated the experiences and impact of the cost of living crisis on individuals and families from financially insecure and vulnerable households as well as the effectiveness of local advice and support services provided within the community. Our research revealed detrimental effects of rising living costs on people: increased financial hardship and debt, food insecurity and energy poverty, social isolation, and poor

mental/physical health. We also found that there are significant barriers to accessing secure employment and health services, highlighting the urgent need for better service provision, improvements to the benefits system, and enhanced employment and educational opportunities in deprived areas.

Combating poverty and empowering communities

Poverty harms many aspects of people's lives at all life stages: straining relationships, undermining physical and mental health, and severely constraining life chances and opportunities. One of the crucial starting points is reforming the benefits system which currently creates rather than alleviates poverty. This reform would include increasing the value of benefit payments that align with inflation rates; reducing delays in benefit payments and eliminating benefit sanctions and deductions to prevent people's financial problems from compounding.

Health inequalities are strongly related to the socio-economic status of an area. Life expectancy – one of the best indicators of the health of a population in an area – in deprived areas like [Castle Vale is significantly lower when compared to the national average](#). With the cost of living crisis, people face food insecurity and energy poverty, which diminishes their ability to meet their health needs and manage their health conditions. Thus, improving access to health services and mental health support programs, as well as erasing health inequalities must be one of the key areas of improvement for the government and policy makers.

Areas with high deprivation levels are often historically home to working-class families and so play a crucial role in the industrial workforce. However, the decline of the manufacturing industry and economic downturns led to considerable job losses in manual and low-skilled roles. Importantly, people previously employed in the manufacturing industries experience employment skills and basic literacy gaps, making it harder for them to access

secure employment. Providing access to quality education and job training could make a real difference for those struggling to find stable and better-paid employment. That, in turn, would help reduce financial hardship, reliance on the benefits system, and strain on healthcare services.

Promoting energy efficiency and affordability is crucial for easing the burden of high energy costs on low-income households. Implementing grants or low-interest loans for home insulation improvements and exploring alternative renewable energy sources, regulating energy prices, and providing targeted assistance schemes should reduce these demands. Taking such measures would promote energy efficiency and affordability, households can reduce their energy costs, freeing up limited financial resources to meet other essential needs.

In our research, we also found that community-based support services provide pivotal financial and debt relief, advice, and social and mental well-being support for people in deprived areas. However, these organisations often face resource constraints and staff shortages, limiting their ability to meet the growing demand for assistance. Increasing funding and resources for these community-based services can enhance their capacity and effectiveness and offer a wider range of services.

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This project was funded by CHASM and conducted in collaboration with The Pioneer Group Housing Association.

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