

Briefing

Health impacts of the cost of living crisis

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Reasons for the crisis

Several factors, over several years, have combined into the current 'crisis.'

Universal Credit

The £20 Universal Credit Covid uplift ended in October 2021, reducing incomes of Universal Credit claimants by up to £86.66 per month. The impact of this reduction is clear when this loss is compared with the current Universal Credit standard allowances. The standard allowances are the basic amounts of UC, not including housing costs, additional amounts for children, disabilities, or Council Tax Reductions. In other words, the standard allowances are the amounts that single adults or couples are expecting to live on, excluding housing costs and Council Tax. The Standard Allowances per month are currently:

Single and under 25	£265.31
Single and 25 or over	£334.91
Couple both under 25	£416.45
Couple 25 or over	£525.72

Private rents and benefits

Many people on modest incomes who live in Private Rented Accommodation need Universal Credit or Housing Benefit to help with their rent. A very significant proportion of these people have a substantial shortfall between their rent and the maximum amount that can be included for rent in their benefit. The amount of rent that can be included in Universal Credit or Housing Benefit, is based on the **bottom 30% of rents** in a Broad Rental Market Area – which is much lower than the average rent for the area.

For example, the average rent for a two-bedroom property in the centre of Sutton – the SMI post code area – is approximately

£1,450 but the Local Housing Allowance for the area is only £1,097 per month.

Energy costs

The Energy Price cap increased from 1 April 2022. The cap for customers on default tariffs paying by direct debit increased from an average of **£1,277 to £1,971** per year. The cap for prepayment customers increased by £708 **from £1,309 to £2,017**. From 1 October 2022, a typical household in England, Scotland and Wales will pay an average of **£2,500** a year for their energy bills. This Energy Price Guarantee will only remain in place for all households until 31 March 2023.

Inflation

Inflation is at the highest level for 40 years. The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by **9.6%** in the 12 months to October 2022, up from 8.8% in September 2022.

The largest upward contributions to the annual CPIH inflation rate in October 2022 came from **housing** and household services (principally from **electricity, gas, and other fuels**), **food** and non-alcoholic beverages, and transport (principally motor fuels). **The effective rate of inflation for people on low incomes is higher**, as people on low incomes must spend a high proportion of income on food and fuel.

Previous benefit freeze

Most benefits for people of working age were **frozen between April 2015 and March 2020**. In April 2021, benefits increased by 1.7%. and by 3.1% in April 2022, in line with the Consumer Prices Index (CPI) inflation rate in September 2021 – but far below the current rate of inflation. From **April 2023, most benefits and the state pension will be uprated by 10.1%**.

Low pay in local jobs

Many Sutton residents have reasonably well-paid jobs that are based **outside of Sutton**. However, 20.8% of Sutton residents are in low paid jobs, almost in line with the 20.2% of people in London. Sutton is the 15th worst London borough for people working in low paid jobs (including people

who live in the borough but work outside of it). Sutton is the 11th worst borough in London for low paid jobs. **20.8% of jobs in Sutton pay below the London Living Wage**.

Childcare costs

Universal Credit can include support for Childcare costs. The amount for childcare costs that can be included in the calculation is subject to a cap – the level of the cap has been **frozen since 2005**. The number of women deciding not to return to work after taking maternity leave is increasing – possibly because of problems meeting the costs of childcare.

The long-term impacts of the pandemic for people on low incomes

These impacts were different to the impacts for people on higher incomes. People on middle or higher incomes were more likely to have worked from home on full pay and saved money or paid down debt, while people on lower incomes were more likely to have increased debt.

Impacts of the cost of living crisis on health

Lower income families are most at risk from a higher cost of living because they have less money to spend in the first place, and because increases in the costs of energy, food and fuel represent a greater share of those existing levels of spending.

The poorest fifth of families spend almost two-fifths (37%) of their income on essentials (food, housing, fuel and power).

Malnutrition and cold homes

There are several ways that the rising cost of living can affect people's health. Being unable to afford sufficient food leaves people **malnourished**. Being unable to keep a home warm leaves people at risk of developing respiratory diseases and, for the most vulnerable, at risk of death.

World Health Organization estimates suggest that around **a third** of the higher number of deaths that occur in the winter compared to summer are due to **cold homes**.

Debt and health

The Health Foundation has reported that **20% of people in problem debt** in Britain report bad or very bad health, compared to **7% of those not in problem debt**. There is some evidence that is **worry** about debt, rather than debt itself that drives worse health outcomes. Problem debt can be associated with self-harming behaviours such as **smoking** and **drug use**.

Suicide and debt

Research suggests that people in problem debt are **three times more likely** to have thought about suicide in the past year.

13% of people in problem debt have **thought about suicide** in the last year.

23% of people who attempted suicide last year were in problem debt.

People with **multiple debt problems** are at significantly higher risk of suicide than people with one problem debt.

In the Royal Borough of Kingston upon Thames, **around 30% of people who took their own lives were found to have financial difficulties** which may have contributed to their suicide.

Benefits of advice

Higher benefit levels after getting advice

The basic amount of Universal Credit for a single adult is **£334.91** per month (£265.31 if under 25). However, claimants may be entitled to payments which can more than double their income. It is estimated that **over £15 billion is being unclaimed** by low-income households across the UK.

For example, the limited capability for work related activity addition is **£354.28** per month. The lower rate Personal Independence Payment Daily Living Component is **£61.85**, and the higher rate is **£92.40** per week.

Debt Relief Orders

A Debt Relief Order lasts 12 months, and puts most debt repayments on hold. People are eligible if:

- they owe **£30,000 or less**
- they have less than **£75 to spend each month**, after paying tax, national insurance and normal household expenses
- they've lived or worked in England or Wales in the last 3 years
- their **assets aren't worth more than £2,000** in total
- they **haven't had a DRO** in the last 6 years

Health benefits of advice

Advice Services Alliance Report

The Advice Services Alliance published a report in 2015, **The Role of Advice Services in Health Outcomes**.

The report found that good welfare advice leads to a **variety of positive health outcomes**, and in addition addresses health inequalities highlighted in the **Marmot Review** published in 2010 by the Institute of Health Equity. The effects of welfare advice on patient health are significant and include:

- lower stress and anxiety
- better sleeping patterns
- more effective use of medication
- smoking cessation and
- improved diet and physical activity

These findings are important in the context of addressing the wider social determinants of health and suggest that **stronger collaborative working across a range of sectors** is required.

In particular, there is demonstrable evidence that when advice and health sectors work more closely and strategically to meet advice needs this contributes to reducing health inequalities. Direct commissioning of welfare advice services within specific health settings is most effective as

it targets the most vulnerable within settings which they trust and where their specific health needs are understood.

Citizens Advice Sutton client impact survey

Clients experience the following health and other benefits after receiving advice:

Improved physical health	41%
Improved mental health	60%
Improved emotional wellbeing	72%
Improved your confidence to deal with issues	80%
Helped to increase your control over your day-to-day life	64%

Barriers to seeking advice

Some people with the greatest need for our advice are among the least able to contact us independently. Although a high proportion of Citizens Advice Sutton clients are struggling with their mental health, some people still face barriers to accessing our service. **People with mental health issues who are facing debts and welfare benefit problems may have particular barriers with accessing advice.**

Some people feel stigma or embarrassment about claiming benefits or seeking advice on benefits. For example, **tens of thousands of people did not claim Universal Credit** during the early part of the Covid pandemic because they felt too ashamed to claim benefits, often despite struggling to pay rent and bills.

We know from experience that many people who receive an unfavourable decision on benefit entitlement are **nervous or pessimistic** about challenging the decision, because of what the Money and Mental Health Policy Institute refers to as the 'power dynamic.' However, approximately **70% of benefit appeals** across the country **are successful** and Citizens Advice Sutton advisers win most of the appeals that they run.

People in debt, are often **too embarrassed to seek advice**. As the [Money and Mental Health Policy Institute](#) confirmed, many people in problem debt will not have told family or friends about their financial difficulties.

This is a particular **issue with men**. Men make up only about **37%** of people accessing Citizens Advice Sutton debt advice services but in 2020 accounted for **around three-quarters of registered suicide deaths**. We have tried to address this imbalance with publicity for our debt advice service aimed at men.

The reluctance of people who would benefit from debt and welfare benefit advice to seek it, extends to reticence to discuss the issues with health or social care professionals. The [recent report](#) The State We're In from the Money and Mental Health Policy Institute found that:

only one in five (22%) survey respondents with experience of mental health problems had spoken to a health or social care professional – such as a GP, social worker or mental health nurse – about how their financial circumstances affected their mental health

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