

APPG SUBMISSION

HOW DO YOU THINK THE POVERTY PREMIUM AFFECTS LOW INCOME FAMILIES?

Turn2us is a national poverty charity helping people when times get tough. It can take just one missed paycheque, illness or bereavement to cause a real crisis. Turn2us provides financial support to help people get back on track. Last year our tools and resources were used over three million times by people looking for financial assistance through welfare benefits and charitable grants.

Nearly half the people who come to us seeking help are in work and have a total income of less than £10,000 a year.

120 years of grant giving gives us real insight into how households on a low income are paying more for the essentials in life because they are living without household appliances including fridges, freezers, ovens and washing machines. Families who cannot afford to buy essential household appliances are hit hard by a hidden and unexpected poverty premium. For the purpose of this submission we have broken it down into four key areas:

1. The impact of living without household appliances on food expenses
2. The impact of living without household appliances on laundrette expenses
3. The impact of living without household appliances on energy expenses
4. The poverty premium of using high-cost credit to purchase white goods

WHAT IS THE EXTENT OF THE POVERTY PREMIUM, IN WHICH AREAS OF SERVICE OR GOODS PROVISION DOES IT EXIST, AND WHY DOES IT EXIST?

Turn2us spoke to over 4,000 people between 1st September and 1st November 2017 seeking our help to understand how many people are living without essential household appliances and the impact it has on their lives. 52% of people we help are living without one or more essential household appliance and around a third have one or more dependent child.

1. The impact of living without household appliances on food expenses

The most common issue regarding the poverty premium and living without appliances is the increase in food expenses as a direct result of not having a fridge, freezer and/or oven.

- 52% of people who came to us don't have a freezer
- 46% of people who came to us don't have a fridge
- 45% of people who came to us don't have a cooker

People living without cooking appliances rely on expensive take-away meals and households without a fridge or freezer can't take advantage of bulk buying options. This associated price penalty was raised frequently by our users who told us:

- "Can't take advantage of buying larger quantities of food to lower costs"

- "I feel I'm not doing my job as a mother, as I'm unable to provide a daily nutritious meal for my two children, resulting in sending them to my parent's house to eat their evening meal, or cooking as best I can, with a just microwave (which is also faulty)."
- "Can't buy much freezer foods, so have to buy day by day"

The average family weekly food shop is £53.20 (ONS 2017), however a family living without appropriate appliances can expect an increase of approximately 48% by not being able to bulk buy or buy frozen goods. This would bring the average weekly shop to £78.74, an increase of £25.54.

| | Small or no fridge | Large fridge | Price increase |
|-------------------|---------------------------|---------------------|-----------------------|
| Eggs | 18 pence per unit | 15 pence per unit | 20% |
| Milk | 88 pence per litre | 44 pence per litre | 100% |
| Cheese | 741 pence per kg | 575 pence per kg | 29% |
| Butter | 640 pence per kg | 580 pence per kg | 10% |
| | No Freezer | Freezer | |
| Vegetables | 142 pence per kg | 90 pence per kg | 58% |
| Cod | 1560 pence per kg | 921 pence per kg | 69% |

It is also important to highlight the emotional impact felt by those living without basic essentials. One of the most frequent comments we hear from those living without is: "It makes me feel like I am failing as a parent". The vicious cycle of being on a low income and the poverty premium stretching your finances even further has severe consequences on mental health, self-confidence, and can lead to anxiety and depression, with a respondent saying that "I find that my depression is enhanced as I see myself as worthless and living a life full of poverty and deprivation and not worthy to have even basic furniture such as curtains for windows and basic washing appliances like 'normal people'. Then I don't even want to get out of bed because i know my day is going to be one big struggle."

2. The impact of living without household appliances on laundrette expenses

For people to lead a normal life and actively participate in a society, they should be able to wear clean clothes without the financial penalty of using a laundrette or having to wash by hand (which is unlikely to leave clothes as clean or thoroughly rinsed as a washing machine and have a negative impact on health with one person reporting that "It aggravates my arthritis doing washing by hand".). Nevertheless, 49% of people who came to us don't have a washing machine.

Laundrettes are expensive and time-consuming and many of the people we spoke to told us about the impact their use has on their life:

- "It has a big impact on my life, it costs me money to go to laundrette"
- "If I use the laundrette it is expensive"
- "We cannot afford to use a laundrette, and we live a long way from a river"
- "It would be difficult to wash clothes and get them dry in winter as I wouldn't be able to afford the laundrette"

Once the cost of a washing machine has been covered, it is approximately 2561% more expensive to use a laundrette. On average, a household would save over £1,039 a year by using a home washing machine.

Washing at home

The average new home washing machine uses 1.24kWh of energy per small cycle. The average price of 1kWh of energy on the market is 12.12 pence. This makes the cost of running a washing machine cycle around 15.03 pence. The average household uses their washing machine 270 times a year, bringing the total cost of using a home washing machine over the course of a year to £40.58.

Washing in a laundrette

While the laundrette costs vary around the country, we estimate the average price of a small cycle at £4.00. This is not including the cost of travel, detergent or drying. If 270 small cycles are run at the laundrette, this brings the annual cost to £1,080.

There is an added economic pressure on uniformed workers. Some low paid job roles such as carers, catering staff, retail staff, security guards and hospitality workers require clean uniforms every day. In addition, some roles such as nursing require access to washing machines with high heat power on a daily basis.

People living with medical issues may also require more frequent access to a washing machine. We spoke to people suffering from a range of conditions which require regular access to a washing machine, including Irritable Bowel Syndrome (IBS) or eczema. This can be particularly hard on children as one parent reported that “it makes it very difficult as our daughter is on the autistic spectrum and is very difficult when it comes to cleanliness and food”

3. The impact of living without household appliances on energy expenses

In addition to living without essential household appliances, many are living with faulty, broken or old white goods, leading to increased energy costs – another part of the of the poverty premium.

One in three who came to us have an appliance that needs to be replaced because it is faulty, broken or old and told us:

- “The freezer is 20 years old and uses an extortionate amount of electricity”
- “Less efficient white goods means we pay more for electricity”
- “Takes ages to cook anything, which uses more electric”
- “The cooker uses more gas as the door doesn’t shut properly”

The energy efficiency of white goods can have a significant impact on bills. Those who can’t afford to replace broken and inefficient appliances may be spending upwards of £100 extra every year, compared to those with efficient appliances.

| | A+++ rating usage | C rating usage | Savings per year |
|---|--------------------------|-----------------------|-------------------------|
| Washing Machine kWh usage per year | 150 kWh | 291 kWh | £20 |
| Fridge kWh usage per year | 72 kWh | 232 kWh | £22 |
| Fridge/Freezer kWh usage per year | 206 kWh | 816 kWh | £85 |

Faulty appliances aren’t just expensive to keep running but also dangerous, causing serious concern for families across the country. Countless responses to our survey included the words “stress” and “worry” in relation to faulty appliances. One respondent told us: “It is a worry, possible fire hazard and is totally inefficient.”

WHAT ELSE COULD BE DONE BY LOCAL AUTHORITIES, NATIONAL GOVERNMENT OR PUBLIC BODIES TO MITIGATE THE SITUATION?

Appliance poverty disproportionately affects people living in the rented housing sector. Renters are three times more likely to live without basic appliances than homeowners.

Families in short tenancies, bounced around the renting market, neither have the finance to buy basic white goods, nor a permanent home to keep them in. Although a small minority of renters may have their own white goods, the majority, especially those on low incomes, rely on their landlord to provide basic appliances that are difficult to move between properties such as fridge, freezer, oven and washing machine.

However, many providers of social housing actually dispose of appliances and furniture before a new tenant takes occupancy.

We are calling on Local Authorities and Housing Associations to consult with new tenants and offer full or part furnished properties as standard.

The issue of living without essential appliances, and the poverty premiums that stem from it, are consistently and disproportionately affecting renters. 35% of households in the UK are renters but two thirds of people who seek our help are renters and 51% of all grants we provide are awarded to people living in social housing. If Local Authorities and Housing Associations made sure all their properties were supplied with fully functioning white goods we could at least halve the number of people affected.

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.

The poverty premium of using high-cost credit to purchase white goods

Issues surrounding high-cost credit to purchase home appliances has also been highlighted by the people we help:

- 13% have used a credit card to purchase white goods
- 9% have used hire-purchase
- 7% have used an overdraft
- 5% have used a store card
- 6% saying that they used a payday loan

Rent-to-own shops are often an attractive option for low-income families living without basic appliances. However, these stores levy high interest rates. For example, a fridge could be purchased for £494.50 if bought outright but would cost £1,092 over a period of 156 weeks (not including transport costs, installation fees and insurance) if purchased through a rent-to-own supplier.

The simple issue of not being able to pay the full cost up front mean many people end up paying over double, simply because the majority of sources of interest-free credit no longer exist.