

# Who is fuel poor?

**By June 2008 the domestic fuel commodity price index had increased by 51 per cent from 2005, more than five times the rate of general inflation. The energy companies have warned that prices will rise again – by between a quarter and a third this winter. Harriet Harman told us that she had she spent her week as Acting Prime Minister working on a package of measures to increase the level of investment in energy-saving schemes in low-income housing and exploring other ways to tackle fuel poverty. Here, Jonathan Bradshaw asks who the Government should be targeting.**

**W**HO IS FUEL POOR? The answer is we do not really know. A household is said to be in fuel poverty if it needs to spend more than 10 per cent of its income on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms). The Department for Environment, Food and Rural Affairs uses the English House Conditions Survey (latest 2005) for its estimates. However, the Expenditure and Food Survey can tell us which households spend more than 10 per cent of their net income (after tax and national insurance contributions) on fuel. The latest accessible survey is for 2005/06 before the large energy price hikes and, therefore, before expenditure on fuel might have been constrained as much as it is now.

At that time, average weekly expenditure on fuel in England and Wales was £14.51, or 4.4 per cent of net income. Only 7.3 per cent of households spent more than 10 per cent of their net income on fuel. Table 1 shows the fuel poverty rate was highest among lone parents, single pensioners (but not couple pensioners), social tenants, households on income support, jobseeker's allowance or housing benefit, and household in the bottom quintile of the income distribution. The composition of the households in fuel poverty is also given. Of those households in fuel poverty, 54 per cent were in single-

person households, 22 per cent included children, 68 per cent were in workless households, 29 per cent were single pensioners, and 78 per cent were in the bottom income quintile.

What about now and the immediate future? The second half of the table assumes an increase in fuel prices of 50 per cent since 2005/06 and all other things are equal. There is, of course, room to argue about this assumption. Fuel prices have already gone up by more than 50 per cent, but incomes have too. Earnings rose by 11 per cent between 2005 and May 2008 and prices (and therefore benefits linked to prices) by 8 per cent. Also, no assumption is made about behavioural change – ie, households reducing their consumption or switching to alternative cheaper suppliers or fuels. So the picture is notional and approximate – but not unrealistic.

With this assumption, fuel poverty more than doubles from 7.3 per cent of households to 15.6 per cent. A third of lone-parent households, a third of local authority tenants and about 40 per cent of those on income support, jobseeker's allowance or housing benefit are now in fuel poverty, as are 68 per cent of workless households and over three-quarters of households in the bottom income quintile. The composition of the fuel poor also changes a bit, with higher rates of fuel poverty among couples with children and owners with a mortgage.



Tim Jones/PhotoFusion

Table 1: **Fuel poverty: households in England and Wales**

	2005/06				Estimate if fuel charges increased by 50% over 2005/06	
	£ per week on domestic fuel	% of net income spent on fuel	Fuel poverty rate (% spending more than 10% of net income on fuel)	Composition of households in fuel poverty, %	Fuel poverty rate (% spending more than 10% of net income of fuel)	Composition of households in fuel poverty, %
<b>Family type:</b>						
Single	10.74	5.6	13.0	24.4	22.6	19.8
Couple	14.64	3.2	3.4	7.7	8.1	8.6
Couple with one child	16.23	3.1	2.5	2.5	8.5	4.1
Couple with two children	17.08	3.0	2.5	3.0	6.1	3.4
Couple with three children	19.94	3.3	3.2	1.2	7.3	1.2
Couple with four or more children	17.56	3.0	1.3	0.2	5.8	0.3
Lone parent with one child	12.40	6.6	20.4	7.8	34.9	6.2
Lone parent with two children	16.20	8.0	20.6	6.9	31.9	5.0
Pensioner single	11.00	6.4	14.5	29.4	32.9	31.1
Pensioner couple	14.51	4.4	5.4	10.8	14.8	13.8
Multi-unit	17.75	3.1	2.8	6.1	6.7	6.7
<b>Tenure:</b>						
Local authority	11.83	6.3	18.3	24.2	34.1	20.9
Housing association	10.78	5.7	14.0	12.4	26.6	11.0
Private rented	12.44	4.9	10.5	13.4	18.7	11.1
Owned outright	14.81	4.8	7.8	36.4	18.4	40.0
Owned with a mortgage	15.97	3.0	2.1	11.2	5.9	15.0
Other	15.21	5.7	13.5	2.4	24.2	2.0
<b>Region:</b>						
North East	14.57	4.8	8.7	5.3	21.8	6.2
North West	14.62	4.7	9.2	16.4	19.8	16.5
Yorkshire and Humber	14.40	4.9	8.8	12.2	20.0	12.9
East Midlands	14.14	4.2	6.2	6.8	13.9	7.0
West Midlands	15.21	4.5	6.8	9.1	15.4	9.6
East of England	14.84	4.1	5.5	7.7	12.0	7.8
London	14.14	4.0	8.2	14.2	14.1	11.3
South East	14.15	3.9	5.6	12.6	11.2	11.7
South West	14.62	4.1	5.8	8.1	13.9	9.0
Wales	14.73	5.1	9.4	7.6	21.2	8.0
<b>Tax/benefit class:</b>						
Income support/income-based jobseeker's allowance	13.86	7.5	24.7	22.0	41.6	17.2
Housing benefit	11.57	7.4	23.9	39.0	42.6	32.3
Pension credit	11.55	6.4	15.0	14.9	36.8	17.0
Working tax credit only	15.06	4.1	4.0	2.6	12.0	3.6
Working tax credit and child tax credit	15.14	4.1	3.9	1.4	10.8	1.9
Child tax credit only	15.63	3.7	5.1	7.5	10.7	7.4
Disability living allowance	14.44	4.7	6.4	6.6	17.8	8.5
None of these	14.67	4.0	5.7	53.9	12.5	55.5
<b>Number of workers in household:</b>						
0	12.59	6.5	15.1	68.0	31.8	66.7
1	13.96	4.3	6.8	25.5	14.2	25.0
2	15.90	2.6	1.1	4.9	3.6	7.2
3	17.81	2.5	1.0	0.8	1.9	0.7
4+	20.18	2.4	2.2	0.8	2.8	0.5
<b>Income quintiles:</b>						
Lowest	11.06	9.6	31.0	77.8	55.5	64.8
Second	12.86	5.1	6.8	17.6	20.4	24.7
Third	13.68	3.5	1.2	3.4	5.5	7.1
Fourth	15.15	2.6	0.3	0.8	2.0	2.6
Highest	18.92	1.9	0.1	0.4	0.7	0.9
Total	14.51	4.4	7.3	100	15.6	100

Source: Own analysis of the Expenditure and Food Survey 2005/06<sup>1</sup>

How far does fuel poverty overlap with conventional income poverty? It can be seen in Table 2 that in 2005/06 29 per cent of those in income poverty (less than 60 per cent of median income) were in fuel poverty (and 82 per cent of those in fuel poverty were also in income poverty). If fuel prices increased by 50 per cent, 53 per cent of those in income poverty would be in fuel poverty and 71 per cent of those in fuel poverty would be income poor (Table 3).

Fuel poverty is set to become the experience of a majority of households in income poverty. Benefits increased by movements in the general retail price index (RPI) or the Rossi index (RPI less housing costs) do not reflect the real increase in the costs of living of people on benefits – they spend a larger proportion of their budgets on just the items that are increasing in price fastest – fuel, food and water. It is time to find a better basis for uprating benefits. ■

Table 2: **Income poverty by fuel poverty in 2005/06 (%)**

	In fuel poverty	Not in fuel poverty	Weighted number
In income poverty	28.8	71.3	1,122
Not in income poverty	1.5	98.5	4,210
Total	7.3	92.7	5,332

Table 3: **Income poverty by fuel poverty if fuel charges increased by 50% (%)**

	In fuel poverty	Not in fuel poverty	Weighted number
In income poverty	52.8	47.3	1,122
Not in income poverty	5.7	94.3	4,210
Total	15.6	84.4	5,332

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<sup>1</sup> N= 5,338 households (334 households that reported zero spending on fuel were dropped).

## 'Save money, save energy'

On 11 September, Prime Minister Gordon Brown announced a package of measures, designed to allay mounting public concern about rising fuel costs.

The Government plans to invest £910 million from energy companies to reduce fuel poverty. This will be used to provide free loft and cavity wall insulation for poorer households and pensioners. Gordon Brown said this would save households up to £300 a year in energy bills. All other households will receive a discount of 50 per cent on energy-saving insulation.

Cold weather payments will be increased from £8.50 to £25 a week. These can be claimed by pension credit recipients, claimants with disabilities and families on benefits with a child under five. Payments are triggered after seven consecutive days of temperatures falling to 0 degrees Celsius in the locality. As this does not happen very often, few people are likely to benefit from increased payments.

People with pre-payment meters will be protected 'by legislation if necessary' from 'unjustifiably higher tariffs' than other consumers. Gordon Brown also suggested that energy companies will provide lower tariffs to 600,000 poor households by the end of the year.

Resources have been found for the Warm Front programme and winter fuel payments for pensioners will increase by £50 (£100 for those over 80). In addition, Ofgem is reviewing the competitiveness of the UK energy market, and Brown suggested that 'abusive behaviour' by energy companies found by Ofgem would be dealt with.

These measures are welcome, but they emphasise long-term energy efficiency, not the short-term demands on families at a time of rapidly rising prices. CPAG supports an independent Fuel Poverty Charter. This calls for much greater improvement in energy efficiency (including better insulation), direct help to improve the incomes of those affected by fuel poverty, and for a fairer energy market. The Charter is at [www.foe.co.uk/resource/press\\_releases/Fuel\\_Poverty\\_Charter\\_08092008.html](http://www.foe.co.uk/resource/press_releases/Fuel_Poverty_Charter_08092008.html) ■