

# THE TRUE COST OF LIVING: EXECUTIVE SUMMARY



The action needed to stem the rising tide of destitution

March 2022

The cost of living crisis is having an impact on all of us. As food and energy prices soar, families across the UK are feeling the biggest squeeze on their incomes in a generation, and there is no sign of a let up.

But this new research shows that for people already struggling to afford the essentials, the cost of living crisis goes much deeper. This is not just a cost of living crisis - it is a crisis of our social security system, which is failing to support people to keep their heads above water.

## The Chancellor pledged that ‘everyone should afford the essentials’ - but paring Universal Credit to the bone is driving people into debt

The true cost of living is creating not just difficult decisions, but impossible ones. The result is that households are going without the essentials we all need in life. In its current form, Universal Credit is not making good the Chancellor’s promise that ‘everyone should be able to afford the essentials’<sup>1</sup> - instead it is driving people into debt.

YouGov polling<sup>2</sup> on behalf of the Trussell Trust lays bare what is really happening for the more than 5.7 million people on Universal Credit across the UK:



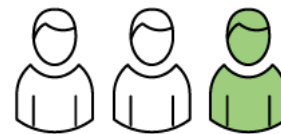
More than half (56%) report that they are going without at least one of the absolute essentials we all need to keep warm, fed, and clothed



Half (50%) are either already behind on their bills or are facing a constant struggle to keep up with them



Two in five (40%) have already fallen into debt following the Universal Credit cut last autumn



One in three (33%) had been unable to afford adequate food: meaning they had more than one day in the last month where they didn’t eat at all, or only had one meal

<sup>1</sup> Government launches £500m support for vulnerable households over winter

<https://www.gov.uk/government/news/government-launches-500m-support-for-vulnerable-households-over-winter>

<sup>2</sup> All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,506 UK adults claiming Universal Credit. Fieldwork was undertaken between 24 January - 15 February 2022. The survey was carried out online. The figures have been weighted and are representative of all Great British adults claiming Universal Credit (aged 18+). All figures are the Trussell Trust’s own analysis of data collected online by YouGov.

These numbers paint a deeply concerning picture of a weakened social security system failing to protect people from the most severe forms of hardship. But this has been a long time in the making, as the rise in need for food banks and levels of destitution going into the pandemic has shown. A failure to act now, as living costs continue to soar, risks leaving deep scars on the lives of the families facing impossible decisions between being pulled further into debt or going without even the absolute essentials in life.

## A system that works: the UK government must strengthen social security, to ensure that everyone can afford the essentials

The most immediate threat to households is the failure of social security - Universal Credit and legacy benefits - to keep pace with the real cost of living.<sup>3</sup> Analysis by the Joseph Rowntree Foundation (JRF) suggests that 9 million families who receive benefits due to low incomes will be £500 worse off on average due to inflation from April. This is the equivalent of at least two monthly food shops for the average family on Universal Credit.<sup>4</sup>

**The Treasury must uprate benefits this spring, including Universal Credit, legacy benefits and support for housing costs, by the forecast rate of inflation of at least 7%, not the 3.1% currently planned.<sup>5</sup>**

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*“If everything continues to rise and benefits don't rise to match the inflation, I will struggle hugely to keep my home warm and lit, and my family fed, clean and dressed. I already struggle, but with the costs increasing I am finding I have to buy less food to keep within my budget. I have a young daughter and I am [having] to make difficult decisions on how much I can go without so she has everything she needs” - Person on Universal Credit, YouGov 2022*

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Nevertheless, this would only stop further backsliding.<sup>6</sup> Social security is not just there for national crises. That is why the **UK government should work with people with lived experience of the system to develop a plan to ensure everyone can afford the essentials**, including:

- **Reforming Universal Credit so that it pulls people out of, rather than pushes people into, destitution and debt** - particularly through payment levels and unaffordable debt repayments.
- **Delivering integrated local crisis support**, backed by long-term funding of at least £450 million a year in England, to empower communities to help people cover unexpected costs.

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<sup>3</sup> 400,000 people could be pulled into poverty by real-terms cut to benefits in April, JRF, 2022 <https://www.jrf.org.uk/press/400000-people-could-be-pulled-poverty-real-terms-cut-benefits-april>.

<sup>4</sup> Trussell Trust analysis of the Living Costs and Food Survey 2019/20. Accessed through the UK Data Archive: Office for National Statistics. (2021). Living Costs and Food Survey, 2019-2020. [data collection]. UK Data Service. SN: 8803, DOI: 10.5255/UKDA-SN-8803-1

<sup>5</sup> At the time of writing, inflation is forecast to increase to 7.25% in April 2022, 'Will inflation in the UK keep rising?' Bank of England, February 2022 <https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising>. More recent commentary suggests this might rise still further

<sup>6</sup> Even before the current cost of living crisis started to bite, the Resolution Foundation forecast that unemployment benefits in 2022-23 would be at their lowest level in since 1990-91, just 14 per cent of average earnings by 2024-25 and half the value in the early 1970s. Social Insecurity, Resolution Foundation, January 2022

<https://economy2030.resolutionfoundation.org/wp-content/uploads/2022/01/Social-Insecurity.pdf>.