

# All-Party Parliamentary Inquiry into Hunger and Food Poverty in Britain

## Evidence Paper 1 – Expenditure

### Summary

Engel's law predicted that as household and national income rose the proportion of that income spent on food would decrease. This historic trend has been reversed. The same holds for the proportion of income spent on utility and housing costs. It is probably the increase in this historic trend of prices of basic goods that helps to explain the rise and rise of food banks in our society.

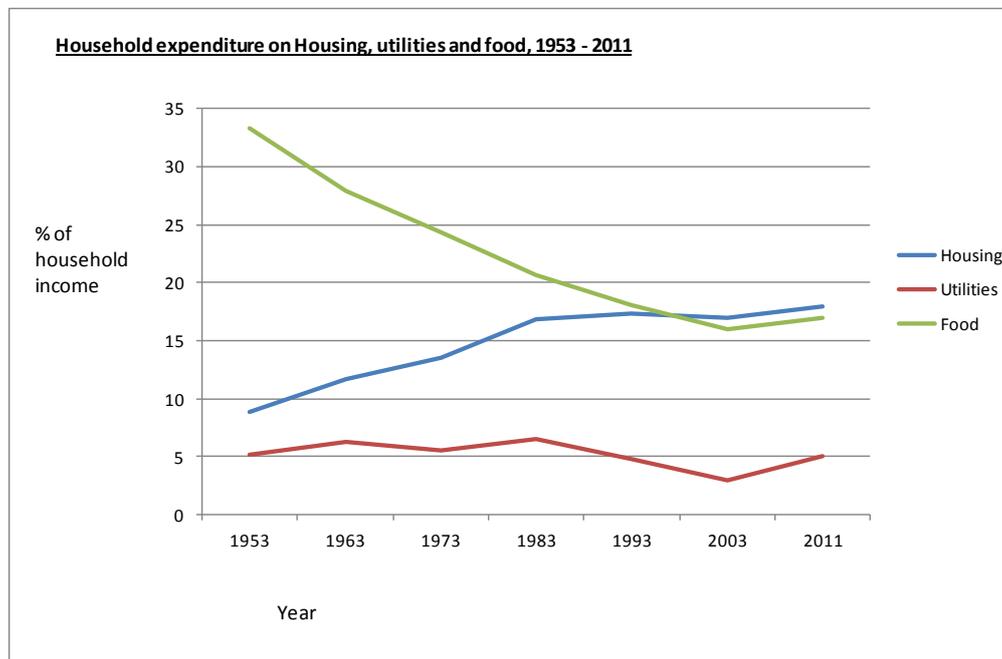
### Household expenditure on food, rent and utilities

Throughout the second half of the twentieth century, the overall combined proportion of household incomes spent on housing, fuel and food declined from 47.3% in 1953 to 36% in 2003.

The proportion of household income spent on utility bills decreased from 5.2% in 1953 to 3% in 2003.

The proportion of household income spent on food and non-alcoholic drink decreased from 33.3% in 1953 to 16% in 2003.

The proportion of household income spent on housing increased from 8.8% in 1953 to 17% in 2003.



However, from 2005 to 2011, for the first time in post-war Britain, the overall combined proportion of household incomes spent on housing, utility bills and food has increased each year.

The proportion of household income spent on utility bills began increasing in 2003 from 3% rising to 5% in 2011.

The proportion of household income spent on food and non-alcoholic drink also in 2003 increased from 16% to 17% in 2011 (this includes a decrease by 1 percentage point to 15% in 2005 before increasing again in 2006).

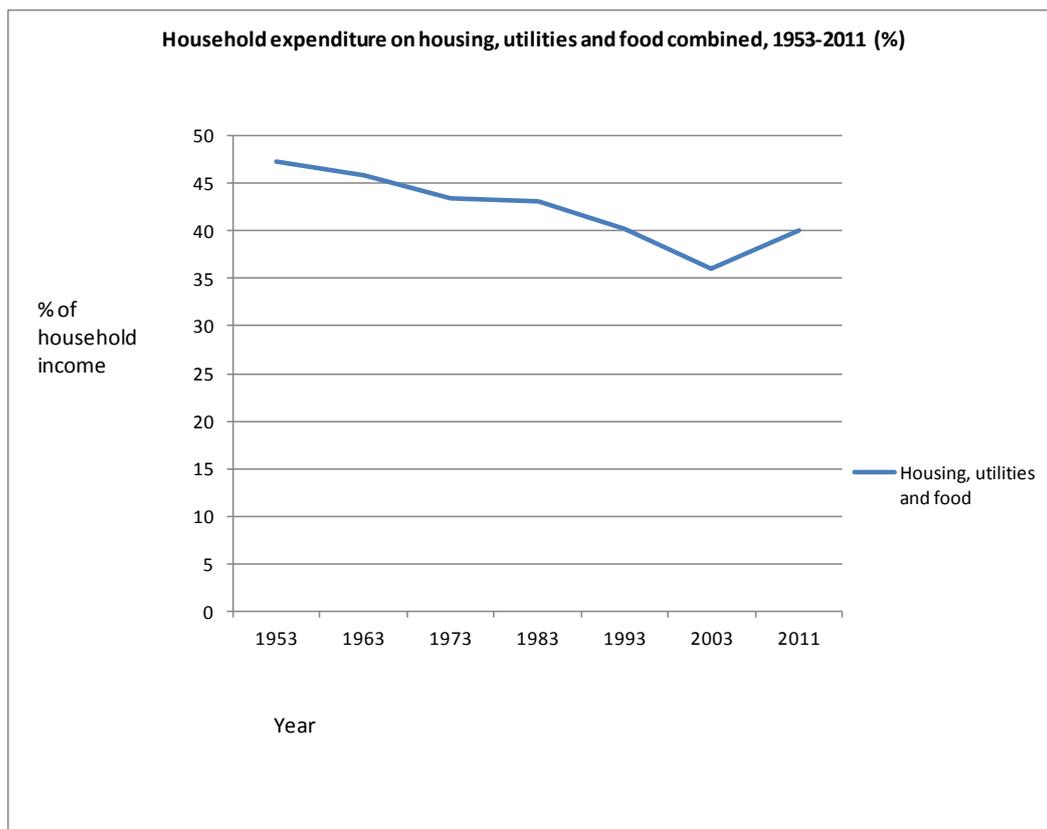
The proportion of household income spent on housing increased from 17% in 2003 to 18% in 2011.

**The overall combined proportion of household incomes spent on housing, fuel and food increased from 36% in 2003 to 40% in 2011.**

Rich and poor alike have been affected by these trends. But rises in basic goods obviously affect the poor more as they spend a greater proportion of their income on these necessities.

Households in the lowest income decile spent 31% of their incomes on housing, fuel and food in 2003. This had increased by 6 percentage points to 39% by 2011.

Households in the highest income decile spent 13% of their incomes on housing, fuel and food in 2003. This had increased by 3 percentage points to 16% in 2011.



According to the ONS family survey 2013, households in the lowest income decile spent 31% of household expenditure on housing, fuel and food in 2002. This increased to 32% in 2004, 33% in 2005, 35% in 2007,

38% in 2008 and 39% in 2009, before falling to 36% in 2010 and increasing to 39% in 2011. In 2012, households in the lowest income decile spent 40% of household expenditure on housing, fuel and food.

This nine percentage point increase between 2002 and 2012 represents an increase of one third over the decade.

Meanwhile, households in the highest income decile spent 15% of household expenditure on housing, fuel and food in 2002. This figure fluctuated between 13-14% until 2008, before increasing slightly to 15-16% in the period to 2011. In 2012, households in the highest income decile spent 17% of household expenditure on housing, fuel and food.

### **Food prices**

High global food prices have made food proportionately less affordable for low-income households in the UK.

According to the House of Commons Library, spikes in food prices are thought to be a result of a range of global factors including drought, rising demand from countries such as India and China, increased oil prices, currency fluctuations, and export restrictions (the latter resulting from Chinese policies to reduce grain stocks, population and economic growth in transitional economies, poor wheat harvests in 2006/7 and the growth of biofuels).

In the UK, all food groups have risen in price since 2007 with rises ranging from 24% to 55%. Food prices in the UK (including non-alcoholic drinks) rose by 11% in real terms between 2007 and 2013.

During this period, households in the lowest income group bought less butter, fruit, vegetables and soft drinks, but bought more pork, bacon and cheese.

On average, according to the Department for Environment, Food and Rural Affairs, households in the UK purchased 4.7% less food in 2012 than in 2007 while spending 17% more.<sup>1</sup>

The October 2013 report of the Social Mobility and Child Poverty Commission, *State of the Nation 2013: social mobility and child poverty in Great Britain*, summarises the findings of the Defra Family Food report 2011 (updated in April 2013):

In particular, diets of poor families in the UK appear to have worsened in recent years, particularly since 2007 when food prices began to rise significantly. For example, between 2007 and 2011, fresh fruit purchases by the poorest 10 per cent of households fell by 19 per cent, fresh vegetable purchases (excluding potatoes) fell by 14 per cent and unprocessed meat purchases fell by 18 per cent; at the same time purchases of meat pies, burgers and meat-based ready meals increased by 32 per cent and purchases of chips increased by 19 per cent.<sup>2</sup>

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<sup>1</sup> Department for Environment, Food and Rural Affairs, *Family Food 2012*, December 2013, p. V

<sup>2</sup> Social Mobility and Child Poverty Commission, *State of the Nation 2013: Social mobility and child poverty in Great Britain*, October 2013, p.88

## **The politics**

Poorer people – and others – face unprecedented times. Engel’s law, which predicted that as households and nations become richer, they spend less on food, has been put in reverse. This rise in the proportion of income spent on food is matched by rises in utility costs and, over a longer term, proportionate rises in housing costs.

The All-Party Parliamentary Inquiry into Hunger and Food Poverty will need to consider whether similar trends are occurring in other Western economies. The British figures help explain the rise of food banks in this country and it is likely that similar trends elsewhere, for example in Germany, are also pushing people at the bottom of the pile to use food banks.

These are not recent trends. Housing was rising since 1953 (the beginnings of a consistent data set) and food and utility prices began rising in 2003.

The findings in this submission suggest that without welfare reforms, many people at the bottom would have been pushed into using food banks, although the cuts in benefit that are now occurring can have only increased this pace.

Fundamental changes may be occurring in all Western economies that put poorer people at an even greater disadvantage.

The inquiry team needs to look at these longer term causes both in this country and in similar economies.

**Rt Hon Frank Field MP, Co-Chair, All-Party Parliamentary Inquiry into Hunger and Food Poverty**