

Research impact: making a difference

Helping poor households escape the fuel poverty trap

CASE research persuaded the government in England to change its fuel poverty measure to better focus on the core problem

What was the problem?

The rising cost of energy required to keep a home warm has stoked concerns among politicians, consumer groups and members of the public over “fuel poverty” – a household unable to maintain an adequate level of warmth at reasonable cost.

Under the so-called “10% definition”, a household was considered fuel poor if it needed to spend more than 10% of its income on fuel to maintain an adequate level of warmth, defined as 21 degrees in the main living area and 18 degrees in other occupied rooms.

The Warm Homes and Energy Conservation Act 2000 committed the UK government to pursuing a strategy to ensure that “so far as reasonably practicable persons do not live in fuel poverty”.

What did we do?

Since the early 2000s the LSE Centre for Analysis of Social Exclusion (CASE), led by Professor of Social Policy John Hills, has examined fuel poverty and the effectiveness of government policies in addressing it.

CASE research has highlighted conflicts between the official measures of those classified as “fuel poor” and the ways in which government programmes have been targeted.

Data from the English House Condition Survey and the British Household Panel Survey were used to show that fuel poverty is persistent rather than merely temporary among low-income households.

In 2011 Hills was invited by the then Secretary of State for Energy and Climate Change to undertake an independent review of how fuel poverty was being officially measured. Hills published an Interim Report in October 2011, which explained why fuel poverty was a distinct problem and not just a general low-income issue. It is a concern from three overlapping perspectives – its contribution to poor health, its effects on hardship, and for climate change policy. However, the report pointed to flaws in the fundamental design of the existing “10%” measure and suggested an alternative approach of focusing on people who both have low incomes and suffer high heating costs.

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In March 2012 Hills produced his Final Report, which showed that existing measures of fuel poverty include some relatively high income households as fuel poor and exclude others with low incomes and high energy costs. He proposed an alternative measure. This was based on two concepts:

- a “low income high costs” indicator that measured the number of people with both low income and relatively high energy requirements
- a “fuel poverty gap”, which he defined as the amount by which the assessed energy needs of poor households exceeded the threshold for reasonable costs of fuel.

He warned that fuel poverty was likely to grow rather than be eliminated under current government policies. The report also highlighted the effectiveness and high social returns that came from energy efficiency measures specifically aimed at those with low incomes living in the hardest-to-heat homes.

What happened?

In September 2012 the Government issued a consultation paper in response to the Final Report by Hills. Ed Davey, current Secretary of State for Energy and Climate Change, praised Hills for the “considerable insight” he had brought to the issue of fuel poverty.

The paper concurred with Hills’ assessment of the weaknesses of the current official definition and with the “low income high costs” framework as a better approach to understanding fuel poverty, indicating its intention to adopt that as the main measure of fuel poverty in future.

The paper proposed adopting all but one of the review’s detailed recommendations for constructing the measure, including its recommendation to measure income after housing costs and adjusted for family size and the recommended approaches for measuring relative energy costs and for setting thresholds for low income and high costs.

In a separate but related move Deputy Prime Minister Nick Clegg changed the way that energy companies provide help to improve energy efficiency. In particular, he reformed the £190 million Energy Company Obligation to ensure that a high proportion of its benefits went to those on low incomes.

In July 2013 the Government announced that it would adopt the “low incomes high costs” framework as the new indicator for all future measures of fuel poverty. In the same month it issued a paper outlining the framework for future action, which said that Hills’ new definition was a “powerful tool” for government.

“His independent review of fuel poverty will help to target assistance at those who need it most, with a long-lasting impact through quality of life improvements for some of the most vulnerable in society.”

Citation for the award of a knighthood, June 2013

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The power of the new measure was demonstrated in the 2013 version of Fuel Poverty Statistics, published by the Department for Energy and Climate Change, which displayed data based on Hills' new definition alongside the 10% definition. This document cited Hills' work extensively. The new approach was then used as the basis for DECC's 2014 new fuel poverty strategy document (<https://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england>).

The team working with Hills on the statistical analysis for the review shared the Royal Statistical Society's 2012 award for "excellence in official statistics".

Sir John Hills is Professor of Social Policy at the London School of Economics and Director of the Centre for Analysis of Social Exclusion (CASE). His research interests include income distribution and the welfare state, social security, housing and taxation. He led an independent review of the measurement of fuel poverty for the Department of Energy and Climate Change that reported in March 2012. He was also Chair of the National Equality Panel (2008-2010), carried out a review of the aims of social housing for the Secretary of State for Communities in 2006-07 and was one of the three members of the UK Pensions Commission from 2003 to 2006. He was Co-Director of the LSE's Welfare State Programme (1988-1997), and Senior Adviser to the Commission of Inquiry into Taxation, Zimbabwe (1984-86). He worked at the Institute for Fiscal Studies (1982-84), for the House of Commons Select Committee on the Treasury (1980-82), and at the Department of the Environment (1979-80).

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