Cost of Living Bill – Summaries of Research Evidence

November 2022

Scottish Government
Riaghaltas na h-Alba

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1. Health and Wellbeing Impacts of Fuel Poverty

The health risks of living in cold and damp homes are widely accepted by academics and policymakers in the UK and internationally (Healy 2004[1]; Liddell & Morris 2010[2];. Marmot 2011[3]; PHE 2014[4]). Studies suggest that living in poorly heated homes may be linked to both negative mental and physical health impacts. Physical impacts may include increased risk of heart attacks for older people, as well as respiratory diseases, injuries and hypothermia[5]; asthma[6], chronic ill health; slower physical growth and cognitive development for children[7]; as well as stress, anxiety and other poor mental health outcomes. It can also lead to delayed recovery from illness and delayed discharge from hospital. Evidence also suggests that the stigma associated with living in a cold home may lead to social isolation via a number of mechanisms. Research suggests that those most vulnerable to the effects of low indoor temperatures include young children, the elderly, and people with existing physical and mental health conditions.

2. Fuel Poverty and Vulnerable Households

In both an evidence review[8] and a qualitative lived experience research study[9] on Fuel Poverty carried out with Scottish participants in 2020 for the Scottish Government, research found that negative impacts of living in cold homes were felt the most by families with young children and households to which Enhanced Heating Regimes apply, specifically those with chronic health conditions or disabilities. These respondents described feeling vulnerable to cold, struggling to stay warm, and needing to heat their homes to higher temperatures to feel comfort. These groups are also more likely to heat their homes through the night or otherwise restrict their use of energy and be unable to heat their home to comfort (Mould and Baker 2017[10]). If they are confined to the home they are more likely to heat throughout the day. Requiring more electricity to use mobility and health devices as well as more regular use of washing facilities was also reported for these groups (Green 2007[11]). Research has also found that those with learning disabilities can find it hard to relate

[1] Healy, J. D. (2004), Housing, Fuel Poverty and Health
[2] Liddell, C. and Morris, C. (2010) Fuel Poverty and Human Health: A review of recent evidence
[3] Marmot M, Geddes I, Bloomer E, Allen J, Goldblatt P.(2011), The health impacts of cold homes and fuel poverty. Friends of the Earth/Marmot Review Team
[4] PHE (2014), Local action on health inequalities: Fuel poverty and cold home-related health problems
[5] BMJ (2022), Fuel poverty is intimately linked to poor health
[6] Barrett C, Lee AR, Abrams EM, Mayell SJ, Hawcutt DB, Sinha IP(2022) Eat or heat: fuel poverty and childhood respiratory health. Lancet Respir Med;10:229.
[7] Shelter England (2006), Chance of a lifetime - the impact of bad housing on children's lives
[8] Scottish Government (2020), Lived experience of fuel poverty: evidence review
[9] Scottish Government (2020), Lived experience of fuel poverty: research
[10] Mould, R. and Baker, K.J., (2017), Documenting fuel poverty from the householders' perspective
[11] Green, M., (2007), Voices of people experiencing fuel poverty in Scotland

their use of energy to the bills they are paying (Pettingell 2013[12]) which may make budgeting challenging.

3. Fuel Poverty on the Islands (for ICIA)

The way that homes are heated in remote and rural Scotland, including the islands, varies from urban areas, in that homes in rural Scotland are less likely to use mains gas as their primary source of heating, and are more likely to use heating oil, solid fuel, bottled gas or even electric heat than their urban counterparts. In 2019 levels of fuel poverty among households using electricity as their primary heating fuel were the highest, at 43%, compared to households using gas (22%), oil (28%) and other fuel (31%) as their primary heating fuel[13]. Under the £2,500 price cap for October 2022 these figures are now estimated to be 54% for electricity, 32% for gas, 36% for oil, and 49% for other fuels. Furthermore, on average over 2017-2019 Na h-Eileanan Siar (40%), Highland (33%), Argyll and Bute (32%), Moray (32%), Shetland Islands (31%) and Orkney Islands (31%) had significantly higher fuel poverty rates than the national average[14] of 24%.

Under the Scottish definition of fuel poverty as set out in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019, a household is in fuel poverty if:

- in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted (i.e. after housing costs) net income (and more than 20% in the case of extreme fuel poverty); **and**
- if, after deducting those fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living.

Under this definition, a household's adjusted after housing costs net income is net of income tax, national insurance contributions, mortgage or rent payments, childcare costs, council tax, water and sewerage charges.

The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard (MIS) to be considered an acceptable standard of living. To account for the higher cost of living in remote rural, remote small towns and island (RRRSTI) communities, an RRRSTI uplift is added for these areas, which results in a higher MIS threshold for households to be considered in fuel poverty.

Lived experience research on fuel poverty in Scotland, as well as work specifically undertaken in the Outer Hebrides[15], suggests that there are a number of characteristics of remote and island areas that make heating homes to comfort more challenging than in urban areas including: difficulty making homes wind and water tight; more extreme weather; higher fuel costs associated with off-grid fuel types;

[12] Pettingell, J. (2013), Winter Warmer Project
[13] Scottish Government (2020), Scottish House Condition Survey 2019: Key Findings.
[14] Scottish Government (2021), 2017-2019 Scottish House Condition Survey Local Authority Analysis.
[15] University of Salford (2020), Reshaping health services and fuel poverty in the Outer Hebrides - Research and Innovation (salford.ac.uk).

poorer availability of qualified tradespeople for upkeep and energy efficiency measures[16]; as well as a lack of economies of scale and a higher percentage of restricted meters which restricts energy efficiency interventions (such as smart meters) and the ability to switch to cheaper energy tariffs.

4. General Cost of Living on the Islands (for ICIA)

A Scottish Government report from 2021 estimates that the cost of living in remote and rural Scotland including the islands is between 15% and 30% higher than urban parts of the UK.[17] This is due to a number of factors including additional costs related to things including food, clothing, household goods and most of all the significantly higher costs associated with travel. While costs of living in remote and rural areas of Scotland are higher than in urban areas, those living in remote and rural areas are less likely to experience income poverty than those living in the rest of the country, however, poverty in rural areas is heterogeneous and may be difficult to identify within wider populations.[18] This higher cost of living is reflected through an uplift to the MIS applied to RRRSTI areas as part of the Scottish definition of fuel poverty. The Centre for Research in Social Policy at Loughborough University undertook research for the Scottish Government to determine the percentage uplifts to the UK MIS required in RRRSTI areas. In 2021, 90% of the UK MIS ranged between £8,140 and £21,160 depending on the household type and between £10,260 and £24,590 in RRRSTI areas to reflect the higher cost of living.

5. General cost of living/affordability and health

Evidence from a 2019 review by Preece and Brimpson summarises that "Financial stressors such as being behind on mortgage payments, being heavily indebted, and experiencing fuel payment difficulties…increase the risk of experiencing mental ill health.[19] Strained finances and the difficult decisions that go along with them (for example the decision to 'eat or heat') result in poorer nutrition and overall health via depressed immune systems, greater social isolation and poorer mental health.[20] [21] In addition to the health impacts of living in poorly heated and damp homes, poverty and poor housing also "increase family stress and interpersonal conflict, the risk of child abuse and neglect, and the likelihood that children will be taken into care."[22]

[16] Scottish Government (2019), Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill: island communities impact assessment.
[17] Scottish Government (2021), The cost of remoteness - reflecting higher living costs in remote rural Scotland when measuring fuel poverty: research report
[18] Scottish Government (2021), Poverty in Rural Scotland: A Review of Evidence
[19] CaCHE (2019) Housing Insecurity and Mental Health in Wales: An evidence review.
[20] BMJ (2022), Fuel poverty is intimately linked to poor health
[21] PHE(2014), Local action on health inequalities: Fuel poverty and cold home-related health problems
[22] BMJ (2022), Fuel poverty is intimately linked to poor health

6. Prepayment meters

Scottish Government research (2020)[23] into the lived experience of households in fuel poverty showed that people in extreme fuel poverty used prepayment meters as a way of monitoring their spend and limiting energy use when payment was running low – use of prepayment meters gave these householders some control over their spend, even though costs may be higher in the long run. A 2020 evidence review[24] on the lived experience of fuel poverty concluded that for those in fuel poverty, uncertainty over monthly income meant that prepayment meters ensured they would not overspend, unlike direct debit where monthly payment was fixed. Research also concluded may of those on prepayment meters may not have the ability to change their system due to cost associated, or it being outside of their control (i.e. the decision of the landlord).

7. Instability of tenure

Findings from evidence reviews and research studies undertaken in the UK (including Scotland) suggest that feelings of insecurity related to tenure have impacts on tenants' health and wellbeing. Evidence suggests that there are multiple mechanisms through which vulnerable households can experience insecurity: actual experiences of eviction; fear of the threat of eviction causing residents to feel insecure and 'not at home' in their house; and the challenge of finding a new tenancy within the market.[25]

Research notes that the negative psychosocial effects of living in insecure and precarious (as well as unaffordable housing) impact on tenant wellbeing and mental health. These studies conclude that the negative impacts of housing insecurity are complex and effect tenants in several different ways including by causing financial distress (including around potential expenses related to moving); causing concerns over finding a new property; making it difficult for tenants to feel at home and connected to place when insecure; and by causing stress over the potential of being separated from local support networks; among other mechanisms.

While much of this research is qualitative and based on the lived experience of tenants (particularly those on a low income), a larger study that linked data from the UK Household Longitudinal Study to measurable health outcomes found that desire to remain in current home was one element that led to significantly increased levels of biomarkers associated with infection and stress.

In their interviews with tenants, McKee et al (2019[26]) conclude that feelings of insecurity were commonly reported amongst those on low incomes, and it is reasonable to suppose low income tenants are also most likely to be additionally impacted by the current cost of living crisis. Additionally, a 2018 report by the Joseph

[23] Scottish Government (2020), Lived experience of fuel poverty: evidence review - gov.scot (www.gov.scot)
[24] Scottish Government (2020), Research into the lived experience of fuel poverty in Scotland
[25] Hulse, K. and Milligan, V. (2014), 'Secure Occupancy: A New Framework for Analysing Security in Rental Housing', Housing Studies, 29(5).
[26] CaCHE (2019) Housing Insecurity and Mental Health in Wales: An evidence review.

Rowntree Foundation on forced evictions in England and Wales concluded that "the experience of forced moves and evictions were extremely stressful for low-income households as they struggled to find alternative properties because they are often seen as undesirable by private landlords and are often unable to access social housing"[27]

Related to this, findings from the RentBetter study's 2020 baseline survey of landlords and letting agents found that only a quarter of respondents indicated that they would accept new tenants where rent for the property was paid in full or part by Housing Benefit or Universal Credit, with another quarter indicating that they would 'only sometimes' let to tenants in those circumstances.[28]

8. Housing and Employment

Evidence from a 2013 Joseph Rowntree Foundation evidence review on the topic of housing and poverty[29] discusses the link between housing and employment: there is a large body of evidence that explores the link between housing and health (both physical and mental) and health and employment, therefore it is reasonable to assume there may be a plausible causal link between housing and employment[30] and studies are beginning to examine this link more closely. A 2016 American study[31] found that for low income renters, those who were evicted or forced to move from their homes were more likely to subsequently lose their jobs involuntarily, compared to comparable workers who did not. Evidence also suggests that the location of housing in relation to employment can be key in terms of allowing tenants access to opportunities and the time to invest in skill development to find better or more secure jobs.[32]

[27] JRF (2017), Poverty, evictions and forced moves.
[28] Indigo House (2020), Wave 1 Landlord and Letting Agent Survey Findings
[29] JRF (2013), The links between housing and poverty: an evidence review
[30] Carnemolla, P., & Skinner, V. (2021), Outcomes Associated with Providing Secure, Stable, and Permanent Housing for People Who Have Been Homeless: An International Scoping Review
[31] Desmond, M. & Gershenson, C. (2016), Housing and Employment Insecurity among the Working Poor
[32] CaCHE(2021), Health and wellbeing in the private rented sector. Part 1: Literature review

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