

# How people in poverty experienced recent global economic crises

Findings  
Informing change

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This study examines experiences of the global food, fuel and financial crises among people living in poverty in three different UK areas in 2010. It identifies how the changing global economy is altering the experience of poverty, and analyses what this means for welfare reform.

## Key points

- People in the areas studied were coping with higher living costs and the economic downturn, but at a price. More effort, time, stress and uncertainty were involved, and more help from friends, family and neighbours was needed to keep households going.
- The downturn meant new work patterns as well as job losses. Those who kept their jobs during the recession were travelling further for work, feeling less secure about work and incomes, and working more flexible hours.
- Those on low incomes had felt the effects of global commodity price rises over the previous two years. Some were adapting to higher food and fuel prices without harming their welfare, but for others economising meant spending more time and effort on shopping and cooking, less nutritious food, and restricting travel and heating.
- Family, friends and local communities provided vital support and contributed to maintaining social cohesion. Informal credit sources also helped people and small businesses.
- Access to state support protected people from destitution, with sharp rises in the numbers receiving out-of-work benefits. People singled out tax credits as vital protection for those in low-paid, insecure jobs.
- People living in poverty in the areas studied had multiple global connections and were aware of the recession's global origins. Yet few knew much about the international institutions whose decisions regulate the global economy and affect their lives.

## The research

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## Background

Not much is known of the connections between globalisation and poverty in the UK, and this study aimed to contribute to understanding of what it means to live with poverty within a global economy. It explored experiences of recent global economic crises – the 2007–08 food and fuel price rises and the 2009 financial crisis that resulted in recession – among people on low incomes in three areas of the UK. The research was carried out in 2010, as the recession was ending but before cuts to the public sector took effect.

The study focused on how the recent recession has affected people living in poverty, and what the risks associated with the global economy meant for how poverty was experienced and the appropriate responses to it. The three case-study areas were: the rural community of Kildress in County Tyrone in Northern Ireland, the port town of Newhaven in East Sussex, and neighbourhoods within the town of Oldham in Lancashire. Qualitative research was used to trace how everyday life had been affected by recent global economic volatility, examining how local businesses and employers had fared and how people had adapted to the rising cost of living during the recession. The study also looked at how state and non-state or social support helped people to cope with this period of economic stress, and people's connections to and understanding of the global economy.

### Effects of the global recession in everyday life

How people viewed the downturn depended partly on how they had experienced the period of national economic growth that preceded it. Kildress in Northern Ireland had benefited from the construction boom in the Republic of Ireland and post-peace process investment in Northern Ireland; the financial crisis interrupted a period of relative prosperity there. By contrast, in Newhaven and Oldham people had not been getting much better off before the crash, and some people did not feel that the recession marked a change:

**Have we not been in economic recession since I can remember? It's only when big factories like car factories close down that we hear about it. (Oldham man of Bangladeshi origin)**

Local businesses and employers were affected in all three areas. Large employers who were integrated into global and regional markets were hit directly, but diverse global links were also features of businesses that were able to survive and recover. Job losses were not the only changes to work patterns: people were travelling further, feeling less secure about their jobs and, among self-employed and trades people, experiencing uncertainty concerning earnings. In all three areas, people were anticipating the public sector cuts with anxiety about the likely impacts on local jobs.

The global economy was having other, more hidden effects on poverty. People on low incomes had felt the effects of the rising cost of living associated with food and fuel price increases in international markets. They reported adapting in a range of ways:

- buying cheaper and sometimes poorer quality food, including fast food and frozen food;
- growing more of their own fresh produce (in Newhaven);
- shopping in cheaper supermarkets rather than in local shops;
- switching to cheaper 'English' foods such as pasta (among Asian-origin households in Oldham);
- cutting down on travel and heating;
- cutting turf for use as fuel (in rural Kildress in Northern Ireland).

In all three areas, people were spending more time and effort on shopping around for bargains or just to keep households going. One Newhaven woman on maternity leave described her efforts to juggle household finances:

**Things like potatoes have gone up so much now that I'll go in and buy two potatoes for dinner that night, I won't buy a bag of potatoes because I think 'god I can't spend £3 on a bag of potatoes because I haven't got £3' ... Because everything's coming in weekly or something.**

Those with mortgages were said to be struggling in all three areas. But since many people had not had much access to formal credit before the recession, the study found less personal indebtedness than expected. Informal financial systems, such as credit unions in Northern Ireland and loan committees in the Pakistani community in Oldham, were seen as valuable sources of support.

## Social and state support

In all three areas, people pointed to sources of social support as having mattered most in helping them to cope with the period of economic stress. The informal safety net provided by a close network of family, friends and neighbours was particularly prominent. For some people, this was more important than the support provided by organised groups or institutions, even though local groups and the church were helping people to manage in Kildress, and social clubs and large, established civil society organisations mattered to people in Newhaven. The finding that non-state support was particularly important may have reflected the research approach, which was to work with organised civil society groups in the case-study areas.

The sharp rise in the numbers of people receiving out-of-work benefits in the three areas demonstrated the importance of state support and public services in the downturn. People singled out tax credits as particularly important in protecting working people against low-paid and insecure forms of work. In rural Kildress, which was already poorly served by public services, concerns were widespread that the public sector cuts would worsen the situation. In Newhaven, people were concerned about the stigma and conditionality increasingly associated with receiving welfare benefits.

## Global connections

Global connections featured in people's experiences of and responses to the recession, through travel, the internet, social connections and awareness of the recession's global origins. Surprisingly, the area where global connections were weaker than expected was Oldham, with its pivotal role in global manufacturing history and its large minority ethnic population. Although many research participants recognised that the downturn had global origins, being part of a global economy was not widely seen as a threat. Some participants had ideas about where responsibility for the financial crisis lay, but generally had little interest in the institutions responsible for global governance.

## Policy implications

### *The welfare state and changing global risk*

While the welfare state protected people in the case-study areas during the recent downturn, the system needs to be more responsive to the fast-changing demands of the global economy, including the rising cost of living. The shift to uprating benefits and tax credits on the basis of the Consumer Prices Index from 2011 is assumed to take into account how people adjust their spending. Yet this study shows that people on low incomes may not be able to adjust their spending in welfare-neutral ways.

Welfare reforms also need to protect people in a context of increasingly flexible employment within an ever-more competitive global economy. This means more emphasis on flexible and responsive benefits – 'flexicurity' – such as tax credits with real-time adjustments in benefits, so that accepting flexible low-paid work can be a rational choice. The introduction of Universal Credits put forward in the Coalition Government's White Paper on welfare reform, *Universal Credit: Welfare that Works* (Department for Work and Pensions, November 2010), aims to do this.

This research also suggests that incentives to enter work may be particularly weak in a sluggish post-recession job market, especially in more deprived areas. Efforts to simplify and clarify the system are likely to be of particular benefit at a time of increased casual working and job uncertainty.

### *Support from non-state sources*

Local non-state action and mutual support – family loans, moral support and services such as meals and transport – were particularly valuable to people in the case-study areas during the downturn. However, such sources of support are not always visible to policy-makers in fundable organisational forms. This makes it harder to direct resources in responsible ways to the types of bodies that appear to be most helpful to people on low incomes at times of crisis. Policy and practice may help to strengthen non-state action of this kind by supporting unpaid or voluntary care provision for children or older people, sport or cultural groups which contribute to social cohesion at times of economic uncertainty, or informal local credit institutions which help to smooth out unevenness in incomes or provide capital for small businesses.

## Conclusion

The recession has served as a reminder that poverty in the UK is at least partly shaped by the global economy. Understandings of poverty need to take this into account more fully. One way is in recognising that what may appear to be resilience to economic shocks, such as the most recent recession, can actually involve hidden costs. These may include extra burdens on (mainly women's) time, adjustments to cope with inflation which result in less nutritious diets or colder homes, and higher stress levels. That these costs tend to go unnoticed reinforces the need for more participatory and people-centred understanding of what poverty and well-being mean in everyday life, and in particular in a fast-changing global economic context.

Many people in the case-study areas gave an impression of lack of interest in the processes and institutions of globalisation whose effects on their lives could be traced through the recession and rising cost of living. Yet they appeared to hold more localised authorities – councils and to some extent national government – responsible for action in the downturn. As people become increasingly aware of the global aspects of their economic lives – there was, for instance, widespread awareness that the recession originated in a global financial crisis – this lack of involvement regarding global governance and decision-making processes should raise concerns about political participation and citizen engagement.

## About the project

The research was carried out as three community or area case studies in the village of Kildress in County Tyrone in Northern Ireland, in the port town of Newhaven on the south coast in East Sussex, and in neighbourhoods in six wards in the town of Oldham in Lancashire. Each case study followed a common format, adapted to the area and its issues of importance. The research methods used were mainly qualitative, including interviews with key informants, focus group discussions, household case studies and/or individual interviews, business case studies, a small survey of local businesses in Oldham, and some participant observation in Newhaven. The qualitative research was supplemented by statistical data collected to set the context for the areas. The work in each area was led by researchers with strong local connections and/or prior work or research experience in the area, and supported by local advisors.

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## For further information

This *Findings* is part of a programme of work on Globalisation, UK poverty and communities.  
See [www.jrf.org.uk/globalisation](http://www.jrf.org.uk/globalisation)

The full report, **The impact of the global economic downturn on communities and poverty in the UK** by Naomi Hossain, Bridget Byrne, Aidan Campbell, Elizabeth Harrison, Bebhinn McKinley and Pasha Shah, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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