Briefing

How could a Good Food Bill help tackle the cost of living crisis?

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green alliance...

Summary

A Good Food Bill would set the framework legislation for successive governments to take action to encourage healthier eating. Rising food prices have been a major driver of the cost of living crisis, with the price of healthy food rising twice as fast as unhealthy food. Poor diets lead to ill health, putting a huge strain on the NHS, as well as causing broader economic losses from labour inactivity.

This briefing explores the potential of food system changes to tackle the cost of living crisis, giving people more disposable income and healthier diets. We estimate that halving the obesity rate would save the average UK taxpayer £136 per year.

A range of government interventions are needed to realise this outcome, including addressing that unhealthy food is cheaper than healthy food.

Here, we explore examples of initiatives the government could take.

First, we find that a 16 per cent increase in the cost of unhealthy calories, and a 16 per cent decrease in the cost of healthy calories would make eating in line with dietary guidelines cost no more than at present.

Second, targeted action to remove packaging and sell loose fruit and vegetables could save the average person £2-5 per year. This is an average figure across the whole population: some individuals often forced to buy more than they need would save much more.

Action to address food prices must be considered through a lens of driving people to eat more healthily, or the cheapness of unhealthy food will continue to lead to poor diets and the illnesses they cause. Examples provided here demonstrate that people can benefit financially from interventions that help them to eat more healthily. Ultimately, a Good Food Bill is needed to drive change at the scale needed to reduce the huge cost of unhealthy diets that UK taxpayers face.

1. The cost of diet related ill health to taxpayers

Diet related ill health is estimated to cost the UK economy around £126 billion. This is comprised of:

a. Productivity losses (£31 billion) which include presenteeism, inactivity, absenteeism and mortality
b. NHS care (£12.6 billion)
c. Social care provided by local authorities (£1.2 billion)
d. QALY losses, ie the non-financial cost of reduced quality of life and mortality (£71.4 billion)
e. Informal care, ie the non-financial opportunity cost of informal care (£9.3 billion)

Some, but not all, of these costs must be directly funded by taxpayers; for example, the costs to the NHS of treating diet related ill health. Others, such as QALY losses, are estimates of non-financial costs that are not taxpayer funded, and so it would not be appropriate to attribute any savings arising from reducing these costs to the taxpayer.

With that in mind, we estimated the savings to the taxpayer of reducing the level of diet related ill health. We used Nesta's estimate that the UK economy would benefit from a £54 billion annual saving with a 50 per cent reduction in obesity and a five per cent reduction in being overweight. Savings arise in all the categories mentioned above, as a result of reduced diet related ill health in the population. Specifically, savings are from:

f. Productivity losses (£12.3 billion) including presenteeism (£4.9 billion), inactivity (£4.4 billion), absenteeism (£2.6 billion) and mortality (£0.3 billion)
g. NHS care (£4.8 billion)
h. Social care provided by local authorities (£0.5 billion)
i. QALY losses (£32 billion)
j. Informal care (£4.7 billion)

Some, but not all, of these costs are directly paid by taxpayers, and so savings in those areas would result in less tax needing to be raised. We assumed the costs directly funded by taxpayers are NHS care and social care provided by local authorities. This means our estimate is likely to underplay the financial benefits to people in the UK, as we did not estimate the benefits of reducing productivity losses – which cannot be simply translated into benefits per person – but which could manifest through higher wages or shorter working hours.

Combining the savings to the NHS and social care from a reduction in diet related ill health gives a taxpayer saving of £5.3 billion per year. This equates to an average saving per taxpayer of £136 per year, assuming 39.1 million taxpayers in the UK.

Looked at another way, the government estimates that changing the basic rate of income tax by one penny would raise £6.9 billion in the 2026-27 financial year, so reducing the taxpayer spending on diet related ill health by £5.3 billion would equate to a 0.8p reduction in the basic rate of income tax.

Although this future would see people buying far less unhealthy food, we do not think it is necessary to build an estimate of forgone tax revenue (from reduced unhealthy food sales) into these calculations. This is because evidence suggests a 'substitution effect' would arise, whereby money not spent on unhealthy food is likely to be spent elsewhere in the economy – such as on healthy food, leisure or clothes – which would still generate tax revenue.

Saving per taxpayer from reducing the cost of diet related ill health: £136 per year

2. Savings from eating more healthily

Price is one of the major determinants of what people choose to eat, but economic incentives currently encourage people to eat unhealthily, as follows.

A study conducted in 2016 found little difference between the daily cost of a diet aligned with the Eatwell Guide (£5.99 per day) compared to the average diet (£6.02). But when this analysis was repeated in 2022, the cost of eating a healthy diet had risen to £7.45 per day, whilst the average baseline diet cost £6.82 per day. At these prices therefore, people would need to increase their spending on food by ten per cent to eat in line with dietary guidelines.

Since these studies were conducted, healthy foods have increased in price nearly twice as fast as less healthy foods. This cost pressure will be particularly acute for those on low incomes; the most deprived fifth of the population would need to spend 45 per cent of their disposable income on food to afford the Eatwell Guide diet. The government needs to intervene to change this trend and enable people to eat more healthily.

One way they could do this is through action to make healthy food cheaper than unhealthy food. This could either be delivered directly, such as through a tax, or could be driven indirectly, for example by setting targets that retailers must meet to increase sales of healthy food, which they could use price changes to meet. We have conducted an illustrative analysis of how much prices must change to enable people to eat more healthily using the costings in Scarborough et al. 2023. To reduce the cost of eating the Eatwell Guide diet in line with spend on current diets, the cost of healthy calories would need to increase by 16 per cent and the cost of unhealthy calories would need to fall by 16 per cent. Further swings could potentially reduce the cost of a healthy diet to below what people currently spend.

Saving per person from reducing the cost of healthy vs unhealthy calories: a 16 per cent increase in the cost of unhealthy calories and a 16 per cent decrease in the cost of healthy calories is needed for the Eatwell Guide diet to cost no more than current diets

3. Savings from changing packages to enable consumers to buy less

Packaging fruit and vegetables sometimes forces consumers to buy more than they need when there is no option to buy loose items. This makes them spend more and leads to food waste.

In partnership with industry, Wrap identified 21 items that could readily be sold loose, rather than prepackaged, including bananas, carrots and peppers. They estimated consumers would save £136 million if these items were always available to buy loose. This was based on comparisons of how much consumers spent when items were available loose compared to pre-packaged. If all 'uncut fresh produce' was sold loose, they estimate that savings to consumers could reach £360 million.

Assuming these savings would be evenly spread across the UK's 69 million population, this equates to per person savings of £2-5 per year (based on £136m-360m savings at the population level). This is an average figure across the whole population: individuals who are often forced to buy more than they need would potentially save much more. Wrap estimate that this change would also lead to businesses saving on costs of packaging materials and compliance with packaging regulations.

Saving per person from removing packaging from uncut fresh produce: £2-5 per year

Conclusion

People are paying for unhealthy diets first at the till, and then in their taxes, due to the enormous cost of treating diet related ill health. A Good Food Bill is needed to deliver a sustained transition towards healthier eating. Here, we estimated the average person in the UK would need to pay £136 less in tax each year if the rate of obesity was halved, alongside a five per cent reduction in the rate of overweight.

To deliver this, a range of interventions would be needed to give people better access to healthy food. Here, we illustrated the potential to introduce measures which encourage people to eat more healthily whilst saving them money: we identified a small saving that could rapidly be delivered by removing packaging from uncut fresh produce, which would also help to reduce food waste.

Government must not see its cost of living agenda and its mission to save the NHS in silos. By reducing inactivity, healthier eating would boost the UK economy, whilst saving people money in their taxes. A Good Food Bill is needed to drive the scale of concerted action to make this happen.

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