

The Rise in the Cost of Living: A Crisis of Social Reproduction

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International Women's Day, 2023

NUI Galway

Outline of Presentation

- Global contours of crisis in social reproduction.
- UK case, including examples from Scotland and Northern Ireland.
- Policies to end this crisis.
- Questions for discussion : what are the dimensions of the crisis in Republic of Ireland? What policy responses are being considered?

Acknowledgments: this presentation draws on the work of the UK Women's Budget Group, the Scottish Women's Budget Group, the Wales Women's Budget Group, and the Northern Ireland Women's Budget Group. See <https://wbg.org.uk/4np/>

A Global Cost of Living Crisis

- Supply-chain bottlenecks caused by the pandemic and the war in Ukraine, corporate behaviour, and climate change have pushed food and energy prices to an all-time high.
- Food prices expected by World Bank to be 18% higher in 2022 than in 2021, and those for energy 59% higher.
- Soaring inflation is creating a real-terms pay cut for many workers. Analysis by Oxfam of wage data from 96 countries finds that in 2022, at least 1.7 billion workers lived in countries where inflation was outpacing wage growth, a real-terms pay cut.
- Source: Oxfam, 2003, *The Survival of the Richest*, p 19-20

A Global Inequality Crisis: 'Greedflation'

'Oxfam looked at the profits of some of the world's largest food and energy companies. We found eye-watering levels of windfall profits (defined as 10% above their 2018–2021 average net profit).

Our analysis of 95 companies who made a windfall profit found that:

- they made \$306bn in windfall profits;
- their profits increased by more than two-and-a-half times (256%) in 2022 compared with the 2018–2021 average;
- they paid \$257bn to shareholders in 2022 – 84% of their windfall profits were paid directly to shareholders; and
- 76% of the companies increased their profit margins. Soaring profits of companies bring fortunes for the very richest. Share ownership is skewed to higher income groups.'

Source: Oxfam, 2023, *The Survival of the Richest*, p. 18

Global Policy Responses to Rising Prices: Central Banks Raise Interest Rates

- Over 80 Central Banks raised interest rates in 2022 in name of 'fighting inflation'.
- European Central Bank and Bank of England aim for 2% inflation target.
- Interest rate rises are supposed to be necessary to combat a 'wage/price spiral' but wages are not rising faster than prices, instead there is a 'profits/price spiral'.
- Interest rate rises have negative impacts:
 - raise debt service charges for governments, businesses and households;
 - risk creating recessions, with loss of jobs, and less tax revenue;
 - discourage new investment.
- There are other ways of discouraging price increases-such as selective credit controls and measures to reduce monopolistic power.
- Source: A .Chowdhury and J. K. Sundaram, 2022, *April Fool's Inflation Medicine Threatens Progress*. <https://www.globalissues.org/news/2022/08/09/31573>

Global Policy Responses to Rising Prices: Cut Public Expenditure

- 143 governments projected to cut spending (as a share of GDP) in 2023, affecting more than 6.7 billion people, 85% of the world population.
- 50 governments are adopting 'excessive cuts', meaning their spending has fallen below their (already low) pre-pandemic levels.
- Plans to cut programs for families, the elderly, and people with disabilities; slash or cap the public-sector wage bill (implying a reduction of frontline workers like teachers and health personnel); eliminate subsidies; privatize transportation, energy, and water services; cut pension benefits; reduce labor protections and employers' social-security contributions; and decrease health expenditures.
- Source : Isabel Ortiz and Mathew Cummins, 2022, *Ending the Austerity Pandemic*
www.project-syndicate.org/commentary/austerity-returns-threatening-recovery-and-billions-of-people-by-isabel-ortiz-and-matthew-cummins-2022-12

A Crisis of Social Reproduction in Many Countries

- The UN Development Programme estimates that soaring inflation could have pushed an additional 71 million people into poverty in the three months between March and June 2022. Source: Oxfam, 2023, *Survival of Richest* p. 19.
- The Human Development Index declined in 2020 and/or 2021 in over 90% of countries. Source UNDP, 2022, *Human Development Report*, p. 12.
- Many people's capabilities are being depleted not enhanced – and this is set to get worse in 2023.
- 'Weakness in growth and business investment will compound the already-devastating reversals in education, health, poverty and infrastructure'. World Bank President. Source: *The Guardian*, 11/1/23.
- We must not assume that losses now can be made good later: there will be premature deaths and irreversible damage to health and skills.

A Gendered Crisis

- This crisis bears more heavily on women, especially low income women, than it does on men.
- Women more likely to live in poverty and have lower levels of savings and higher levels of debt.
- Women are more likely to work in and rely on public services.
- Women have greater caring responsibilities than men and are called upon to increase their unpaid work when public services are cut.
- Women tend to have more responsibility for stressful day to day consumption decisions- for example, heating vs eating.
- Households are not safe places for many women- risk of domestic violence and financial abuse tends to rise and many women can't afford to leave.

Cost of Living Increases in UK

- Overall Rate of Inflation at around 10% at end of 2022.
- *Energy prices.* Government provides an Energy Price Guarantee (EPG) which came into effect on 1 October 2022. The EPG reduces the unit cost of electricity and gas so that a typical dual fuel direct debit bill for a domestic consumer is £2,500 until 31 March 2023. But this will rise to £3000 a year on 1st April.
- Shockingly, poor people who are in debt to energy companies must pay more per unit of energy with enforced prepayment meters.
- *Food prices:* July 2022, annual inflation rate for food and non-alcoholic beverages 12.6% with higher increases in a set of “basic” products/own brands on which poorer households rely to a greater extent.
- Source: <https://wbg.org.uk/wp-content/uploads/2022/09/FINAL-VERSION-UPDATED-The-cost-crisis-paper-31082022.pdf>
- In four weeks to Jan 22, 2023, food prices rose 16.7%. Source: *The Guardian*, 1/2/23
- Brexit a contributing factor: lower value of £ means higher import prices.

Interest Rate Increases in UK Add to Cost of Living Increases

- Bank of England raised interest rate for 10th consecutive time on 2nd Feb 2023 from 3.5% to 4%.
- Increased mortgage payments for 2.2 million people with a variable rate mortgage.
- New mortgages: 5.44% for a two year fixed mortgage.
- Interest on credit cards already at 19.24% and likely to rise.
- Rents in private sector will increase as landlords are able to pass on the increased cost of their mortgages.
- Households at top of income distribution will benefit from higher interest on their savings.
- Office for Budget Responsibility expects a rise of around £65 billion in gross household interest receipts between 2021-22 and 2023-24.
- Source: *The Guardian* 3/02/23

Falling Real Incomes in UK Mean Many are Hungry and Cold this Winter

- Median household incomes fall by 3 per cent in real terms in 2022-23.
- Survey of 10,000 adults in November 2022 found:
- 70 per cent rise in the cost of energy between 2019-20 and 2022-23 has led the proportion of adults reporting being unable to afford to switch the heating on when needed to rise from 5 per cent to 27 per cent (or 14 million adults);
- 11 per cent or 6 million adults (up from 5 per cent pre-pandemic) reported being hungry in the past month but didn't eat as they lacked enough money to buy food.

Source: <https://www.resolutionfoundation.org/app/uploads/2023/01/Living-Standards-Outlook-2023.pdf>

- But executive pay and City of London bonuses have soared and profit margins are rising. Source: *The Guardian*, 18.12.22

Falling Real Spending on Public Services in UK

- Allocations not uprated in line with inflation Planned increase of £1.5bn in real terms for the Department of Education now a cut of £0.6bn for the period 2022-23 to 2023-24. Over two-thirds of schools say they will have to make teaching assistants redundant or reduce their hours to balance the books.
- An increase of 3% in real terms, planned in the Spending Review 2021 for Health and Social Care has now completely vanished. In 2022, NHS England will have to cover £1.5bn of additional costs due to inflation and £6-7bn in 2023/24.
- It is estimated that an extra 1,000 people a week are dying (not counting Covid deaths), with up to half of those attributed to A&E delays. Source : LCP Actuaries, reported by Sky News, 11/1/23.
- Teachers (76% are women) and health service staff(80% are women) on strike in England as government refuses to raise the well-below inflation pay increases they have been awarded.
- November 2022, average public sector pay rising at 3.3%, private sector pay at 7.2%.
- Source: <https://wbg.org.uk/wp-content/uploads/2022/11/Gendered-impact-of-cost-of-living-crisis-on-public-services-1.pdf>

How are different people in UK affected by cost of living crisis?

- Online YouGov survey of more than 10,000 adults aged 18+, conducted in late November 2022, commissioned by Resolution Foundation thinktank.
- Results reported by household income, age, ethnicity, and employment status.
- Adverse impacts on health: 21 per cent of people say that their health has been negatively affected by the rising cost of living, rising to one-third amongst poorer households.
- Source: <https://www.resolutionfoundation.org/app/uploads/2023/01/Living-Standards-Outlook-2023.pdf>
- RESULTS NOT REPORTED BY GENDER.
- We can only infer that women are likely to be disproportionately adversely affected through knowledge that women are disproportionately present in the worst affected groups.
- Eg lowest income households, single parent households.

Evidence on Gendered Impact

- UK Women's Budget Group found some evidence of gendered impacts.
- A survey by Food Standards Agency in 2022 found 49% of lone parents (most of whom are women), versus 31% of coupled parents with children, have cut down the size of their meals or skipped meals because they did not have enough money to buy food.
- A poll by Care International of 1,000 UK girls aged 14-21 in 2022 found that 28% are struggling to afford period products, and nearly 1 in 5 (19%) report being unable to afford them at all since the start of 2022. Of them, one in 10 used a foodbank to obtain free period products.
- Office of National Statistics found that women are less able to manage an increase in energy bills than men: 30% of women would not afford an unanticipated £850 payment, versus 25% of men.
- Source: <https://wbg.org.uk/wp-content/uploads/2022/09/FINAL-VERSION-UPDATED-The-cost-crisis-paper-31082022.pdf>

Women's Experiences of Cost of Living Crisis in Scotland

- Study by Scottish Women's Budget Group and the Poverty Alliance, August to October 2022 <https://www.swbg.org.uk/content/publications/Womens-experiences-of-the-cost-of-living-crisis-in-Scotland.pdf>
- 30 semi-structured interviews and 8 diaries with low income women, covering different age groups, ethnicities, locations, household types.
- Coping strategies: cutting back on meals, using food banks; cutting back on energy use; taking on additional hours of paid work; reducing social activities; walking instead of using public transport; selling jewellery and household items.
- Experiences: Deepening poverty, hunger, cold, indebtedness, guilt, shame and stigma, worsening physical and mental health.
- 'Not being able to afford the essentials of life can be very stressful and robs women of their dignity and self-worth'. Black Lone Parent Mother.

Women's Experience of Indebtedness and Cost of Living Crisis in Northern Ireland

- Study by Women's Regional Consortium, based on 57 questionnaires, 13 interviews and 7 focus groups found that many women in disadvantaged and rural areas of Northern Ireland were already having to turn to borrowing to cover costs of essentials in early 2022. More than half the women had debts of over £1000.
- Rises in cost of energy and food were impacting on debt of 60% of the women.
- Much of the debt was at high rates of interest from both legal and illegal sources (including paramilitary groups) - 60 % of women were struggling to repay.
- 72% of reported debt had negative impact on their health: panic attacks, sleeplessness, anxiety.
- A stigma was attached to debt: 'You do hide your debt, you are ashamed of it'.
- Debt was a trap from which they could not escape: 'I have started off in a cycle of debt with doorstep loans that I'm not going to get out of.'
- 'They should do something to help clear people's debts so they can start with a clean slate'
- Source : <https://www.womensregionalconsortiumni.org.uk/wp-content/uploads/2022/09/Women-Living-with-Debt-1.pdf>

Cost of Living Crisis Preventing Women from Fleeing Domestic Abuse

- Women's Aid Survey in June/July 2022, 137 respondents who were experiencing domestic abuse or had in last 12 months.
- 99 in England, 7 in each of Wales, Scotland and Northern Ireland, location not known for others.
- A variety of ages, ethnicities, and financial links with the abuser.
- More than a fifth (21.2%) of respondents said the perpetrator had used the cost of living crisis to (further) control their access to money
- More than a third (37.5%) of respondents said that the costs of living crisis had either prevented them from leaving (15.0%) or made it harder for them to leave (22.5%)
- "I feel like my only option to keep my kids is to go back to the marital home where he nearly killed me."
- Source: https://www.womensaid.org.uk/wpcontent/uploads/2022/08/Womens_Aid_cost_of_living_survivor_survey_July_22.pdf

Adverse Impact on Maternal Health

- WHO has warned that UK's cost of living crisis may increase death rate during or after pregnancy.
- Maternal mortality already high in UK, 3 times higher than in Norway.
- UK's Care Quality Commission has noted a 'concerning decline' in women's experience with maternity services, due to staff shortages.
- Mothers who live in most deprived areas are more than twice as likely to die as those in more affluent areas, with suicides accounting for 18% of maternal deaths.
- Poll of 500 women by Maternal Mental Health Alliance found 72% of those who had given birth in last 3 months reported negative impact on their mental health because of cost of living concerns, compared to 30% of those who had a baby 18-24 months ago.
- Cost of living affects women's ability to travel to appointments and to access at home help-women fear a health visitor will judge them adversely if the home is not heated, so they may refuse a visit.
- Source: *The Guardian*, 16/01/23

Policies to Address the Crisis of Social Reproduction: Increase Incomes and Reduce Personal Debt

- Increase welfare benefits to match inflation.
 - UK government will increase benefits by 10% in April 2023 but rises in food prices and energy prices likely to outstrip this. Devolved governments have used their power to introduce some mitigatory reforms. UK Women's Budget Group calls for increase in UK child benefit to £50 a week- this benefit mainly goes to women, as they are more likely to be registered as the main carer of children.
- Increase public sector pay to match inflation.
 - End “temporary” cut in fuel duty to raise £6bn, “enough to pay NHS staff and teachers a raise around the inflation rate”. Source: *The Guardian*, 2/2/ 23.
- Reduce the burden of household debt.
 - Debt to benefit agency to be written off or reclaimed at much lower rate.
 - Reduce need for debt by ending 5 week waiting time for Universal Credit benefit
 - Caps on fees and charges that apply to pay-day loans to be applied to doorstep loans.

Policies to Address the Crisis of Social Reproduction: Public Investment in a Green and Caring Economy

- Invest in insulating houses and in renewable energy.
- Invest in health care, child care, and social care for adults.
- Increase funding for investment by raising taxes on personal wealth
 - Equalize capital gains with income tax rates, raising up to £14 billion a year
 - Apply national insurance to investment income, raising up to £8.6 billion a year
 - Apply a 1% wealth tax on assets over £10 million, raising up to £10 billion a year
 - End inheritance tax loopholes benefiting the wealthy, raising up to £1.4 billion a year.
 - Reform the rules on non-dom status, raising up to £3.2 billion a year

Source: <https://www.taxjustice.uk/blog/five-policies-that-could-raise-37-billion-in-tax>

There is plenty of money in the UK-but too much is in the hands of rich, who are not personally experiencing the crisis.

For a more comprehensive and global set of policies, see UK WBG, *A Green and Caring Economy*, 2022. <https://wbg.org.uk/analysis/greenandcaringeconomy/>

Cost of Living Crisis in Republic of Ireland

- What is your experience?
- What kinds of research is being done on gendered impact?
- What kinds of policy responses have been adopted ?
- What kinds of policy responses are under discussion?
- I look forward to learning more from the respondents and the discussion.