

How the rising cost of living is widening inequality and affecting the most vulnerable

*With consumer prices rising above wage increases, broadening gaps for disadvantaged groups in the UK have become increasingly apparent. **Mahnoor Murad Khan** and **Yolanda Blavo** look at the impacts of the crisis on specific groups such as gig workers and domestic abuse victims, and write that understanding the needs of disadvantaged groups requires re-examining systems already in place that sustain inequality.*

The collective repercussions of the COVID-19 pandemic and Russia's invasion of Ukraine have intensified a global cost-of-living crisis that threatens extreme hardship for many. Disadvantaged populations with high food and fuel costs face accelerated vulnerability and reduced welfare across the board. It is necessary to explore the existing risks diverse populations face, and how they will be compounded by the cost-of-living crisis. In [our paper for The Inclusion Initiative](#), we take a look at the impacts of the crisis on various countries. In this blog post, we hone in on the UK, where a decade of austerity and stagnated economic growth, combined with a pandemic and conflict on the world stage has brought the worst outcomes for those with the lowest incomes.

We find that disparity is steadily increasing: the [inflation rate](#) stands at 9.4% as of July 2022, the highest recorded since the 1980s. To put this into perspective, from June 2021 to July of this year, costs of [essential foods](#) such as butter and whole milk rose by 21.5% and 18.6% respectively. At the same time, [wages are not rising](#) proportionately: between March and May 2022, regular pay without bonuses fell 2.8% from last year. Considering the Treasury's indication that [incoming pay deals](#) will not necessarily match the costs of living, broadening gaps for disadvantaged groups in the country have become increasingly apparent.

This disparity becomes noteworthy especially now, two years after the initial emergence

of COVID-19. It has inevitably caused a shift in working and labour organisation patterns worldwide. A [“two-speed”](#) labour market exists in the UK, where specific skilled and innovation-driven jobs receive more significant pay increases. Other industries such as manufacturing face less flexibility, insecure pay, and heightened difficulty. This indicates that many will struggle to escape low-skilled, underpaid work unless employers invest in skills training. As data shows that [aggregate bills](#) are already higher than income for the poorest 60% of society, there is indeed cause for grave concern.

With average petrol [prices](#) hitting a 12-month high of 191.53 pence per litre and diesel prices 199.05 pence per litre as of July 2022, the burden on households facing high food and energy costs increases steeply. A recent [survey](#) of 4000 low-income families with incomes below £25,000 per annum finds that one in five survive without sufficient food or heating, which averages 2.5 million UK households. About 40% (weighted out to 4.6 million households) were unable to pay at least one bill.

Gig economy workers such as self-employed drivers are some of the most at-risk communities. This is because they uphold full responsibility of the costs of vehicles, fuel, maintenance, and insurance, and thus absorb the brunt of rising inflation in turn. In the year ending March 2022, there were 202,700 licensed private hire vehicles ([PHV](#)) and 14,200 licensed private hire operators in England. Out of total driver licenses documented, 214,300 were PHV-only licenses. This data may be unrepresentative as some drivers may work without licenses or hold licenses but not work as drivers. However, it nevertheless indicates the growing existence of independent drivers who work for ride-hailing platforms such as Uber and Bolt. Platforms have reacted to rising costs by slashing workers’ benefits or by refusing to increase fares, and this has resulted in strikes nationwide.

Earlier in May, for example, [delivery drivers](#) for Deliveroo, Uber Eats, and Just Eat boycotted the apps calling for better pay and worker protection. While a [Supreme Court](#) ruling from 2021 entitled Uber drivers rights to a living wage, pension, and holiday pay, [the platform responded](#) by increasing its commission by 25%. For many Uber drivers, this makes the legal ruling largely redundant, and if inflation continues to rise, many platform drivers may exit the gig economy for good. For others, the introduction of flat rates may cause fewer and fewer drivers to take up shorter journeys such as those on apps that advertise quick deliveries – this shows that the driver shortage is a myth, and in actuality drivers are merely being selective with their rides as they struggle to cover

rising costs.

These issues, accumulating on a foundation of precarious economic conditions, suggest that policies such as tax cuts and reducing debt repayments from benefits will be increasingly necessary.

Faults in the system

Escalating costs also reveal systemic weaknesses such as those in the social security system, which impact the mental health of those dependent on benefits. Changes in the Universal Credit system have included payment cuts not congruent to rising inflation – [out-of-work payments](#) have hit record lows after 30 years. The benefit cap has received criticism for increasing financial hardship and aggravating mental health issues. Applied to households with incomes below £617 per month, [it fell](#) from £26,000 in 2013 to £23,000 and £20,000 in 2016 for those in London and outside London, respectively. This policy change increased the number of households facing [mental health issues](#) from 21% to 30% in the immediate months after. In the face of worsening inflation, the benefit cap's primary objective of compelling people to work fails: strict caps deter people from joining the labour market as their mental health deteriorates and working becomes more stressful than before.

Structural impacts amidst the cost-of-living crisis extend to physical health. Research by Macmillan Cancer Support finds that cancer patients' [quality of life](#) is negatively affected with additional average costs of £891 monthly. Correspondingly, claimants of Personal Independence Payments (PIP) found their first payments delayed by an average of [22 weeks](#). Such time lags have severe detriment to cancer patients, who already face exorbitant costs of treatment and travel to appointments, as well as docks in income from being unable to work. Also, as energy costs increase, about [one million](#) (32%) cancer patients have had to turn to alternate measures like wearing extra layers inside to keep warm. Other cost-cutting solutions that may ultimately be harmful for those undergoing active treatment include washing garments less and eating fewer hot meals. Particularly when those with a cancer diagnosis require maximum nutrition and care, these dire circumstances signify that those with health issues are most affected by rising costs.

Impact on domestic abuse victims

Evidence shows a strong connection between the cost-of-living crisis and the strain on domestic abuse shelters. This link is created by two crucial factors: financial burden becoming a catalyst for abusive tendencies, and rising costs further decreasing resources and mobility for victims wanting to escape violent situations or leave refuge. The [University of Loughborough](#) found that the cost of relocating from a shelter this year increased by £1,500 from 2020, and the cost of living in the first year after relocation has risen by £5,000. Data from [Refuge](#), the UK's largest charity for domestic abuse victims, showed how frontline workers think the nature of their work has changed in the face of rising costs. Ninety-two per cent reported that survivors they support are going into debt due to rising costs and that the kind of support they have to give is changing. Now, 85% are devoting more time to victims going through debt and 76% to helping victims access food and other essentials. Financial abuse is a prevalent manipulation tactic inflicted upon domestic abuse victims, with the aggressor often being the head of the household or the sole controller of sources of income. This involves the victims' inability to work, access education, and aggressors often accumulating debt in the victims' names. This contextualises already bleak situations with lack of resources and mobility that the cost-of-living crisis is aggravating. Exploring the intersection of costs of living and domestic abuse is thus essential in understanding the complexities of violence and exploring what government, charities, and other organisational structures can do to better support victims.

With [predictions](#) that in 2023 – 2024 aggregate bills will be 130% of disposable income for the poorest 60% of UK households, policies must be navigated to protect the most vulnerable as far as possible. UCL Economics [Professor Mariana Mazzucato](#) notes a need to overhaul the UK's current financialised economy in which heavy dependence on loans has led to an imbalance in the ratio of private debt to disposable income. While the government has taken adequate measures such as introducing a [25% windfall tax](#) on profits made by energy companies for the upcoming year, much more can be done such as introducing more comprehensive benefits for lowest-income households, especially in the form of energy grants.

Crucially, the setbacks of the cost-of-living crisis are not limited to advanced economies such as the UK. Developing countries across the globe – and disadvantaged groups within them – have unique challenges to face during this time as well, especially those heavily dependent on commodity imports.

In [our paper](#), we comment on problems faced by various countries in Africa, Asia, and Latin America. Overall, understanding the needs of disadvantaged groups within the UK and on a larger scale in global hotspots requires re-examining systems already in place that sustain inequality. This becomes integral to solving the crisis and breaking out of inflationary cycles threatening to aggravate the gap between developed vs. developing economies.



Notes:

- *This blog post is an excerpt of [Impacts of the Cost of Living](#), The Inclusion Initiative, with the support of the Uggla Programme.*
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