

Warning over long-term increase in inequality caused by the pandemic

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Researchers today issued a stark warning on the post-pandemic outlook for living standards in the UK following an extensive review of over 200 reports examining the impact of the pandemic.

Although the macro-economic forecasts for the UK are comparatively positive, at a household level the situation is more mixed.

The financial pressure on some families caused by the pandemic is likely to be exacerbated by this Winter's 'cost of living crisis,' as the cost of fuel, energy and other essentials continue to rise, and this is likely to lead to a longer-term increase in inequality and poverty in the UK.

Today, [abrdn Financial Fairness Trust](#) publishes a review of evidence on the impact of COVID-19 on household finances. The report assessed the overall financial impact of the pandemic on UK households and impacts by age, sex, race and disability.

Researchers from the University of Bristol's Personal Finance Research Centre found that when looked at together there were relatively small changes to [household income](#) and decreases in spending and debt following the economic shock of the pandemic. However, these combined figures obscured large variations in experience, including in relation to saving and spending.

The team found consistent evidence that those on [higher incomes](#) were generally protected from [income](#) loss, whilst those on lower incomes suffered a significant drop in living standards. This fall was "remarkably consistent" across the groups who experienced the worst repercussions of the pandemic—including people in insecure work and young adults, disabled people and some ethnic minorities.

The review found that the labor market effects of the pandemic have been less pronounced than was first forecast and the Government job support schemes were broadly successful. However, those most severely impacted were those who were already in a precarious position before the pandemic.

Another area where inequality increased, and indications are that it will continue to do so, was ability to meet the cost of living. There is consistent evidence that the financial strain created by the pandemic caused significant numbers of individuals and families to fall behind with payments on bills. In terms of outgoings, while the better-off benefitted from 'forced saving' during lockdowns, people on lower incomes faced higher costs and these increased outgoings did lead to families cutting back on essentials.

Looking ahead, researchers predict certain groups are likely to be hardest hit by the increase in inequality. They find the impacts of the pandemic may fall disproportionately disabled people and ethnic minority groups. Researchers recommend policy should focus on supporting those at risk.

Mubin Haq, CEO of abrdn Financial Fairness Trust, said: "Many have found themselves in a better financial position than they were at the beginning of the pandemic, their income was protected by the Government and their opportunities for spending were reduced, forcing them to save. However, others have seen their finances take a real hit, mostly those who were in a precarious financial position before the pandemic.

"For those groups, savings have been used up, they are behind on bills and they are now seeing prices rise. They are having to make difficult choices as to whether to heat their homes or to eat. If more is not done to support these groups we are going to see the inequalities exacerbated by the [pandemic](#) only continuing to increase, leading to a more divided country."

Professor Sharon Collard, chair in [personal finance](#) at the University of Bristol, said: "If you only look at the aggregate situation of household finances in the UK you miss the big variations in households'

experiences and situations. The evidence review highlights the need to look beyond the big picture to understand what's happening and where policies and support should be targeted."

Provided by University of Bristol

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