

# BRIEFING

## HOW BUSINESSES CAN RESPOND TO THE COST-OF-LIVING CRISIS

The cost-of-living crisis is affecting many employees in the UK with rising inflation and energy prices pushing working people into poverty and financial stress. The crisis is expected to impact on some groups significantly more than others, hot on the heels of a pandemic that already entrenched pre-existing social inequalities. This briefing paper outlines what businesses can do in the face of the ongoing crisis.

### Introduction

We are in a cost-of-living crisis because high inflation has outstripped wage growth, which has then been further exacerbated by tax increases.<sup>i</sup> A major flashpoint has been rising energy bills caused by an increase in global wholesale gas prices – a situation which is worsened by the war in Ukraine and continued pressure on gas supplies.<sup>ii</sup>

**43%**

*struggled to afford their energy bills in  
March 2022<sup>iii</sup>*

Rising gas prices are having a huge ripple effect on other industries due to the increasing cost of producing, growing, and transporting consumer goods, with research showing that the food and beverage industry is the most impacted.<sup>iv</sup>

**2.4 million**

*adults in the UK have gone without food for  
a day because they could not afford to eat<sup>v</sup>*

The rising cost of food is already having a huge impact on people's lives with many businesses on the frontline of an increasingly desperate situation for many families. Reports have shown that some food is now being security tagged for the first time<sup>vi</sup>, and police are being advised to use 'discretion' when faced with rising numbers of people shoplifting to feed themselves.<sup>vii</sup>

**THERE ARE DESPERATE STORIES BEHIND THESE FIGURES. PEOPLE WASHING IN THEIR KITCHEN SINKS BECAUSE THEY CAN'T AFFORD A HOT SHOWER; PARENTS SKIPPING MEALS TO FEED THEIR KIDS; DISABLED PEOPLE WHO CAN'T AFFORD TO USE VITAL EQUIPMENT BECAUSE OF SOARING ENERGY BILLS<sup>viii</sup>**

*Dame Clare Moriarty, CEO, Citizens Advice*

Ultimately, this combination of rising bills, coupled with stagnant wages and tax rises will likely lead to stagflation – a form of recession where inflation remains high, economic growth slows due to reduced disposable incomes, and unemployment rises.<sup>ix</sup> The impact on people's lives cannot be overstated – 500,000 children could be forced into absolute poverty and households will suffer.<sup>x</sup>



### WHAT THIS MEANS FOR RESPONSIBLE BUSINESS?

#### Gender

During times of economic crisis, women tend to act as 'shock absorbers' because:

- They start off poorer than men: 20.4% of women are paid below the real Living Wage compared to 14% of men.<sup>xi</sup>
- They are responsible for a disproportionate share of household shopping, where they notice the stresses of inflation more acutely.<sup>xii</sup>
- They have less savings: the average gender savings gap is over a third, increasing to 60% for millennials and 47% for Gen Z.<sup>xiii</sup>
- They are more reliant on social security than men: 20% of women's income comes from benefits and tax credits compared with 10% of men's income.<sup>xiv</sup>
- They are more likely to have caring responsibilities which means they are less able to increase their hours of paid work as childcare costs have risen above the rate of inflation for several years.<sup>xv</sup>

The pandemic, which also disproportionately impacted women, has made all the problems listed above more acute by reducing the savings of women, making work more precarious, and increasing women's caring responsibilities. These effects are still being felt today.

#### Race

The crisis is also disproportionately impacting ethnically diverse communities for similar reasons.

- Ethnic minority workers are more likely to be in severely insecure work than white workers (24% versus 19%). Men from ethnic minority backgrounds are 10 percentage points more likely to experience severely insecure work compared to white men (23% versus 13%).<sup>xvi</sup>
- BAME households spend a consistently higher percentage of income on rent than White British households.<sup>xvii</sup>

- White British households were nine times as likely to be in the top quintile of total wealth as those of Black African ethnicity and 18 times as likely as those of Bangladeshi ethnicity.<sup>xviii</sup>
- Ethnically diverse groups were twice as likely as White groups to have no savings, with 60% of Black, Asian, Mixed Race and other ethnically diverse people having no savings at all.<sup>xix</sup>

Again, the disproportionate impacts of the pandemic have also made these groups more vulnerable to the current crisis by creating a lower baseline of physical, mental, and financial health.

#### Wellbeing

Early signs show that the pandemic has triggered a 25% increase in the prevalence of anxiety and depression worldwide.<sup>xx</sup> The cost-of-living crisis is now having a further negative impact as households lurch from one crisis to another.

- The number of people contacting Mental Health UK for mental health and financial advice has increased by 96% over the last 12 months.<sup>xxi</sup>
- Over half of Brits report that the cost-of-living crisis has negatively affected their health, with stress and being unable to pay for food or heating being described by health professionals as the primary causes.<sup>xxii</sup>

The cost of living has become the primary concern for millennials and Gen Z, overtaking climate change from last year.<sup>xxiii</sup>

#### Environment

The role of increasing gas prices in fuelling the crisis has put energy security and fuel poverty firmly on the agenda. Whilst the UK has been successful in the last 20 years at reducing the use of coal in energy production, this has led to an overreliance on natural gas which has made us particularly vulnerable to global price volatility.<sup>xxiv</sup>

Failure to sufficiently invest in renewable energy production and to properly insulate homes at scale has led to a situation where the number of households in fuel poverty will increase by more than 50% in 2022.<sup>xxv</sup>

## HOW BUSINESSES CAN RESPOND TO THE COST-OF-LIVING CRISIS

### Employment

Although pay growth in most sectors has been strong, it is struggling to keep up with inflation. As the prospect of recession looms, it is important to also understand the long-term effects of the pandemic on an already fragile labour market.

- Job insecurity and low pay have risen, with 3.7 million people in the UK in low paid and insecure work (accounting for 12% of the population).<sup>xxvi</sup>
- The UK's relative poverty rate among working households has hit a record high this century of 17.4%. The sharp rise in in-work poverty has been caused by spiralling house costs, low wages, and a lack of affordable childcare.<sup>xxvii</sup>
- Three quarters of workers are considering finding a new job due to the rising costs of living.<sup>xxviii</sup>

### ACTIONS FOR ALL EMPLOYERS

Firstly, BITC recognises that the crisis requires urgent government intervention to prevent further suffering for UK households. Businesses alone will not be able to tackle the problem – however, the crisis does represent a broken system that businesses are a part of and can, therefore, play a part in fixing.

If you are not already, [become a member of Business in the Community \(BITC\)](#).

Through its vast offer, BITC supports its members to address the cost-of-living crisis both as employers and at a societal level by:

- **connecting** them to its network of over 600 businesses and thousands of local community partners to learn and collaborate on impactful initiatives inside and outside the workplace
- providing them with **knowledge, insight, and guidance** so that they can **go further, and act faster** to support those most in need
- providing the **platforms** from which they can **lead and influence** other businesses by sharing their own story.
- **Ensure you are paying people fairly:** rising levels of in-work poverty and insecure work represents an urgent need for businesses to be bolder and fairer on pay and quality of work.
- **Pay the real Living Wage** to all your directly employed staff and have a plan in place to pay contractors the same. Expert support can be provided by the [Living Wage Foundation](#). This should be done by all businesses as a minimum requirement.
- **Conduct pay audits** to work out the gap between top, bottom, and middle earners and work out fair pay ratios for your organisation.
- **Consider cost-of-living pay rises** for staff to tackle the current impacts of the crisis. This has already been done by [Marks & Spencer](#), [Currys](#), [Sodexo](#), and many others.

### DESPITE OFFICIAL RECOGNITION OF THEIR STATUS AS 'KEY WORKERS' DURING THE PANDEMIC, SUPERMARKET WORKERS CONTINUE TO BE ONE OF THE LARGEST GROUPS OF LOW PAID WORKERS IN THE UK<sup>xxix</sup>

#### ShareAction

- **Increase and promote any financial support available to staff including** support with financial planning, support with in-work costs (such as commuting subsidies), or support with wider financial costs (such as hardship loans, payment holidays on employer-provided loans, support with maintaining pension or insurance contributions). Employers can also signpost to social enterprises such as the [Reuse Network](#) to provide low-cost alternatives to new consumer goods. Use BITC's [Ensuring Everyone Benefits guide](#) to explore how to dial up financial support for all employees.
- **Capture ethnicity data:** Take action to capture the representation of your workplaces by demographic group. BITC has provided three Capturing Ethnicity Data fact sheets for new signatories to the [Race at Work Charter](#).

- **Conduct an equality impact assessment on any restructuring decisions** using our [Responsible Restructure Toolkit](#) to avoid applying a first in, first out principle. Rigorously assess your choices around everything from resourcing, strategy, financial planning, working pattern policies and more.
- **Intensify your efforts to champion equality at this time** – recognise that women, or those from a Black, Asian, Mixed Race and other ethnically diverse backgrounds may be having a harder time than normal accessing, staying in, and flourishing in paid work. Ensure you surface this and double down on any work related to this, applying an intersectional lens to any plans.
- **Address challenges for working carers** as care services become less available, prices rise, and families struggle, this group may be especially affected. This could look like:
  - **Enhanced flexible working patterns** – one in five women told us they had considered quitting or quit a job because of difficulties balancing work and care; one in two carers from a Black, Asian, Mixed Race or ethnically diverse background told us they had not applied for a job or a promotion because of the challenge.
  - **Greater direct support with care** – including financial subsidies such as childcare loans or actual services support such as access to back up care services.
- **Consider how you as an employer can provide appropriate support for other specific challenges emerging at this time**
  - **Dial up support for those at risk of domestic abuse** using the four R's approach of recognise, respond, refer, and record. Information can be found in our [Domestic Abuse toolkit](#).
  - **Address the spike in anxiety and mental health concerns** with wellbeing checks and support, signposting to EAPs and a double down on taking a [whole systems approach to health and wellbeing](#).

- **Don't take a one-size-fits-all approach and listen to your employees** – engage employee networks to listen, respect the lived experience and respond to challenges. Some of the issues raised may not be within your experience but providing an empathetic ear and signposting to possible materials and networks that can be of support will always be welcome.

**I HONESTLY BELIEVE THE SCALE AND SIZE OF THIS IS WELL BEYOND WHAT THIS INDUSTRY CAN DEAL WITH. WE NEED A MASSIVE SHIFT IN THE GOVERNMENT APPROACH TOWARDS THIS** <sup>xxx</sup>

*Keith Anderson, CEO, Scottish Power*

### WORKING WITH GOVERNMENT

The scope and scale of the cost-of-living crisis cannot be underestimated, and forecasts expect the problem could go on for many months ahead. Despite inflation being a global problem, the UK is predicted to become the 'stagflation capital' of the G7, likely due to a lack of investment. Business and government must work to address these issues together.

In May 2022, a £15 billion package of measures was announced by the Treasury to support people with rising bills. This intervention is welcomed and will see every household in the UK get a £400 discount on their energy bills and more so for the poorest households, partly offset by a windfall tax on energy and gas profits.<sup>xxxi</sup>

Whilst this immediate support is welcome, the mechanics of the levy mean that the companies that go on to invest in new oil and gas extraction will receive tax relief, with no similar relief available for renewables.<sup>xxxii</sup>

This breaks a key COP26 pledge to wind down inefficient fossil fuel subsidies at a time when the International Energy Agency has previously called for new fossil fuel extraction to stop immediately if the world is to reach net zero by 2050.<sup>xxxiii</sup>

Failure to properly address the underlying causes of the crisis, alongside the symptoms, will result in a ‘sticking plaster’ approach. Businesses and Government must work together to invest in renewable energy at scale, reform the energy market, insulate homes and deliver a just transition to a net-zero, resilient future where people and nature can thrive.

### OTHER USEFUL RESOURCES

- BITC’s [Ensuring Everyone Benefits Toolkit](#) provides guidance for HR teams to create an employee benefits package that improves the financial wellbeing of all employees.
- Learn how to prevent, offer help, and provide pathways out of homelessness with our [Designing Out Homelessness Toolkit](#).
- Capture your pay gap data using our [Gender Pay Gap Toolkits](#) and our [Capturing Ethnicity Data Toolkits](#).
- Learn how to support carers to sustain good work with our [Supporting Carers in the Workplace Toolkit](#).
- Accelerate the UK’s transition to a low-carbon economy that is no longer reliant on volatile and damaging fossil fuels with our [Seven Steps for Climate Action Toolkit](#).
- Transform wellbeing at work with the [What if Your Job Was Good for You Report](#).

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