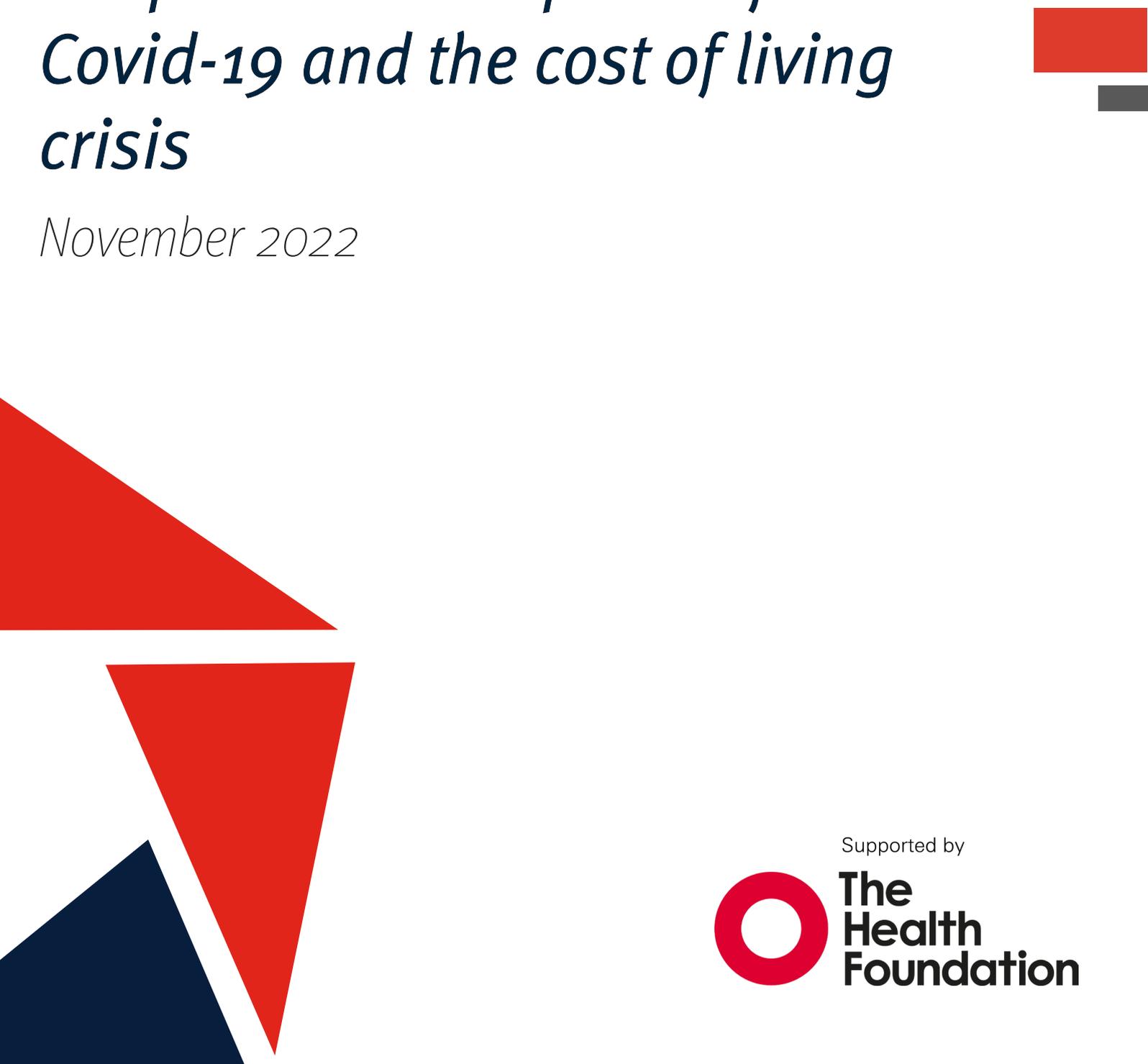


Health Inequalities in Scotland

Trends in the socio-economic determinants of health in Scotland

Chapter 8: The impacts of Covid-19 and the cost of living crisis

November 2022



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8. The impacts of Covid-19 and the cost of living crisis

This report is largely focussed on changes in the socioeconomic determinants of health observed over the long run. But events since 2020 have had, and are likely to continue to have, significant impacts on the socioeconomic determinants of health across several dimensions. This chapter considers the impacts that the Covid-19 pandemic has had on several dimensions of inequality in Scotland, including the labour market, household income and wealth, and education. It then considers how the current cost-of-living crisis may affect household incomes.

Key points

- There was a marked socioeconomic gradient in the health impact of Covid-19. Aged standardised mortality rates from Covid-19 were over twice as high in the most deprived neighbourhoods compared to the least deprived neighbourhoods.
- Differences in Covid-19 infection rates, hospitalisations and deaths were significantly influenced by socioeconomic inequalities, including inequalities in working and living arrangements. There is emerging evidence of a socioeconomic gradient in the prevalence of long-Covid.
- The pandemic also saw a deterioration in mental health. The deterioration in mental health was larger amongst women than men, and larger amongst the young relative to the old.
- School closures during the pandemic drove a large increase in inequalities in educational attainment, as those from more advantaged backgrounds had access to better learning materials, facilities and support. The extent to which the pandemic has a permanent impact on attainment inequalities for the Covid-cohort remains to be seen.
- Inequalities in wealth seem very likely to have increased, both because of the increased savings of higher income households, and the appreciation in asset values.
- The pandemic itself saw huge disruption to the labour market as restrictions were imposed. However, the permanent impact of Covid on the labour market has not been as significant as many people anticipated. There was no significant rise in unemployment when the furlough scheme was withdrawn. Structurally, the share of employment across different sectors of the economy has demonstrated remarkable stability given the length of the pandemic-related restrictions and the risks that these caused permanent shifts in consumer behaviour.
- Nonetheless, economic inactivity rates did increase during the pandemic, partly due to health-related reasons and partly due to increases in early retirement. The extent to which these changes is temporary or becomes more permanent remains to be seen. The pandemic has also had differential labour market impacts by age and sex. Employment rates of men, particularly older men, and men with lower levels of qualifications, remain slightly lower than pre-pandemic. For women, employment exceeds pre-pandemic rates.
- During the pandemic itself, inequality of household income declined slightly, as did the relative poverty rate. This reflected to a large extent the temporary, £20 per week uplift in Universal Credit, together with the effect of the furlough and self-employed income support schemes in

supporting incomes. It seems reasonable to assume that, by early-2022, the distribution of household income did not look markedly different from how it looked pre-pandemic.

- The pandemic has had a devastating impact on the NHS. Waiting times and waiting lists remain significantly elevated on pre-pandemic levels, in large part due to the backlogs that built-up during the peak of the pandemic.
- Interventions by the UK government should go a long way to ensuring that the impact of rising inflation and energy bills on household disposable incomes is significantly mitigated. Despite these interventions, cost increases will make for a difficult winter for households on the lowest incomes. The lowest income households in Scotland already spent ten per cent of disposable income on fuel before the pandemic, and fuel poverty affected a majority of low-income households.
- Living in a cold home is associated with higher risk of cardio-vascular and respiratory diseases, higher risk of respiratory infections and a variety of mental health stressors.

The health impacts of Covid-19 were shaped by pre-existing socioeconomic inequalities

The health impact of the Covid-19 pandemic was extremely unevenly felt. Aged standardised mortality rates from Covid-19 were over twice as high in the most deprived neighbourhoods compared to the least deprived neighbourhoods (Chart 8.1). The gradient in age-standardised mortality rates for Covid by deprivation quintile is somewhat steeper than the gradient for all deaths.

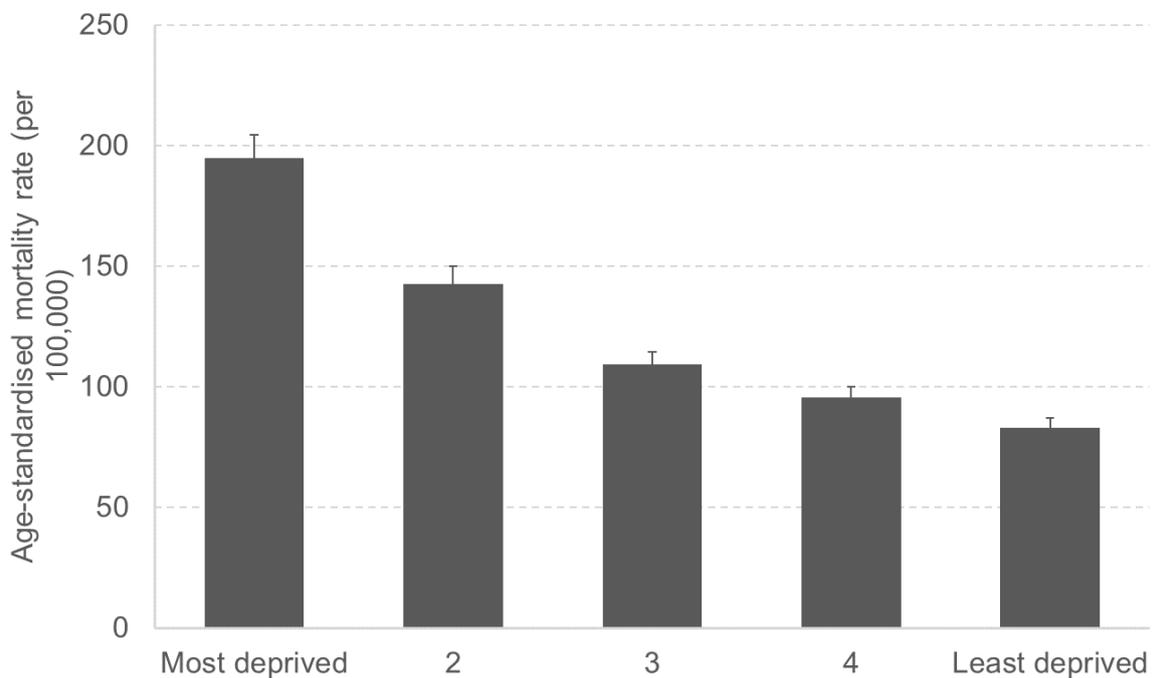
Differences in Covid-19 infection rates, hospitalisations and deaths were significantly influenced by socioeconomic factors. People working in lower-paid occupations, including those associated with retail, logistics and caring, were unable to work-from-home, and thus were much more heavily exposed to the virus, particularly during the first year of the pandemic, when vaccines were unavailable. Higher exposure to the virus amongst low-income households is likely to have been exacerbated by the fact that lower-income households are more likely to be over-crowded and include multiple benefit units in the same household. Individuals in low-income households are also more likely to suffer from additional illnesses (comorbidities), increasing the risks associated with Covid-19 once one is infected.

These factors also contributed to significant divergence between different parts of Scotland in relation to Covid-19 infections and deaths. For example, age-standardised death rates from Covid-19 were 158 per 100,000 in NHS Greater Glasgow, 107 in NHS Lothian, 70 in NHS Grampian, and 53 in NHS Highland¹.

¹ Source: National Records of Scotland, Deaths involving Covid-19 in Scotland, weekly data, accessed 25 August 2022.

Chart 8.1: Covid-19 mortality rates were much higher in more deprived areas than less deprived areas

Age standardised rates of mortality by SIMD, for deaths involving COVID-19



Source: National Records of Scotland, deaths involving Covid-19. Notes: Error bars show 95% confidence intervals

The pandemic and the associated restrictions had wider impacts on health beyond deaths and illness of those infected. A number of studies have documented a sharp deterioration in mental health during the pandemic itself (Banks and Xu 2020, Daly et al. 2020, Pierce et al. 2020). The deterioration in mental health was larger amongst women than men, and larger amongst the young relative to the old. In both cases this may reflect the size and importance of social networks to these groups, which meant that their mental health was disproportionately affected by the pandemic.

The initial deterioration in mental health during the height of the pandemic did largely reverse as restrictions were eased. The specific impact of Covid on mental health may thus largely prove temporary, although as noted in Chapter 2, the longrun trend is of an increase in the proportion of the population who say they have a long-lasting mental health issue.

The pandemic may leave an enduring legacy in the form of ‘long-Covid’

Potentially a more permanent legacy of the pandemic will come in the form of ‘long-Covid’. The ONS estimates that 2 million people living in private households in the UK (3.1% of the population) were experiencing self-reported long-Covid in July 2022². Long-covid is defined as symptoms continuing

² Source:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/prevalenceofongoingsymptomsfollowingcoronaviruscovid19infectionintheuk/1september2022>

for more than four weeks after the first suspected Covid-19 infection that were not explained by something else.

Long-Covid symptoms adversely affected the day-to-day activities of 1.5 million people (73% of those with self-reported long-Covid), with 384,000 (19%) reporting that their ability to undertake their day-to-day activities had been "limited a lot".

As a proportion of the UK population, the prevalence of self-reported long-Covid was greatest in people aged 35 to 69 years, females, people living in more deprived areas, those working in social care, those aged 16 years or over who were not working and not looking for work, and those with another activity-limiting health condition or disability – demonstrating again a socioeconomic gradient in the health impact of Covid. One study estimates that one in ten long-Covid sufferers go onto sick leave, which implies reduced earnings for those affected (Waters and Wernham, 2022).

Not unrelated to the issues around long-Covid is the possibility that having had Covid may increase individuals' susceptibility to subsequent serious illness, such as heart disease and stroke (Neville, 2022).

There clearly remains, at this stage, much uncertainty about what the scale of the long-run impact of Covid might be, in relation to mental health, long-Covid, and susceptibility to subsequent illness. But there is certainly evidence that Covid is continuing to have a significant legacy on health in 2022.

Inequalities in educational attainment increased during the pandemic, and is likely to have some permanent effects

The pandemic resulted in significant disruption to schooling. There were two major periods of school closures, the first in spring 2020 and the second in winter 2021. The shift to 'remote' learning challenged all pupils, but those from more disadvantaged backgrounds were likely to experience greater difficulty in engaging with learning delivered remotely. This was due to a variety of factors, including having home environments less suitable for learning, reduced ability to access learning resources and materials at home, and relatively less support from parents (in part because of the disproportionate impacts of home working).

In Chapter 4 we detailed how the pandemic had resulted in a significant widening of the poverty-related attainment gap in 2020/21 compared to previous years. At the time of writing, statistics for the 2021/22 year are yet to be published. The expectation is that the poverty-related attainment gap in 2021/22 will fall back towards its historic level. But it also seems likely that the disproportionate impact of the pandemic on learning progress for those from more disadvantaged groups will have a longer legacy for the cohort of 'pandemic pupils'.

Wealth inequalities are likely to have increased since the pandemic

Comprehensive data on the size and distribution of household wealth in Scotland since the onset of the pandemic is not yet available. Our expectation would be that household wealth inequality will have increased since 2020, for two reasons.

First, an increase in ‘active’ wealth accumulation as a result of increased saving by households. The pandemic saw a significant increase in household saving, as lockdown and other restrictions curtailed households’ ability to spend. But higher income households, whose incomes were relatively more protected and whose discretionary spending was more likely to be curtailed, were more likely to increase their savings than lower income households (Leslie and Shah, 2021). Indeed lower income households were relatively more likely to become more indebted during the pandemic than higher income households, since they more often needed to drawdown savings to offset the effects of income loss.

Second, ‘passive’ increases in wealth holdings as a result of rising asset prices which benefit existing holders of those assets. House prices in particular have increased significantly during the pandemic, helped by low interest rates, transactions tax ‘holidays’, the increase in household saving mentioned above, and shifts in demand for housing reflecting different working arrangements. The average house price in Scotland increased from £150,000 in the first three months of 2020 to an average of £185,000 in the first six months of 2022, an increase of 23%³. Rising house prices are likely to increase the wealth stocks of homeowners, who are largely in the middle and upper part of the income distribution.

It is hard to know exactly how these changes will have affected the distribution of wealth until better data is available. For the UK as a whole, Leslie and Shah (2021) speculate that the increases in active and passive wealth accumulation will increase wealth gaps between the middle and bottom of the wealth distribution, but potentially reduce the gaps between the middle and the top of the wealth distribution (this largely reflects the importance of housing wealth for those in the middle of the distribution, as opposed to pension and financial wealth, the value of which has not increased by quite as much during the pandemic).

It is even harder to know what the longer term impacts of the pandemic on wealth might be. Some (but probably not all) of the increased household saving observed during the pandemic is likely to be reversed. And at some point, higher interest rates and falling real incomes could slow, or even reverse, house price increases. But we can only really speculate at this point.

The labour market was disrupted hugely during the pandemic, but the extent of permanent impacts has been surprisingly muted

The pandemic itself saw huge disruption to the labour market. Almost half a million jobs in Scotland were furloughed in summer 2020. People in low-paid sectors were more likely to lose their jobs, and more likely to be furloughed on reduced hours, than those in high-paid sectors. In contrast, the relatively high-paid were more likely to see their pay and hours maintained whilst they worked from home (Blundell et al. 2022).

³ Source: UK house price index, HM Land Registry

Groups who are more likely to work in low-paid occupations, including ethnic minorities and younger workers, were disproportionately affected. Employment rates of younger workers in particular fell markedly during the pandemic itself.

Throughout the pandemic, there was an expectation that the eventual withdrawal of the furlough scheme would lead to a significant rise in unemployment. The common assumption was that the pandemic would result in substantial, permanent structural changes in the labour market, which would render some jobs unviable in the 'new' post-Covid economy.

In fact, the speed with which the labour market returned to something very similar to its pre-pandemic 'normal' was remarkable. The extent of permanent structural change appears to have been much less significant than many had anticipated. The substantial increase in online retail during the pandemic rapidly returned close to its pre-pandemic trend. Activity in the leisure and tourism sectors returned strongly, in part helped by an initial increase in staycationing. In fact, comparing employment by industry in Scotland pre- and post-pandemic reveals remarkable stability.

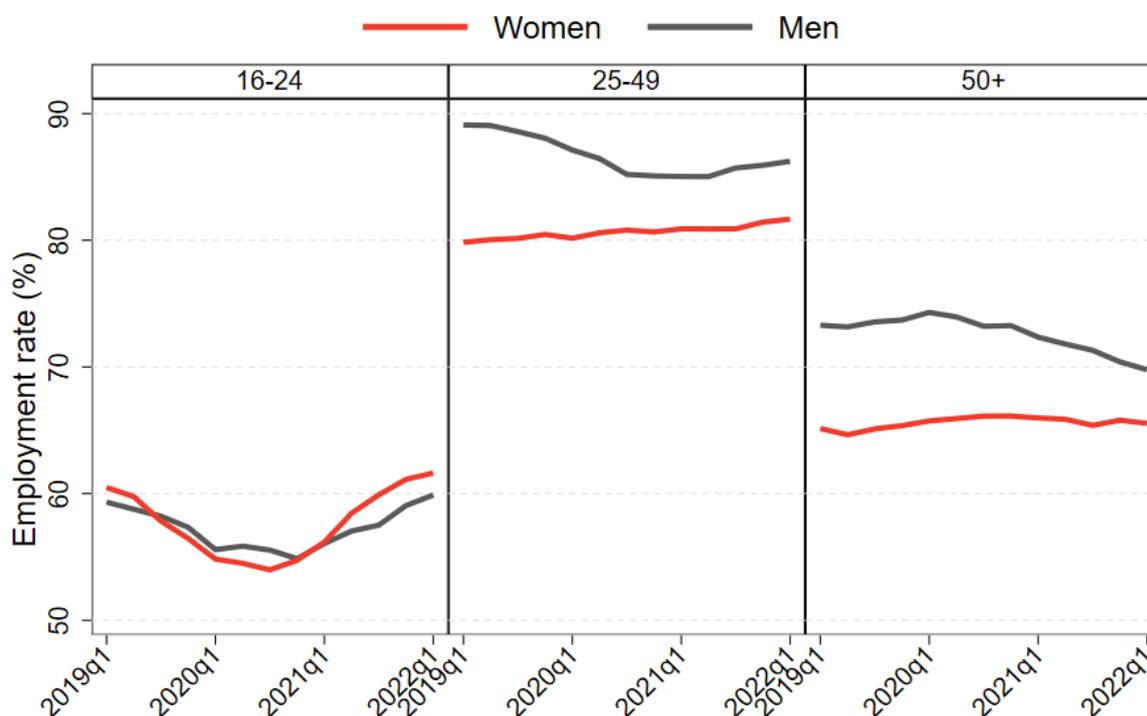
Comparing the period April 2019-March 2020 to April 2021-March 2022 reveals that employment in retail, construction and manufacturing is somewhat lower in the latter period compared to the former. But the differences are fairly marginal in the context of the disruption of the pandemic itself. None of the aforementioned sectors have seen their share of total employment in Scotland fall by more than one percentage point over the period. In aggregate, reductions in employment in these sectors have been almost entirely offset by increased employment in the public sector and professional services.

The expected rise in unemployment following the withdrawal of the furlough scheme in September 2021 did not happen, and in fact unemployment continued to fall. By the second quarter of 2022, the working age employment rate in Scotland had returned to 75%, in line with its pre-pandemic rate (having fallen to just below 74% during the pandemic). The unemployment rate was 3.2%, slightly lower than it was immediately prior to the pandemic.

Closer inspection of the data does reveal some differences in employment patterns by group pre- and post-Covid. Employment rates for men are slightly below pre-pandemic rates, whilst being somewhat above pre-pandemic rates for women (Chart 8.2). The decline in male employment rate from pre-to-post pandemic is particularly noticeable among older men, and amongst men with no qualifications – although the latter observation in particular is as much a continuation of a longer-term trend as it is of a 'Covid' effect.

Chart 8.2: The post-pandemic labour market looks similar to the pre-pandemic labour market for most groups

Employment rates by gender and age, Scotland



Source: FAI calculations from quarterly LFS data. Notes: All figures are smoothed using an annual moving average to account for seasonality.

The conclusion is that the pandemic itself appears to have had a much more muted permanent impact on the labour market, including employment and the distribution of hours and pay, than many had anticipated. One trend that has been observed during the pandemic is a modest uptick in economic inactivity – potential explanations for this are discussed in Box 8.1.

Whilst it is clearly positive that the pandemic did not result in elevated unemployment, the return to ‘normality’ in the labour market implies a return to the pre-existing features of the UK labour market, including relatively high levels of earnings inequality, and significant insecurity for a significant minority of workers (the percentage of people in employment who are on a zero-hours contract was 3.1% by the first quarter of 2022, compared to 3.0% in the first quarter of 2020).

Furthermore, whilst the labour market looks relatively unchanged at an aggregate level, this hides some deterioration in the fortunes of older males, particularly those with lower qualifications. Individuals who stopped working for an extended period during the pandemic, even if they spent some of this time ‘furloughed’, may face challenges in returning to the labour market if they have missed the opportunity to acquire new skills. In this respect, the pandemic may have an enduring legacy.

Box 8.1: The impact of the pandemic on economic inactivity

At the UK level, the onset of the pandemic coincided with an abrupt reversal of the 10-year trend of falling inactivity rates among the working age population.

The issue is shown in Chart 8.3. The working age inactivity rate fell steadily from 23.5% in 2010 to 20.5% in the first quarter of 2020. Once the pandemic hit, the inactivity rate increased abruptly to 21.5%, and shows little signs yet of returning to the pre-pandemic rate.

At UK level, some have attributed the rise in economic inactivity to rising rates of chronic illness, combined with backlogs in NHS diagnostic and treatment times (e.g. Burn-Murdoch 2022⁴).

Others have argued that rising working age inactivity is more likely attributable to early retirement for voluntary reasons. Research at the UK level (Boileau and Cribb, 2022⁵) concludes: 'the rise in economic inactivity among 50- to 69-year-olds does not look to be driven primarily either by poor health or by low labour demand leading to people being unable to find work and becoming discouraged. It looks more consistent with a lifestyle choice to retire in light of changed preferences or priorities, possibly in combination with changes in the nature of work post-pandemic (in particular more remote work) which reduce the appeal of staying in employment.'

Existing research finds no evidence that long-Covid itself accounts for the rise in economic inactivity. Waters and Wernham, 2022⁶ for example find that people suffering from long-Covid are more likely to be on sick leave than people who are not suffering from long-Covid, but not that long-Covid is associated with job loss. This research was undertaken using data from 2021. Caution needs to be applied in extrapolating the results into 2022 given the changing nature of long-Covid. But on the basis of this research, long-Covid is not a significant factor in the increase in inactivity since the pandemic (since those on sick leave are still technically in employment rather than being 'inactive').

Scotland's trend in economic inactivity during the past few years has been slightly different from the UK's. In particular, Scotland's inactivity rate ceased falling in about 2015, several years before the pandemic. By late 2019 and Q1 2020, the working age inactivity rate in Scotland was almost two percentage points higher than in the UK as a whole. But the period of the pandemic itself witnessed a less marked change in the working age inactivity rate in Scotland compared to the UK.

There is no single explanation as to why the working age inactivity rate in Scotland increased relative to the UK rate. Since 2015, the inactivity rate in Scotland has grown relative to the UK because of a combination of relative growth in the proportion of the working age who are retired, students and long-term sick. The explanation for the relative rise in inactivity in Scotland before the pandemic is thus difficult to pin on a single factor, or a particular demographic group. However, the gap in inactivity rate is now mainly an issue for Scottish men, with inactivity for Scottish women broadly in line with the UK.

What can we conclude from this? At the UK level, the pandemic knocked the long-term trend of declining economic inactivity off-course. Explanations relate to both an increase in early retirement and an increase in health problems, and it remains to be seen to what extent either of these issues might 'reverse' in the near future.

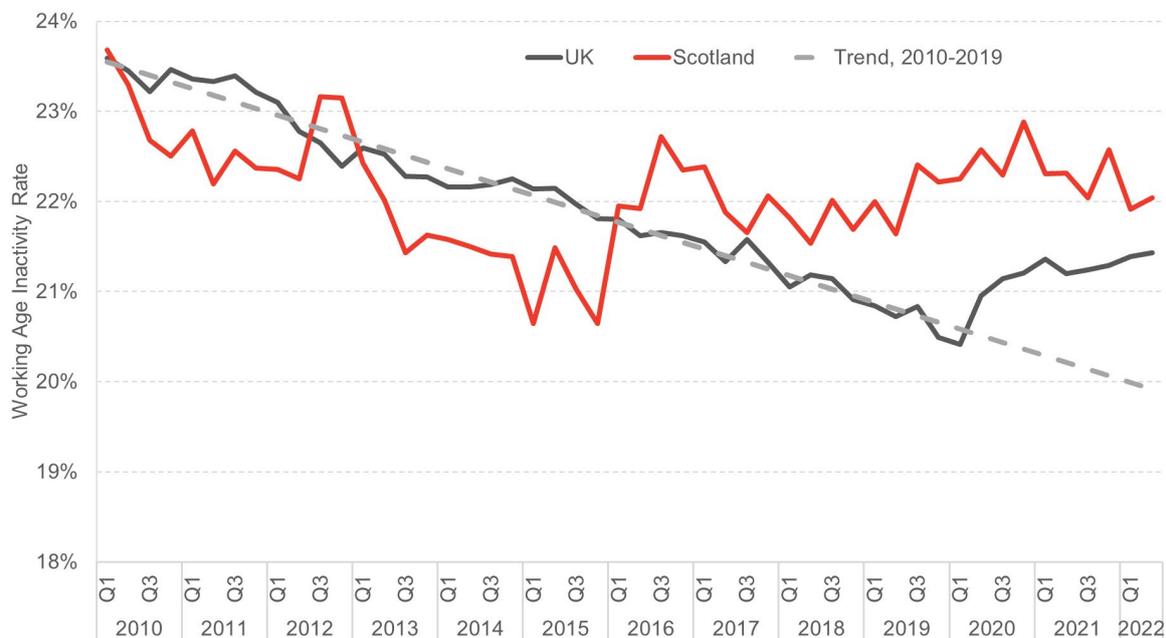
⁴ Chronic illness makes UK workforce sickest in developed world <https://www.ft.com/content/c333a6d8-0a56-488c-aeb8-eeb1c05a34d2>

⁵ <https://ifs.org.uk/publications/rise-economic-inactivity-among-people-their-50s-and-60s>

⁶ Source: <https://ifs.org.uk/publications/long-covid-and-labour-market>

We can assume that similar issues underpin recent modest increases in inactivity post-pandemic in Scotland. But inactivity in Scotland had actually begun ticking up relative to the UK before the pandemic, and it is not immediately obvious what might lie behind this.

Chart 8.3: UK and Scottish working age inactivity rate, Q1 2010 – Q2 2022



Source: FAI analysis of quarterly labour force survey

Poverty and household income inequality fell during the pandemic itself

During the pandemic itself, inequality of household income actually declined slightly, as did the relative poverty rate. This reflected to a large extent the temporary, £20 per week uplift in Universal Credit, together with the effect of the furlough and self-employed income support schemes in supporting incomes. (The data on household incomes in Scotland in 2020/21 has not been designated as official statistics, given the challenges of collecting data during that year; but the general conclusion that poverty and inequality fell during the pandemic itself is intuitive in the context of the policy changes, and borne out by findings for the UK as a whole from a variety of different sources – see Blundell et al. 2022 for discussion).

Data on the distribution of household income in 2021/22 is not yet available. It seems reasonable to assume that, by early 2022, the distribution of household income does not look markedly different from how it looked pre-pandemic. The temporary uplift to Universal Credit has been unwound, leaving the social security system broadly unchanged. And, as noted above, the labour market in broad terms looks fairly similar to what it looked like pre-pandemic.

But whilst the picture on household income in early 2022 probably looks fairly similar to the picture in early 2020, that story is likely to change substantially as 2022 progresses. Later in this chapter we discuss the significant impact that rising inflation, and energy bills in particular, are likely to have on household incomes through 2022 and into 2023.

The pandemic has left a challenging legacy for the NHS

The NHS was under huge pressure before the pandemic. Workforce challenges and increasing demand – as a result of demographic change and increasing costs – were straining the achievement of targets and delivery of outcomes.

The pandemic has accentuated many of those challenges. NHS activity declined dramatically during the first wave of the pandemic to enable the NHS to cope with the direct effects of the virus, the impact of staff absence through illness with the virus, and the need to maintain distancing restrictions within NHS premises. As restrictions were lifted, NHS activity increased, but in many cases it remains below pre-pandemic levels, resulting in an increase in treatment backlogs and waiting times.

As one example, Chart 8.4 shows the number of patients waiting for various diagnostic tests in Scotland. The number of patients awaiting a test has been increasing steadily since the start of the pandemic. Additionally, a growing proportion of patients are waiting longer for those diagnostic tests. The risks that testing delays pose for the subsequent health of the population are fairly self-evident.

Another indicator of the challenges facing the NHS can be seen in Accident and Emergency waiting times. Chart 8.5 shows that the percentage of emergency department attendances admitted, discharged or transferred within four hours has declined significantly since pre-pandemic. This reflects a similar trend in England. Research using English data shows that delays to hospital inpatient admission for patients in excess of 5 hours from time of arrival at the emergency department are associated with an increase in all-cause 30-day mortality (Jones et al. 2022). This association has been posited as an explanation for increased excess death rates in England in 2022 (Burn-Murdoch, 2022).

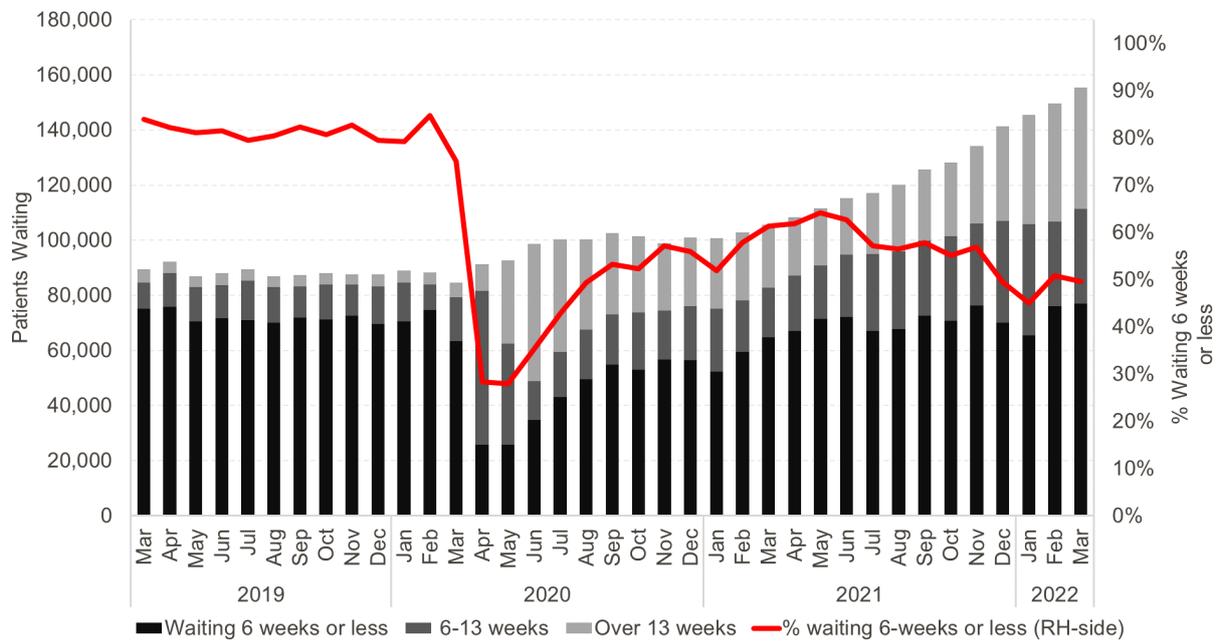
Potential explanations for increased delays in treatment of emergency cases include a lack of capacity, both in terms of NHS staff, and physical capacity within hospitals. Lack of capacity may in part be due to a rise in the number of hospital spaces occupied by people who no longer need to be in a hospital – so-called ‘delayed discharges’. Between September 2021 and January 2022, an average of 1,600 hospital beds in Scotland per day were occupied due to delayed discharges, somewhat higher than the figure of 1,500 for the same 5-month period in 2019/20⁷.

NHS Scotland funding is higher now than it was pre-pandemic. The health budget is on course to be 15% higher in real terms in 2022/23 than it was in 2019/20. However, in the context of the scale of the challenges facing the NHS – in combination with pre-existing challenges including demographic change and more complex treatments – further substantial funding increases will be required over a prolonged period if these challenges are to be addressed.

⁷ Source: Public Health Scotland, delayed discharges monthly statistics <https://publichealthscotland.scot/publications/delayed-discharges-in-nhsscotland-monthly/delayed-discharges-in-nhsscotland-monthly-figures-for-june-2022/#section-1>

Chart 8.4: There is a growing backlog of diagnostic tests, and more people are waiting longer for those tests

Number of patients waiting and percentage waiting six weeks or less for one of eight key diagnostic tests



Source: Public Health Scotland. Notes: The eight key tests and investigations are upper endoscopy, lower endoscopy (excl. colonoscopy), colonoscopy, cystoscopy, CT scan, MRI scan, barium studies and non-obstetric ultrasound.

Chart 8.5: A&E calls are much less likely to be answered within four hours than three years ago

Percentage of emergency department attendances seen and admitted, discharged or transferred within four hours



Source: Public Health Scotland, Emergency Department activity and waiting time statistics.

The cost-of-living crisis will have a regressive impact on disposable household incomes; a majority of low-income households were already in fuel poverty before the current crisis

The speed at which the cost of living crisis has emerged is striking. In September 2021, annual CPI inflation was running at 3.1%. In its October 2021 forecasts, the OBR expected CPI inflation would peak at 4.4% in 2022, as the effect of global supply-chain blockages fed through to general prices. By March 2022 the impact of the war in Ukraine on energy and food prices, plus bigger than anticipated supply-chain blockages, had caused the OBR to revise up its inflation forecast to a peak of 8.7% in late 2022. By June 2022, inflation had reached 9.4%, and by August, the Bank of England was projecting that inflation would peak at 13% in 2022, before gradually falling back to closer to 2% by 2024.

Price inflation erodes real disposable incomes. In its Monetary Policy Report of August 2022, the Bank of England estimated that real post-tax incomes would fall by 1.5% in 2022 and by 2.25% in 2023.

A fall in real household income of almost 4% in two years, if it comes to pass, would represent an even steeper fall in incomes than observed during the height of the post financial crisis living standards crisis. Between 2009/10 and 2011/12, real disposable incomes fell by around 3.5% in the UK and Scotland.

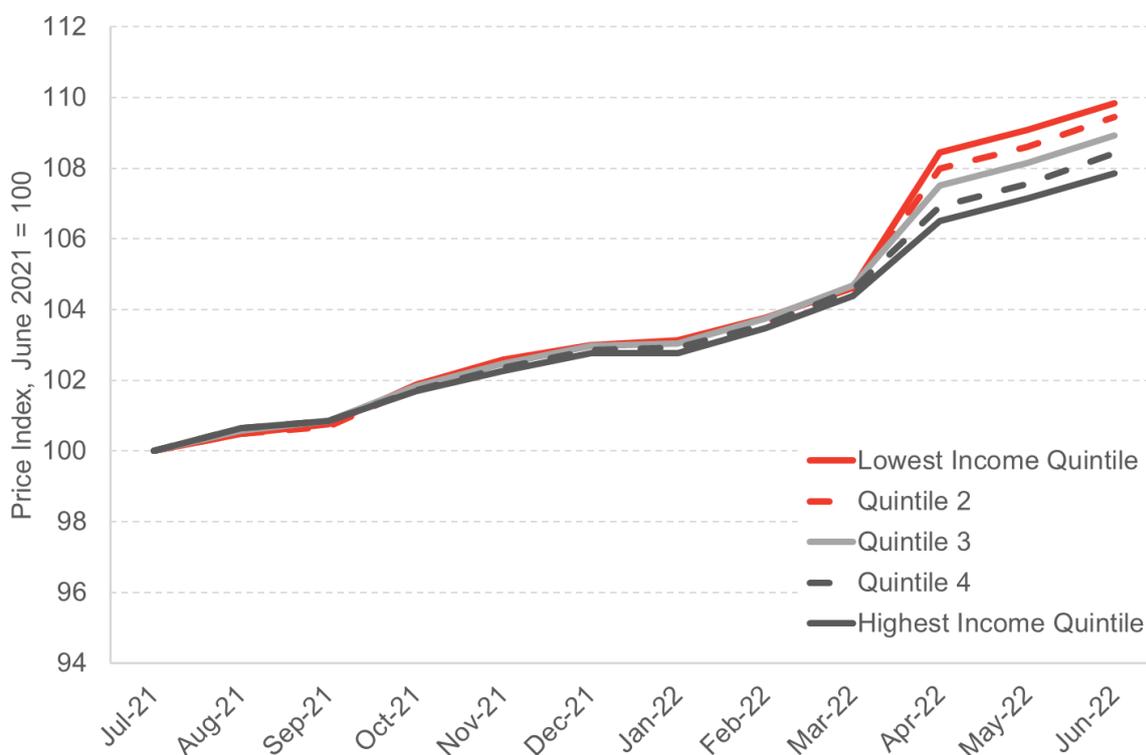
But there is one critically important difference between what happened to household incomes post financial crisis and what is likely to happen in 2022 and 2023, and this relates to the distributional effects of the living standards change.

Falling household incomes post the financial crisis were fairly evenly felt across the distribution of household income. But the current crisis is likely to be much more regressively felt. Rising inflation is particularly devastating for low-income households. This is particularly true in the current crisis given that a larger proportion of low-income households' spending is on essential energy and food items that are seeing the biggest price rises. It also reflects the fact that low-income households are typically already spending all their income and hence have no buffer, that they have little ability to substitute towards cheaper product lines, and they have fewer savings to fall back on to tide them over for a temporary period.

The ONS has produced estimates of the inflation rates faced by different groups, given the different baskets of goods and services that those households typically consume. Chart 8.6 shows that, in the year to June 2022, the effective inflation rate experienced by households in the lowest income quintile was 10%, compared to 9% for households in the middle of the income distribution and 8% for households in the highest income quintile.

Chart 8.6: Low income households have been exposed to a higher rate of inflation than high income households

Price indices by equivalised disposable income quintiles, July 2021 to June 2022, UK, June 2021 = 100



Source: Office for National Statistics, CPIH-consistent inflation rate estimates for UK household groups

.These inflation rates are what has been experienced during the 12 months to June. The distributional consequences of inflation over the next six months are likely to be even more pronounced as inflation picks up further.

A major component of increases in inflation during the past year has been energy bills. The effect of rising energy wholesale prices on consumers has been slightly lagged as a result of the operation of the price cap. Nonetheless, the impact of energy bills is stark. During the winter of 2021/22, the default energy price cap set by Ofgem equated to a bill of £1,277 for a 'typical household with medium use'. By summer 2022 this cap had increased to £1,971.

The cap was on course to reach around £3,500 in October 2022 before this was superseded by the UK government's 'Energy Price Guarantee'. This effectively caps the typical household dual fuel energy bill (for a customer paying by direct debit) at £2,500.

The intervention complements previously announced policy measures to mitigate the impact of rising energy bills, including a £400 rebate to all consumers, a £150 rebate to households in council tax bands A-D (a policy replicated in Scotland and England), additional payments of £650 to households on means-tested benefits, and an additional £300 payment to pensioner households.

These interventions will go a long way towards avoiding what would otherwise have been a catastrophe in living standards, with potentially huge implications for wellbeing amongst lower-income households.

At the same time, it needs to be remembered that the impact of rising energy bills, and inflation more generally, is likely to make the coming winter a difficult one. Many low-income households do not receive means tested benefits. Households who have come off a fixed rate deal in the last year onto the default tariff are likely to see their expenditure on energy rise significantly, even after the effects of the Energy Price Guarantee and other interventions.

Households in Scotland typically spent around 5% of their disposable income on energy before the pandemic. But low income households typically spent twice this amount, and a reasonable proportion of low-income households spent significantly more than this (Chart 8.7).

In fact, one quarter of Scottish households were already in 'fuel poverty' before the current crisis, according to official data. The official definition of fuel poverty in Scotland was set out in the Fuel Poverty (Targets, Definition, Strategy) (Scotland) Act 2019. That Act determines that a household is in fuel poverty if two conditions hold:

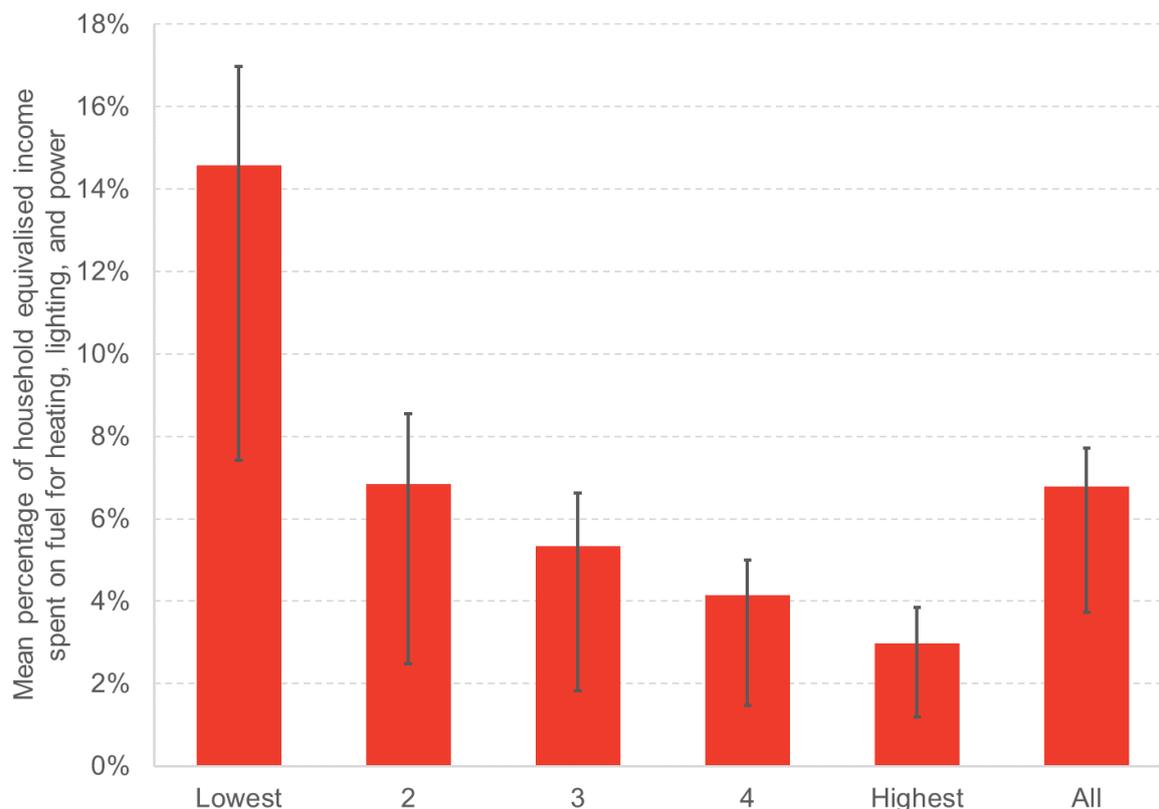
- First, that in order to heat the home to a satisfactory level, the household would need to spend more than 10 per cent of its net income on fuel; and
- Second, if, after deducting those fuel costs, and other essential costs associated with disability, care needs or childcare, the household's income is below 90% of the UK Minimum Income Standard.

The definition therefore is not based on what a household actually spends on fuel, but on what they need to spend to heat their home to an acceptable level.

In 2019, the most recent year for which data are available, a quarter of Scottish households were in fuel poverty according to this definition. Fuel poverty was unsurprisingly higher amongst the lowest income households (96% of those with weekly incomes below £200 were in fuel poverty). Fuel poverty was also higher for those on a pre-payment metre, 36% of whom were in fuel poverty.

Chart 8.7: Low income households spend proportionately more of their income on fuel

Household expenditure on fuel as a percentage of income by income quintile, Scotland, 2019



Source: FAI analysis of Scottish Household Survey 2019. N = 2,757. Notes: error bars do not show confidence intervals, but show spending on fuel as a percentage of income at the 25th and 75th percentiles within each income quintile. For the first quintile for example, median expenditure on fuel is just over 10 per cent of income, but one quarter of households in the first quintile spend less than four per cent of income on fuel, and one quarter spend more than 15 per cent of income on fuel.

Conclusions

There was a marked socioeconomic gradient in the health impact of Covid-19. Mortality rates were over twice as high in Scotland’s most deprived fifth of neighbourhoods relative to the least deprived fifth. There is emerging evidence of a socioeconomic gradient in the prevalence of long-Covid.

The pandemic thus provides another stark demonstration of the way that socioeconomic inequalities influence the risks of ill-health and premature death.

The pandemic itself, and the restrictions on daily lives that it necessitated, also influenced existing socioeconomic inequalities. School closures drove a large increase in inequalities in educational attainment, as those from more advantaged backgrounds had access to better learning materials, facilities and support. The extent to which some of the pandemic has a permanent impact on attainment inequalities for the Covid-cohort remains to be seen.

Inequalities in wealth seem very likely to have increased, both because of the increased savings of higher income households, and the appreciation in asset values.

The height of the pandemic saw huge disruption to the labour market as restrictions were imposed. However, in many ways the permanent impact of Covid on the labour market has not been as significant as many people anticipated. There was no significant rise in unemployment when the furlough scheme was withdrawn. Structurally, the share of employment across different sectors of the economy has demonstrated remarkable stability given the length of the pandemic-related restrictions and the risks that these caused permanent shifts in consumer behaviour.

The most significant permanent impact of the pandemic on the labour market may be the increase in home-working. Since it is among higher paid jobs that home-working is most commonly feasible, this shift will have some implications for inequality, since home-working can help avoid the cost and time implications of commuting. The pandemic may also have induced a modest cohort of (mainly older, less qualified) men to leave the labour market, and some of this effect may become permanent.

The pandemic has had a devastating impact on the NHS. Waiting times and waiting lists remain significantly elevated on pre-pandemic levels, in large part due to the backlogs that built-up during the peak of the pandemic. Addressing the challenges will require sustained investment in resources, staffing and systems over coming years.

The Scottish economy was barely returning to something resembling normality in early 2022 when the Ukraine war turned a modest inflationary problem into a full-blown cost-of-living crisis. UK government intervention to mitigate the worst of the impact of rising energy costs should avoid what would otherwise have been a major catastrophe for living standards.

But it will still be a difficult winter for many households. A quarter of Scottish households were in fuel poverty in 2019, well before the sharp rise in costs observed this year.

The potential impacts of the current crisis on health are serious. Living in a cold home is associated with higher risk of cardio-vascular and respiratory diseases, and higher risk of respiratory infections (Marmot Review Team, 2011). Living in a cold or damp home is also associated with a variety of mental health stressors, including persistent worry about debt and affordability, physical discomfort and worry about the consequences of cold and damp for people's health (Liddell and Guiney, 2015). Cold housing also negatively affects children's educational attainment, emotional well-being and resilience, whilst fuel poverty negatively affects dietary opportunities and choices (Marmot Review team, 2011).

It is difficult to foresee how the socioeconomic determinants of health might evolve longer-term, especially given current levels of volatility in both economic and political circumstances. At the time of writing, the UK government is openly discussing the possibility of making real terms cuts to working age benefits, and seeking further 'efficiency savings' from public services spending.

Both these policy responses, if enacted, would widen socioeconomic inequalities, and reduce access to support services for those most in need. This review has shown that improvements in the socioeconomic determinants of health can and have been achieved at times in the past when the political will exists to enact the type of policies that matter for the right reasons.

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