Worries about affording essentials in a high-inflation environment

Key findings

Prices of essentials like food and energy have increased rapidly over the past year. New data from a representative sample of 27,000 respondents to the OECD Risks that Matter (RTM) survey offers insights into how people are coping with surging prices across 27 OECD countries.

- Nine out of ten respondents report being somewhat or very concerned about inflation and costs of living in their country, given current events.
- Nearly half (47%) of respondents across RTM countries report that they are somewhat or very concerned about their ability to pay for all four of the essential spending categories: food, housing costs, energy, and servicing debt.
- Parents and respondents in lower-income households are especially worried about paying for all four essentials: on average across RTM countries, just under 54% of parents report being concerned about this, compared around 43% of non-parents. Similarly, 53% of respondents in the bottom-income quintile feel worried about paying for these essentials on average, compared to 39% of the highest-income quintile.
- On average across RTM countries, only one-third (33%) of respondents report feeling confident that government assistance would be sufficient to help them if they experienced financial trouble. Respondents are comparably more likely to rely on friends and family or opt to take on more work to get through troubles.
- However, respondents think that governments should focus more on helping people deal with costs of living this year: 73% of respondents report thinking that their government should prioritise “helping people deal with rising costs of living” more or much more in the coming year.

The recent hike in energy and food prices represents a cost that governments, companies and workers cannot absorb independently. A fair sharing of costs across these actors is needed to help vulnerable households cope with inflationary pressure. OECD governments have at least two relatively easily implementable social policy tools to help vulnerable households cope with inflationary pressure:

- Governments can assist the most vulnerable households cope with rising costs by ensuring that means-tested support and other transfers that support the most vulnerable are regularly adjusted to ensure that they keep operating as intended. This can help cushion inflationary impacts on households that have affordability concerns.
- Where governments already target cash transfers to lower-income groups, they can more easily provide ad hoc support to vulnerable households. Scaling up existing benefits is typically more effective – both in terms of poverty alleviation and inflation outcomes – than general cash transfers or price support measures.
Costs of living increased rapidly in 2022, and households throughout the OECD are worried

Prices across OECD countries have risen at an exceptionally fast pace over the last year. In October 2022, when the Risks that Matter (RTM) survey was fielded (see Box 1), the year-on-year inflation rate across the OECD was 10.7%, ranging from 85.5% in Türkiye to 3.0% in Switzerland. High inflation, and the associated rises in interest rates, have raised households’ living costs on multiple fronts.

Rising food, housing and energy costs mean many households are struggling to afford basic necessities. As it is difficult to cut back on essentials, many households are looking for strategies to cope, such as bolstering their income through additional work, getting help from family and friends, taking on debt, or seeking support from social safety nets. In this environment, governments in the OECD play an essential role in supporting households struggling to pay for essentials, and many have already made considerable efforts to cushion price rises. Going forward, governments face the challenge of sustainably supporting the most vulnerable households to avoid wider socio-economic problems such as poverty, hunger, cold, and evictions now, as well as potential longer-term consequences of these phenomena, particularly for children.

The 2022 wave of RTM indicates that a large majority of working-age (18- to 64-year-old) people, across the 27 OECD countries in the survey, are worried about coping with the rapid price increases. Respondents report that inflation and costs of living are major concerns when thinking about the situation in their country. On average across countries, 91% of respondents report being somewhat or very concerned about inflation and costs of living in their country given current events. This is in line with findings from other recent surveys in which respondents are most likely to report that rising prices/inflation/costs of living is one of the two most important issues currently facing the EU (Eurobarometer Survey, 2023[1]; Eurobarometer Survey, 2022[2]).

As expected, inflation is eating into the spending power of a large share of households. Concerns about costs of living are both personal and immediate. Nearly half (47%) of respondents across RTM countries report that they are somewhat or very concerned about their ability to pay for all four of the necessary spending categories of “essential food products”, “housing costs”, “home energy costs”, and “rising costs of paying off/down debt” (Figure 1). These four spending categories were chosen from the longer list of costs since they often are relatively large portions of overall spending, typically difficult to adjust down in the short term, and not paying for them can result in significant longer-term negative consequences. Disaggregating these into individual concerns, the ability to pay for energy costs is the most commonly reported concern, with 81% of respondents on average reporting that they are somewhat or very concerned about paying home energy bills. Many are also worried about the affordability of individual categories of essential food products (75%), fuel for their personal vehicle (70%), housing (67%), and paying off/down debt (62%) (OECD, 2023[3]).

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1 The figure refers to the unweighted average of the 27 OECD countries for which data are available. Respondents were asked the question: “Given current events, how concerned are you about each of the following in [country]?” Inflation and cost of living and were able to choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”.

2 It is not only inflation rate than determines whether people struggle to afford essentials. In fact, no clear cross-national relationship was found between inflation rate and the proportion of people who report being worried about inflation. The experience of respondents can be influenced by a number of political and economic factors. Correlations may also be weak because so many respondents worry about inflation across countries that there is little cross-country variation (for further discussion see (OECD, 2023[3])).

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Figure 1. Nearly half of all respondents are worried about paying for essentials

Proportion of respondents who report being somewhat or very concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt) and the single item of home energy costs, by country, 2022

<table>
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<th>Country</th>
<th>Concerned about paying for food, housing, home energy and debt (%)</th>
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<td>Average</td>
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Note: Respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household’s ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Data present the share of respondents who indicated “somewhat concerned” or “very concerned” to all four of the response choices, food, housing, home energy and debt and the single item of home energy costs. RTM data include respondents aged 18-64. Source: OECD Risks that Matter Survey 2022, http://oe.cd/rtm.

This brief focuses on those who are concerned about their household’s ability to pay for all of the four essentials of food, housing, energy, and debt. The rest of this brief will therefore build a considerable part of its analysis on looking into the risk profiles, characteristics and needs of this most vulnerable group.

Comparing responses across RTM surveys over time confirms that households have indeed experienced a change in spending power, with relatively more people across countries worried about paying for expenses in 2022 than in previous years. This increase is especially notable since it has happened despite comparing results from the depth of the COVID-19 pandemic in 2020 with results from 2022, when OECD countries were experiencing a relatively strong economic recovery from the COVID-19 crisis.

For the first time since RTM was first conducted in 2018, the most common short-term worry is no longer fear of ill health or disability. Now, instead, worries about affording expenses surpass worries about staying healthy. 65% of respondents in 2022, on average cross-nationally, say they are somewhat or very concerned about paying all expenses and making ends meet, compared to 60% who report being somewhat or very concerned about becoming ill or disabled (Figure 2).

The 65% of respondents in 2022 worried about making ends meet represents an increase of around six percentage points, from 59% in 2020, while the proportion who said that they were worried about losing their health remained largely stable, falling marginally from 61% (Figure 2).
Figure 2. Concerns about the ability to pay for expenses are more widespread in 2022 than in 2020

Proportion of respondents who report being somewhat or very concerned about not being able to pay all expenses and make ends meet (Panel A) and about becoming ill or disabled (Panel B) over the two coming years, by country, 2020 and 2022.

Note: Average proportion refers to the unweighted average across the 25 countries that participated in both the 2020 and the 2022 waves. Respondents were asked the question: “Thinking about the next year or two, how concerned are you about each of the following? Becoming ill or disabled/Losing a job or self-employment income/Not being able to find/maintain adequate housing/Not being able to pay all expenses and make ends meet/Not being able to access good-quality child care or education for your children (or young members of your family)/Not being able to access good-quality long-term care for elderly family members/Not being able to access good-quality long-term care for young/Being the victim of crime or violence/(only for 2022: Having to give up my job to care for children, elderly relatives, or relatives with illness or disability)/(only for 2022: Accessing good-quality healthcare)”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Data present the share of respondents who report “somewhat concerned” or “very concerned.” Latvia and United Kingdom were only included in the 2022 wave. RTM data include respondents aged 18-64.

The 2022 wave of RTM asked about respondents’ concern about their perceived access to good-quality healthcare – the first time this question has been asked. Accessing good-quality healthcare is also important to many respondents, with 65% reporting that they are somewhat or very concerned about this.³

At the same time, fewer respondents are worried about losing their job or self-employment income in 2022 than in 2020 (Figure 3). The job insecurity at the peak of the COVID-19 pandemic was reflected in the RTM results from autumn 2020, with 55% of respondents across countries reporting that they were concerned about losing their job (for more about the impacts of COVID-19, see (OECD, 2021[4]). In 2022, the proportion worrying about losing their job or self-employment income in the coming two years had fallen to 51%.⁴

At the same time, it may be surprising that around half of respondents are still worried about job security in 2022, given the tight labour markets experienced across OECD countries in 2022. However, it is possible that widespread worries about job loss reflect deeper insecurities that societies and economies face while they respond to the longer-term fallouts from policy responses to the COVID-19 pandemic and Russia’s war of aggression in Ukraine. For instance, high inflation raises the stakes for keeping a job, since living cost increases mean that household budgets become more squeezed. It is also expected that as central banks across the OECD raise interest rates in response to high inflation, unemployment rates may rise in the near future. Indeed, looking ahead over the coming two years, it is probably not unreasonable that many respondents still worry about losing work after all.

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³ Respondents were asked the question: “Thinking about the next year or two, how concerned are you about each of the following? Becoming ill or disabled/Losing a job or self-employment income/Not being able to find/maintain adequate housing/Not being able to pay all expenses and make ends meet/Not being able to access good-quality child care or education for your children (or young members of your family)/Not being able to access good-quality long-term care for elderly family members/Not being able to access good-quality long-term care for young/Being the victim of crime or violence/Having to give up my job to care for children, elderly relatives, or relatives with illness or disability/Accessing good-quality healthcare”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”.

⁴ This roughly aligns with findings from Randstad’s Workmonitor 2023 indicating that 52% of respondents across regions report that they are “worried about the impact of economic uncertainty on [their] job security” (Randstad, 2023[15]).
Figure 3. Fewer people worry about losing their income from work in 2022 than in 2020, but around half still report being concerned

Proportion of respondents who report being somewhat or very concerned about losing a job or self-employment income over the two coming years, by country, 2020 and 2022

Note: Average proportion refers to the unweighted average across the 25 countries that participate in both the 2020 and the 2022 waves. Respondents were asked the question: "Thinking about the next year or two, how concerned are you about each of the following? Becoming ill or disabled; Losing a job or self-employment income; Not being able to find/maintain adequate housing; Not being able to pay all expenses and make ends meet; Not being able to access good-quality child care or education for your children (or young members of your family); Not being able to access good-quality long-term care for elderly family members; Not being able to access good-quality long-term care for young; Being the victim of crime or violence (only for 2022: Having to give up my job to care for children, elderly relatives, or relatives with illness or disability) (only for 2022: Accessing good-quality healthcare)". To each category, respondents were able choose between the following options: "not at all concerned"; "not so concerned"; "somewhat concerned"; "very concerned"; "can’t choose". The bars present the share of respondents who report "somewhat concerned" or "very concerned." Latvia and United Kingdom were only included in the 2022 wave. RTM data include respondents aged 18-64.


Parents and those in lower-income households are particularly concerned about affording essentials

Households that experience smaller budget margins are more likely than their better-off peers to report being squeezed on all four of the categories of essential spending: food, housing, energy and debt. Figure 4 shows the simple average proportion across RTM countries that report being concerned by their household’s ability to pay for essentials, by sociodemographic characteristics, income and worker status.

Parents and lower-income households are among those most likely to report feeling concerned. On average across RTM countries, a majority (54%) of parents to at least one child under the age of 18 report being worried about paying for the four essentials of food, housing, energy, and debt, compared to just 43% of respondents without a child under 18.

There is also a clear income gradient in shares reporting feeling concerned about paying for essentials, with 53% of the bottom-income quintile feeling worried about this, on average, compared to no more than 39% of the highest-income quintile (Figure 4). While lower-income households are most likely to report being worried on average across countries, the high proportion of higher-income respondents who report feeling worried reflect the wide-reaching implications of high inflation rates.
Figure 4. Parents and those in lower-income households are more likely to worry about paying for the basic essentials than their peers

Average proportion of respondents who report being somewhat or very concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt), by respondent characteristics, 2022

Note: Parents refer to parents of children under the age of 18. Incomes refer to equivalised disposable household income. Income quintiles refer to the division of respondents into five groups based on their reported income, where Q1 refers to respondents with incomes among the lowest 20% and Q5 refers to respondents with incomes among the highest 20%. Respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household's ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able to choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. The bars present the share of respondents who report “somewhat concerned” or “very concerned” to all four of the response choices, food, housing, energy and debt. RTM data include respondents aged 18-64.

Zooming in on the respondents who report being concerned about their household’s ability to pay for all four essentials (food, housing, energy and debt) shows that income groups are affected differently across countries. For instance, in Türkiye and Poland, the respondents in the bottom-income quintile are almost equally likely to report being concerned as those in the top-income quintile. Conversely, in countries like Israel, Ireland, and Switzerland, those in low-income households are much more likely to feel pinched than those in the top-income households (Figure 5, Panel A).

Parental status has a more consistent outcome across countries: parents of dependent children feel less financially secure than respondents without dependent children (Figure 5, Panel B).
Figure 5. Income matters more in some countries than others, while parents are squeezed across countries

Proportion of respondents who report being somewhat or very concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt), by income quintile (Panel A) and parental status (Panel B), and country, 2022

Panel A: Income quintiles

Panel B: Parental status

Note: Parents refer to parents of children under the age of 18. Incomes refer to equivalised disposable household income. Income quintiles refer to the division of respondents into five groups based on their reported income, where Q1 refers to respondents with incomes among the lowest 20% and Q5 refers to respondents with incomes among the highest 20%. Respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household’s ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able to choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Data present the share of respondents who indicated “somewhat concerned” or “very concerned” to all four of the response choices, food, housing, home energy and debt. Panel A includes only respondents who fall into either quintile 1 or quintile 5, whereas Panel B includes all respondents. RTM data include respondents aged 18-64.

Respondents want governments to do more to address high costs of living

RTM 2022 asks respondents how they would cope if they ran into financial trouble, such as not being able to cover their costs. As in previous years, respondents across countries are most likely to say they would rely on friends and family or take on more work in the event of financial trouble. On average across RTM countries, 55% of respondents report that they feel somewhat or very confident that a friend or family member would be able and willing to help out, and 53% of respondents report that they feel somewhat or very confident that another adult in their household could work more to bring in more money. Only one-third (33%) say they feel confident that government support would be sufficient. There are only small differences (and often not statistically significant) across those who report being concerned about paying for all essentials and those who do not (Figure 6).

However, it is worrying that taking on (more) debt is a commonly-cited coping mechanism among those who are already concerned about affording all of the four essentials (food, housing, energy – and, crucially, paying off/down existing debt). Among the vulnerable respondents who report being concerned about their ability to afford all four essentials (food, housing, energy, and debt), on average across countries, 40% report that they would apply for a loan or take on (more) debt from a bank or financial institution. In contrast, on average cross-nationally, only 33% of those who do not report being concerned about paying for all essentials report that they would take on debt. These differences are especially high in countries like Korea (20 ppts) and Belgium (19 ppts).

Taking on (more) debt can be a useful way to smooth consumption – for instance when purchasing higher-cost items or durable goods. However, it is concerning if households take on short-term debt to keep up with recurring bills, existing debt repayments and essential consumption, such as food or energy. While it is not certain that financially vulnerable households would be able to secure a loan, more debt in an environment of high and rising interest rates could mean that households risk facing higher – and potentially unsustainable – future costs.

Indeed, respondents in lower- to middle-income households may be more exposed to these risks than others. While lower-to middle-income households are less likely to hold debt than the highest-income households, indebted lower-income households tend to have high debt service-to-income ratios (OECD, 2015[5]; Dieckelmann and Metzler, 2022[6]).

Another troubling finding is that more respondents who report being worried about being able to pay for essentials say that they would plan to rely on (more) debt, rather than count on government support. Only 35% of vulnerable respondents expect that government assistance would be sufficient to support them through financial difficulties.

5 However, in a small number of countries, those who report being concerned about paying for all of the four essentials are less likely to report that they would apply for (additional) debt compared to those who do not report being concerned about all four essentials.
WORRIES ABOUT AFFORDING ESSENTIALS IN A HIGH-INFLATION ENVIRONMENT © OECD 2023

Figure 6. Those worried about paying for essentials are more likely to plan on taking on (more) debt than rely on government assistance being sufficient if they experience financial trouble

Average proportion of respondents who report being somewhat or very confident that they would receive support from each category if they and their household were to experience financial trouble (such as not having enough income or savings to pay the bills), by whether or not they report being concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt), 2022

Note: The two bars represent subgroups defined by financial precarity. “Do report being concerned about paying for all essentials” refers to respondents who report being “somewhat concerned” or “very concerned” about paying for all four essentials (food, housing, energy, and debt). “Do not report being concerned about paying for all essentials” refer respondents who report being “not at all concerned”, “not so concerned” or “don’t know” about paying for at least one of the four essentials. All respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household’s ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Respondents were also asked the question: “If you and your household were to experience financial trouble (such as not enough income or savings to pay the bills), how confident are you that: Another adult in your household would help out/A friend or family member would be able and willing to help out/Cash benefits and services provided by government would sufficiently support you through the financial difficulties/Cash benefits and services provided by charity or non-profit institutions would sufficiently support you through the financial difficulties/You would apply for a loan or take on (more) debt from a bank or financial institution”. To each category, respondents were able to choose between the following options: “not at all confident”; “not so confident”; “somewhat confident”; “very confident”; “can’t choose”. Bars present the share of respondents who indicated “somewhat confident” or “very confident” to each category of support. RTM data include respondents aged 18-64.

While only one-third (33%) of respondents report being somewhat or very confident that government assistance would sufficiently support them through financial trouble (Figure 6), a majority thinks government should give greater priority to helping people deal with the current cost-of-living crisis (Figure 7).

Indeed, most respondents say “helping people deal with rising costs of living” should be a top policy priority for their national government this year. On average cross-nationally, 73% of respondents report that they think their government should prioritise this more or much more in the coming year. Relatedly, many respondents also think their government should prioritise the associated issues of supporting vulnerable older people and low-income people – two groups also disproportionately impacted by the cost-of-living crisis. Improving job quality and dealing with climate changes are also top issues that respondents would like to see governments prioritise (Figure 7).
Issues directly related to COVID-19 – such as addressing the long-run mental and physical health effects of COVID-19, preventing or limiting new outbreaks of contagious illnesses and helping parents adapt to their children’s fluctuating school and childcare situations – are much less commonly reported areas that respondents think governments should prioritise (excluded from figure).

Figure 7. Respondents think their government should prioritise helping people deal with the living cost crisis

Proportion of respondents who think that their government should prioritise each category more or much more in the coming year, by country, 2022

Note: Data shows the five categories of priorities that were the most commonly chosen on average across countries. Respondents were asked the question: “Thinking about global challenges today, to what degree should your government prioritise the following in the coming year: Improving job quality, e.g. by helping to improve wages or working conditions/Dealing with worker shortages/Preventing/limiting new outbreaks of contagious illnesses/Helping children recover from educational losses/Helping parents adapt to their children’s fluctuating school and childcare situations/Addressing the long-run mental and physical health effects of COVID-19/Helping people deal with rising costs of living/Helping low-income people/Helping vulnerable older people/Dealing with climate change/Dealing with international security threats”. To each category, respondents were able to choose between the following options: “prioritise much less”; “prioritise less”; “prioritise as it does now”; “prioritise more”; “prioritise much more”; “can’t choose”. Data present the aggregation of the responses “prioritise more” and “prioritise much more”. RTM data include respondents aged 18-64.


The desire for more government intervention is, perhaps unsurprisingly, positively correlated with the prevalence of financial precarity. Cross-nationally, higher proportions of respondents who are concerned about paying for essentials (food, housing, energy and debt) go hand in hand with higher proportions of respondents wanting the government to do more to ensure their household’s social and economic security and well-being (Figure 8, Panel A).

Similarly, more respondents tend to be worried about costs of living in countries where the social safety net is historically weaker. Indeed, where social expenditure was high in 2019 – such as spending on family benefits, income support and housing assistance – fewer RTM respondents now report being worried about their household’s ability to afford essential spending on food, housing, energy and debt (Figure 8, Panel B).
Figure 8. Where concerns about paying for essentials are widespread, so are calls for more government intervention

Proportion of respondents who report being somewhat or very concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt), by the proportion of respondents thinking that the government should be doing more or much more to ensure their economic and social security and well-being, 2022 (Panel A), and by aggregate social expenditure per capita (current PPPs, in US dollars), 2019 (Panel B)

Panel A: Proportion concerned about ability to pay for essentials, by proportion thinking that government should do more

Panel B: Proportion concerned about ability to pay for essentials, by social expenditure per capita

Note: Social expenditure (Panel B) refers to the total of public and private mandatory contributions per country. Respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household’s ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Panel A illustrates responses to the question: “Do you think the government should be doing less, about the same, or more to ensure your economic and social security and well-being?” and respondents were able to choose between: “government should be doing much less”; “government should be doing less”; “government should be doing about the same as now”; “government should be doing more”; “government should be doing much more”; “can’t choose”. Data present the share of respondents who indicate “somewhat concerned” or “very concerned” to all four of the response choices, food, housing, home energy and debt. RTM data include respondents aged 18-64.

Several policy levers can be mobilised to limit inflation’s impact on vulnerable households. The most direct way to help is to provide more direct support to net income. Households and businesses can be compensated for the increase in prices via temporary measures on prices and transfers. For instance, most OECD countries introduced energy cost support measures between the end of 2021 and 2022 through price regulations, income support or tax reductions. However, only a fraction of these measures, in 2022 as well as in 2023, appears to be targeted to the most affected households (and businesses) (OECD, 2023[7]). Well-targeted transfers help governments increase support to the most vulnerable households in the face of price rises, while also limiting the overall inflationary pressures on the wider economy of any additional cash transfers (OECD, 2023[8]).

To assist the most vulnerable households cope with rising costs it is important that countries take steps to regularly adjust means-tested services and cash transfers. For transfers to be effective in cushioning inflationary impacts on households, it is important that they are regularly uprated in line with inflation. However, means-tested support, including minimum-income programmes, which are aimed to support the most vulnerable households, often suffer from sporadic inflation adjustments (OECD, 2022[9]). Summaries of adjustments to minimum-income benefits for European countries prior to the current cost-of-living crisis suggest that where indexations existed, these varied in nature and frequency – for more on this see OECD (2022[9]; MISSOC, 2022[10]). For instance, before the current cost-of-living crisis, indexation considered a mix of prices and wages in Germany, changes in the statutory minimum wage in the Netherlands, and consumer price rises in Norway.

Vulnerable households who entered the crisis without indexed benefits (and who have not benefited from manual adjustments from governments) risk experiencing a greater income squeeze than those whose benefits were automatically uprated to inflation regularly throughout the crisis. Some countries indicated that no automatic indexation was in place for either minimum-income benefits or family benefits (including the Czech Republic, Greece, Ireland, and Latvia) going into the current crisis (MISSOC, 2020[11]).

Some changes have been implemented since then, which will help protect the purchasing power of vulnerable households going forward. In 2023, Latvia reformed various benefits by introducing annual adjustments. The guaranteed minimum income threshold will be set to no less than 20% of the median income and include higher allowances for certain groups, including persons with disability (Legislation of the Republic of Latvia, 2023[12]). The new minimum income will be adjusted for household size and be used in the calculation for housing benefits. Greece has also recently started indexing the social solidarity allowance for uninsured elders to a combination of economic growth and consumer price increases (MISSOC, 2022[10]).

Governments that already target most cash transfers to lower-income groups can use existing mechanisms to provide ad hoc support to those most in need. In cases where inflation uprating is considered insufficient, existing frameworks of benefit provision can be scaled up. This can typically be more effective (both in terms of poverty alleviation and inflation outcomes) than general cash transfers or price support measures that may benefit better-off households (OECD, 2022[9]). Indeed, fewer respondents to the OECD RTM survey 2022 report that they are concerned about their household’s ability to pay for essentials in countries where a relatively greater share of total cash transfers were provided to the lowest-income quintile before the COVID-19 pandemic (Figure 9).

Social policies are, however, only one of the policy levers to be mobilised. The inflation shock cannot be absorbed only by public budgets and it is useful to ensure that the costs are fairly shared between workers, employers and the government (OECD, 2022[13]; OECD, 2022[14]).
Figure 9. Fewer respondents are concerned about paying for essentials in countries where pre-COVID-19 cash transfers were more targeted to lower-income households

Proportion of respondents who report being concerned about their household’s ability to pay for all four essentials (food, housing, home energy, and debt) in 2022, by the share of cash transfers received by working-age people in the bottom-income quintile prior to COVID-19

Note: Data on cash transfers refer to those aged 18-65. Data on cash benefits refer to 2019 or latest year. Transfers include all public social cash benefits. Incomes refer to equivalised disposable household income. Respondents were asked the question: “In thinking about costs of living in 2022, how worried are you about your household’s ability to pay for: Essential food products/Housing costs, i.e. rent or mortgage payments/Home energy costs, i.e. utility bills such as electricity and gas/Fuel for your personal vehicle (if you drive)/Public transportation costs, e.g. bus, trams, metros and trains (if you take public transit)/Rising costs of paying off/paying down debt/Cost of childcare or schooling (if relevant)”. To each category, respondents were able choose between the following options: “not at all concerned”; “not so concerned”; “somewhat concerned”; “very concerned”; “can’t choose”. Data present the share of respondents who indicated “somewhat concerned” or “very concerned” to all four of the response choices, food, housing, home energy and debt. RTM data include respondents aged 18-64.

Box 1. Data collection methods of the OECD Risks that Matter survey

The OECD Risks that Matter (RTM) survey is a cross-national survey examining people’s perceptions of the social and economic risks they face, how well they think their government addresses those risks, and what preferences they have for social protection going forward. This is the most extensive global survey of perceptions of, and preferences for, social protection.

The RTM survey builds on, and expands, standard data sources, such as administrative records and labour force surveys that provide traditional data on issues such as where and how much people work, how much they earn, their health status, whether or not they are in education. The RTM microdata cover a majority of OECD countries and are updated every two years. Existing cross-national surveys in the area of perceptions of risk, including certain rounds of the International Social Survey Programme or the European Commission’s Eurobarometer survey, are conducted less frequently and/or only in specific regions.

The survey was first conducted in spring and autumn of 2018, covering 18-70 year-olds in 21 countries. The second wave ran in September-October 2020, covering 18-65 year-olds in 25 OECD countries, and the third wave fielded in October-December 2022, including 18-65 year-olds from 27 countries. The countries participating in the latest wave are Austria, Belgium, Canada, Chile, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Israel, Italy, Korea, Latvia, Lithuania, Mexico, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Switzerland, Türkiye, the United Kingdom and the United States.

The questionnaire was developed by the OECD Secretariat in collaboration with OECD member country Delegates and stakeholders participating in a technical workshop in April 2022, and subsequently translated into national languages.

RTM uses non-probability samples recruited via the Internet and over the phone, and respondents take part in the survey online. The sampling criteria is based on quotas for sex, age group, education level, income level, and employment status. Survey weights are used to correct for under- or over-representation based on these five criteria. The target and weighted sample is 1 000 respondents per country. Respondents are paid a nominal sum of around one to two euros. The survey contractor is Bilendi Ltd (formerly Respondi Ltd).

RTM is overseen by the OECD Employment, Labour and Social Affairs Committee (ELSAC). Financial support for the 2022 survey was provided through voluntary contributions by participating OECD member countries, the OECD Secretariat, Amundi, Kings College London, and the University of Stavanger.
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References


Notes

Throughout this document, countries are ranked from left to right in decreasing order based on the indicator marked with \.

If not specified otherwise, the average in figures refers to the unweighted average of the 27 OECD countries for which data are available.

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