

PROMOTING AND PROTECTING HEALTH AMIDST THE RISING COST-OF-LIVING CRISIS

POLICY PRÉCIS

The situation

The war in Ukraine has significantly affected the global economy and markets for oil, gas, food and other essential commodities, causing energy and food prices to rise by 40% and 18.2% respectively.^{1,2} Many businesses have been passing on rising external costs to consumers,³ and driving up prices to ensure profits are kept.⁴

As a result, **the cost of living for the average family in the EU has increased by 10%.** Meanwhile, governments have begun **cutting back on social protection and inclusion measures** that people - especially those on low and medium income - had come to rely on during the pandemic.^{5,6}

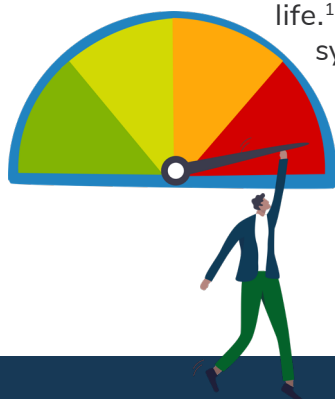
Cost-of-living crisis

A situation in which the costs of essential commodities are rising faster than average 'real' disposable household income, adjusted for inflation and after taxes and benefits.⁷

The cost-of-living crisis risks increasing poverty and social exclusion in the EU by 1-5% above the already persistent level of 21.7% among the general population,⁸ and 24.4% among children.⁹ There is a strong link between poverty and ill-health.¹⁰

Considering the decline of poverty is already slowing down, this is particularly problematic, and reduced disposable income will have a major negative impact on people's opportunities for a healthy life.¹¹ The role of healthcare systems in this discourse has to be considered too, as

approximately **8% of EU households are unable to afford basic necessities** due to an overburden of out-of-pocket health care payments.¹²



The **rising cost of living** is the most pressing worry for 93% of Europeans, with 46% saying that their standard of living deteriorated, and 39% of citizens facing difficulties paying their bills most times or sometimes.¹³

Health impacts

The impact of the high living costs and decreasing income that is available for essential services and goods – such as healthcare – have been widespread, affecting the majority of households across Europe. **This is particularly true for women-led households and for households with children, the elderly and low to middle-range earners, and representing migrant and low-wage employees.** It risks worsening already increasing differences in health between more and less affluent individuals.

As **poorer people have been unable to withstand price increases, with little to no savings to fall back on,** growing numbers are being forced to choose between adequate healthy food and energy, paying for education, housing and medical bills, commuting to work, school, medical visits, and holidays.

A major concern should be to **protect people from catastrophic health expenditure** – financial hardship and impoverishment – as a result of their need for health and care services. While typically triggered by high cost of medical devices and inpatient treatments, poorer households are particularly vulnerable to bear the cost of outpatient services, therapeutics and pharmaceuticals, as well as dental treatment.¹⁴

Catastrophic health expenditure

Large household out-of-pocket expenditure on health (greater than or equal to 40%) as a share of total household disposable income, meaning a household can no longer afford to meet basic needs – food, housing and heating.^{15,16}

Healthy diets

Having less disposable income and higher food prices make it **difficult to afford sufficient amounts of food and access healthy diets**. 15% of people in the EU cannot afford a quality meal every second day.¹⁷ This forces them to skip meals and ration food, as well as swap healthier options for **cheaper, more energy-dense and ultra-processed foods**. Poor nutrition is a key determinant of the pervasively high burden of non-communicable diseases among low-income groups.¹⁸

Preventive and curative health and long-term care

Poorer households are three times more likely to report **unmet health needs** due to financial reasons, compared to high-income earners.¹⁹ Out-of-pocket payments undermine affordable access to health and other care services, creating a financial barrier or hardship for the users. **Not seeking care may result in delayed or missed diagnoses and treatments**, with costly, potentially life-threatening implications increasing population-wide health inequity.²⁰

Children and youth

Children and youth living in poverty are denied the key conditions for a healthy life. This damages child development and **increases the risk of chronic disease in adolescence and later life**.²¹ Coupled with pandemic disruptions to education and a decline in youth mental health, the cost-of-living crisis is likely to **further worsen young people's long-term prospects**, as costs associated with accessing quality early years education and care pile up on low- and medium-income households.

Mental health and psychosocial wellbeing at work

The stress associated with financial and job insecurity, social isolation, and living in (in-work) poverty and debt worsen mental health – especially in terms of wide-spread anxiety, depression and burn-out, both from the short- and long-term intergenerational perspective.²⁷

How are EU policies, tools and programmes addressing the rising costs of living?

As the rising cost of living disproportionately affects the poorest and most vulnerable, EU institutions have taken measures to mitigate the negative economic, social, and health consequences of individuals.

- Minimum wages are the lowest remuneration that employees have to be paid. The [EU Directive on adequate minimum wages](#) calls for national frameworks for minimum wage standards and strengthens collective bargaining.²⁸ It is expected to increase wages of 25 million low-paid EU workers by 20%,²⁹ for which evidence shows strong positive correlation with better health outcomes.³⁰
- Minimum income refers to the financial mechanisms available to support households

Energy poverty and housing

Energy poverty forces households to reduce their consumption to a degree that affects their health and wellbeing.²² **16.4% of people at risk of poverty in the EU cannot afford to heat their homes²³ and 24% of people with disabilities are energy-poor.**²⁴ Inadequate living conditions increase vulnerability to infections and illness, causing energy-poor households to have worse health than other households.²⁵ Existing disability and health issues that require energy-intensive assistive technologies are also worsened by inadequate living conditions and high energy prices.²⁶

with less resources for a life in dignity.

The [Council Recommendation on minimum income](#) focuses on improving the coverage and adequacy of income support with transparent and non-discriminatory eligibility criteria.³¹ As 35% of health inequities are caused by the inability to make ends meet, adequate minimum incomes may improve health outcomes by lifting individuals from poverty and social exclusion.³² In addition, a [European Parliament resolution](#) asks the European Commission to consider a Directive in the field.³³

- The [European Pillar of Social Rights \(EPSR\)](#) sets out social principles and targets. The Pillar commits the EU and Member States to take action in 20 areas of social rights, considered fundamental to health equity.³⁴



- By 2026, the [Recovery and Resilience Facility \(RRF\)](#) will finance **investments and reforms to strengthen economic, social and climate resilience**, requiring 37% of funding to go to climate initiatives, helping to tackle energy poverty. Moreover, the RRF targets aim to make reforms to employment, housing, access to care and essential services sectors.³⁵ [The European Commission Communication on the distributional impact of Member States' policies](#) helps to target and assess policies to better address existing inequalities and take the impact on different groups into account.³⁶
- The [European Commission Recommendation on energy poverty](#) encourages Member States to embed energy poverty indicators into the [National Energy and Climate Plans \(2021-2030\)](#).³⁷ The [Fit For 55](#) package includes measures to identify and tackle inequalities and key drivers of energy poverty,³⁸ while a proposal for a revision of the Energy Efficiency Directive will guide consumer choices³⁹ and a new [EU Social Climate Fund](#) will provide direct income support to mitigate negative social consequences of the green transition.⁴⁰
- The [European Child Guarantee](#) aims to prevent and tackle social exclusion by guaranteeing access to adequate shelter and nutrition, education, and healthcare for children and adolescents. Countries are requested to consider the challenges associated with the cost-of-living crisis in the development of national plans.⁴¹
- The [High-level Expert Group on the Future of Social Protection and of the Welfare State](#) in the EU recommends legislative initiatives regarding employment and social policy for adoption at EU and national level to protect people's living and working conditions. This is critical to guarantee all citizens a minimum package of social rights, based on the EPSR principles.⁴²
- The [Fund for European Aid to the Most Deprived](#) supports initiatives that provide basic, necessary commodities and emergency assistance to the most deprived. This includes material assistance such as clothing and food and support finding housing and employment.⁴³
- The [EU VAT Directive](#) allows Member States to apply for reduced or be exempt from a VAT rate on goods and services considered basic needs -such as foodstuffs (e.g. fruit and vegetables), water, medicines, and hygiene products.⁴⁴



Good practices

The [OECD and WHO Barcelona Office for Health Systems Financing](#) offers a **collection of policy levers that can help reduce financial hardship for poor households**. These include:

- Whole-population coverage and de-linking entitlement from payment of contributions;
- Fair and transparent design of broad benefits package;
- Exempting poor people from co-payments;
- Co-payments capped at low-fixed levels;
- Health equity impact assessments on voluntary health insurance;
- Improved coverage policy linked with adequate public health spending.

The levers are supported by examples from Sweden, Denmark, Austria, Germany and Luxembourg.⁴⁵



The [Institute of Health Equity](#) reviewed interventions to reduce the impact of health inequalities in London, many of which responded to the 2008 financial crash and the

following austerity measures.⁴⁶ The key messages from the report are:

- The rising cost of living may accelerate an existing trend of stalling life expectancy and even falling life expectancy in some groups in the poorest communities; and
- The rapid decline in real incomes hits those on low incomes hardest and contributes to widening health inequalities.

A good practice of [community engagement to tackle cost of living](#) comes from Wales. To improve the financial and mental wellbeing of young people, a pilot study was launched in the Cwm Taf Morgannwg area to **provide advice on maximising income to over 1,200 young people**. Following the initiative, over 50% of participants reported less financial stress and 70% felt more confident in handling their financial struggles.

The EU-funded [Wellbased](#) project aims to reduce energy poverty and its impact on the health and wellbeing of European citizens.⁴⁸ Implemented in six European cities, it will **evaluate intervention schemes based on the socioecological model of wellbeing**, including socio-health audits, coaching to empower energy poor households, and enforcing digital solutions to support behavioural change.

By focusing on measures that target women, the [EmpowerMed](#) project intends to **tackle energy poverty and its associated health impacts in Mediterranean coastal areas**.⁴⁹ The project encompasses specific measures for individual households as well as local, and national actors. This includes household visits to install energy saving devices, as well as providing recommendations on tackling energy poverty through gender-just policies.



Pathways to progress

Learning the important lessons from the last economic crisis,⁵⁰ **it is critical that all-level governance interventions are mindful of health, equity and wellbeing impacts**, and prioritise social investments above austerity measures and budgetary cuts. There is no single mitigating intervention. Therefore a combination of multi-level actions are needed to address the different factors and the impacts on health.

Our recommendations include:

- **Increase political and public health efforts to raise awareness of tackling the mental and physical health** consequences and inequalities associated with the cost-of-living crisis.
- **Encourage development and implementation of national and sub-national health equity** and wellbeing strategies and systematic use of health equity impact assessments.
- **Ensure political commitment and adequate resources to multi-disciplinary health promotion, prevention and wellbeing programmes**, linked to financial support and debt-relief services, and enable access to 'early help' services for all who need them.
- **Ring-fence investments in health, social inclusion and caring communities**, while embedding financial wellbeing and resilience-building into care provision. Ensure public spendings in these areas are protected from cuts.
- **Make social protection universal** to strengthen public services, achieve progressive taxation, increase innovative and mixed financial and in-kind support schemes and social benefits.
- **Promote and enable structural and comprehensive national reforms using dedicated existing and new EU funds**, in line with the EPSR principles and contributing to the creation of an alternative inclusive economy vision, such as the Economy of Wellbeing.⁵¹
- **Ensure faster implementation of the EU legislative actions on minimum wages and minimum income**, urging national governments to set statutory schemes to provide the means needed for a healthy lifestyle.
- **Agree on a universal definition of energy poverty** and invest in the green transition and energy efficiency improvements, including **support packages targeting the most vulnerable** to ensure clean, accessible, and affordable energy for all.

Understand health inequalities and how to act on them by visiting: www.health-inequalities.eu

EuroHealthNet is a partnership of public organisations, institutes, and authorities working on public health, disease prevention, promoting health and wellbeing, and reducing inequalities. We aim to tackle health inequalities within and between European States through action on the social determinants of health. For further information and further references go to www.eurohealthnet.eu



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