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Research Article

Beyond Covid-19: Impact of Inflation on Jamaican Households

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Abstract

Objective: Many families in Jamaica experienced substantial economic hardship because of the COVID-19 pandemic and the subsequent inflationary pressures caused by the Ukraine-Russia conflict. This study examined not only the broad impact of the crises but also provided insights into the differential effect on high and low-income households. **Methods**: Households in high- and low-income communities were randomly sampled to ensure a wide variety of responses to the survey questionnaire. All 14 parishes were included in this household study which assessed the impact of inflation and coping strategies during the previous six months. **Results:** The severe impact of inflation was felt mostly by the lower-income households (82.6%). The food price increase was the dominant concern, as indicated by both the frequency of responses and the quantum of increase. The second highest price increase was reported for utilities. No significant difference was noted between high and low-income households regarding the priority of concern between food and utility price increases. Significantly more low-income households used up savings (76%), borrowed (81%) and sold livestock (86%) to cope with inflation. While almost half of the households felt that it would take more than one year to return to pre-inflation status, more low-income households (58%) felt this way compared to high-income households (37%). **Discussion and conclusion:** The study reflected on how the impacts of crises such as the pandemic and inflation may increase social inequalities for future generations. It concludes that public policies aimed at mitigating the effects of the immediate and underlying causes of social distress are urgently needed.

Keywords: COVID-19; Price inflation; Policy; Jamaica; Caribbean

Introduction

The global economy went through an unprecedented decline during the COVID -19 crisis. The pandemic directly reduced employment, created a sharp decline in travel and a reduction in the demand for services requiring proximity between people. This led to lower demand for capital, stalled tourism, and considerably reduced the consumption of goods and services [1]. Following the heights of the pandemic, the expected economic and social relief remains elusive, and this is mainly due to the new inflationary challenges created by the Ukraine – Russia conflict. A health crisis rapidly shifted to an economic crisis [2].

The economic and health costs of such shocks have been estimated [3], but the world has failed to adequately invest in preventive measures to effectively mitigate the risks of such crises [4]. This failure is compounded by insufficient analysis of pre-existing circumstances between and within countries. The pandemic and the inflation pressures have strikingly revealed the underlying inequities which exist across countries. For example, in 2020, despite the threat of a great depression through the collapse in per capita income, 40% of advanced economies recovered by 2021. For middle-income countries, only 27% recovered, while only 21% of low-income countries [5]. Further, studies in several countries suggest that 50% of households were not able to sustain basic consumption for more than three months due to income losses [6]. A critical question arises: do these observed inequities among countries also occur within countries? Global poverty had been declining before COVID-19, but the pandemic had a dramatic impact on inequity as global poverty increased for the

first time in a generation [7]. Impacts were higher for populations with lower levels of education [8,9] and women [10]. Crises are therefore superimposed on existing deprivations within society. This emphasizes that poverty is not just an indicator but reflects the entire country's well-being and to what extent it stifles human capital formation [11]. While almost every country posted negative growth in 2020, the downturn was more pronounced in the poorest parts of the world [12].

Given these inequities at the global level, this study, therefore, investigated the impact of recent price inflation on household livelihood in Jamaica. Of particular interest was how the price increases impacted high and low-income families and the difference in their responses. Insights into these differences could guide a more equitable official response in future crises.

Methods

The extent of inequity in access to consumables such as healthy food often comes from grouped national indicators such as poverty and GDP/caput. To be more specific, this study used a survey instrument to assess the vulnerability of households over the previous six months. This survey was conducted in September 2022 and sought to assess the impact of inflation and coping strategies used at the household level two years after the height of the COVID-19 pandemic but during high inflation.

The sample frame was developed to capture high and low socioeconomic strata in the 14 parishes of Jamaica. Previous population surveys and other national data were used to identify such communities. The methods to select high- and low-income areas were based objectively on the size and quality of the homes, vehicles, and other assets in the community. Further, using key informants in the parish, the high- and low-income areas were categorized. Thereafter, a random selection of high- and low-income areas was done. One high-income and one low-income area were selected in each parish. Interviews were conducted at the homes with the household head or household member who was 18 years or older. The household sampling procedure started in the centre of each area selected and randomly extended across the community.

Results

This study surveyed 572 households across all 14 parishes in Jamaica. The age of the household head ranged from 20 to 91 years, with a mean age of 49 years. Females headed 51.6% of the households. The size of the households ranged from 1 to 12 persons, with a mean of 4. Only 5.3% did not complete primary education, and 30.1% graduated from a tertiary institution. Based on the weekly household income, 33.8% of households were classified as low-income (<J$ 9,000); 40.2% were grouped as middle-income (J$9,000-J$19,375 per week), and 26% were in the high-income group earning more than J$19,376. Approximately J$150 = US$1.

Almost all households (99.6%) reported price increases for food, while increases for utilities were reported by 91.6%, followed by transportation 86.1%, and housing 27.8%. Comparing the relative combined frequency of responses among these essentials, Figure 1 shows food with 30.1%, utilities (27.0%), transport (25.6%) and housing (15.3%). There were no significant differences in these frequencies by income group. Not only was food the most frequently mentioned item with price increases, but 66.4% of households indicated that food also had the largest price increase. In comparison, 27.6% indicated it was the utilities, 4.1 for transport, and housing 1.6%.

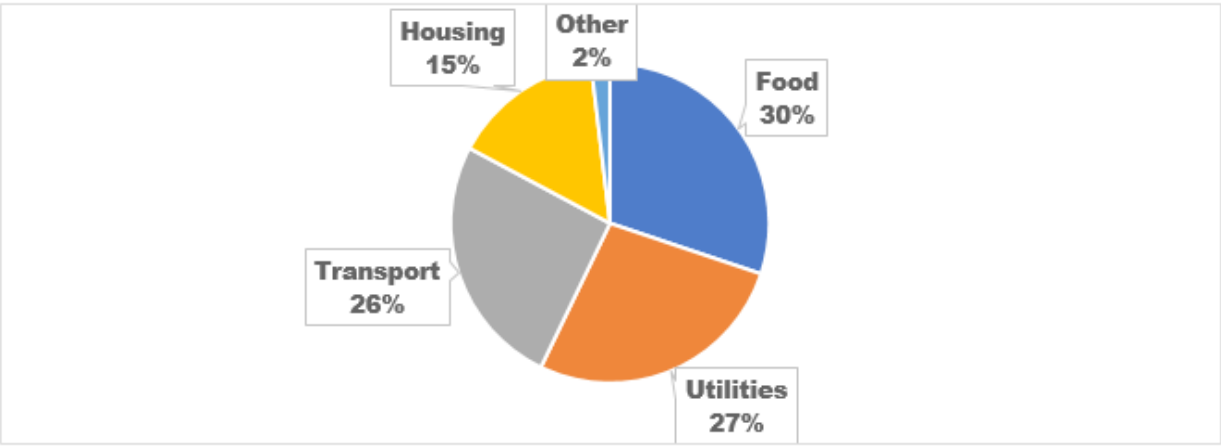

Figure 1: Percentage of households in Jamaica indicating items with price increases during inflation.

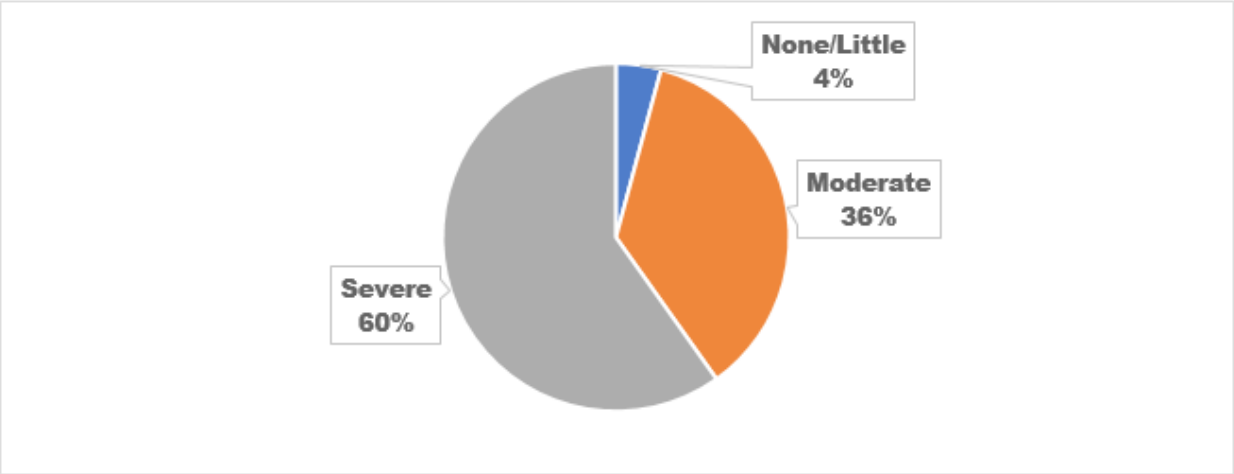

Figure 2: Impact of inflation on households in Jamaica.

Figure 2 shows that 96% of Jamaican households were either moderately or severely affected by inflationary pressures. Of those that were severely affected, only 17.4% were in the high-income group, whereas significantly more (82.6%) were in the lower-income groups. This quantifies the extent to which poorer families were more severely impacted.

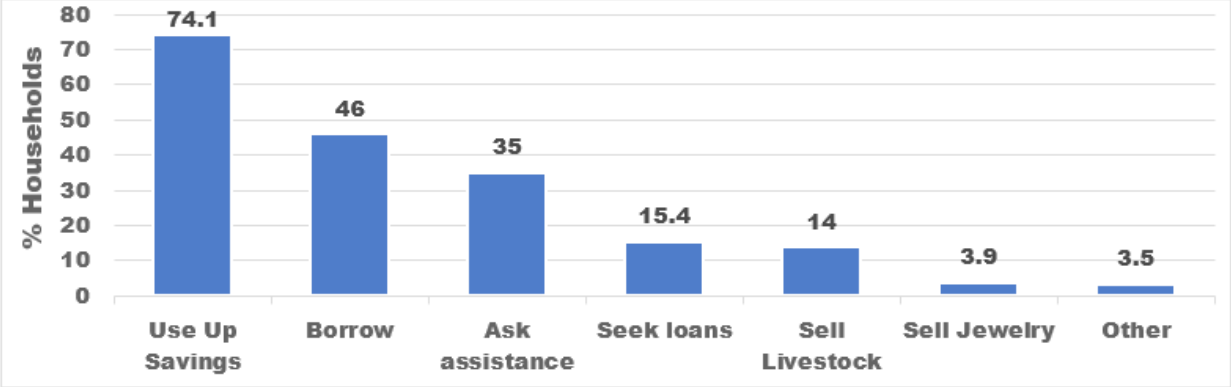

Figure 3: Coping strategies of households during inflation.

Figure 3 shows that almost three-quarters of households (74%) used up their savings as part of the strategy to cope with inflation. Of those using up savings, 76% were in the lower-income households. Many households borrowed (46%). Of those borrowing, 81% were in low to middle-income households. Thirty-five per cent (35%) of households asked for assistance. Seeking a loan was not a popular option (15%). Of the 14% who sold livestock, 86% were in low to middle-income households.

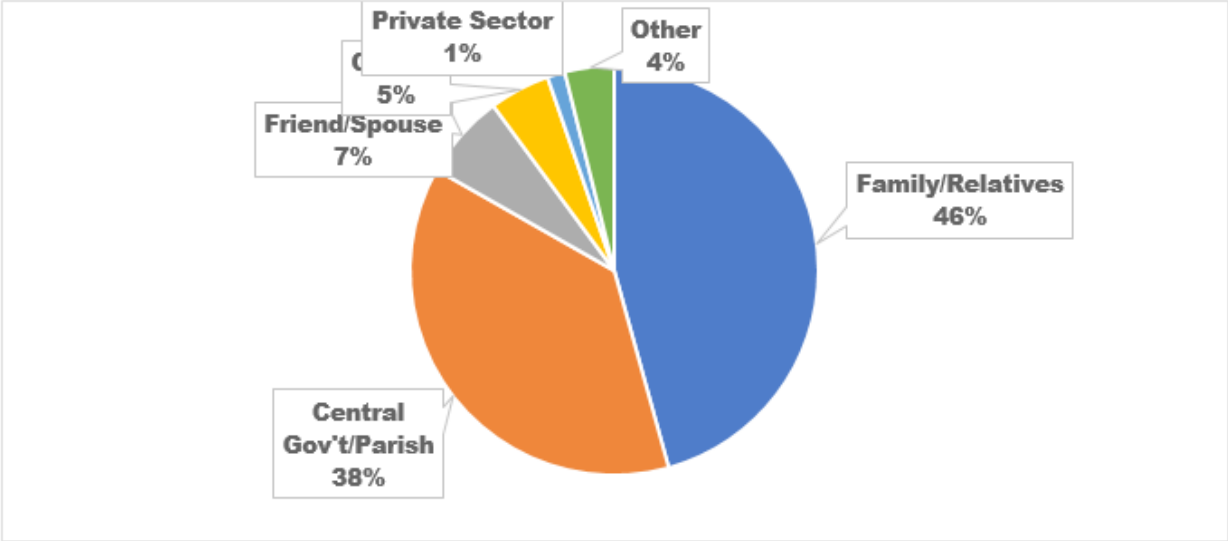

Figure 4: Source of assistance received during inflation.

Figure 4 shows that the assistance received came mainly from family and relatives. Government support was also important, particularly from PATH - the Program of Advancement Through Health and Education (16%) and at the Parish Council level (22%). Of note, the private sector assistance stood at 1%. Money was the main type of assistance received, followed by food.

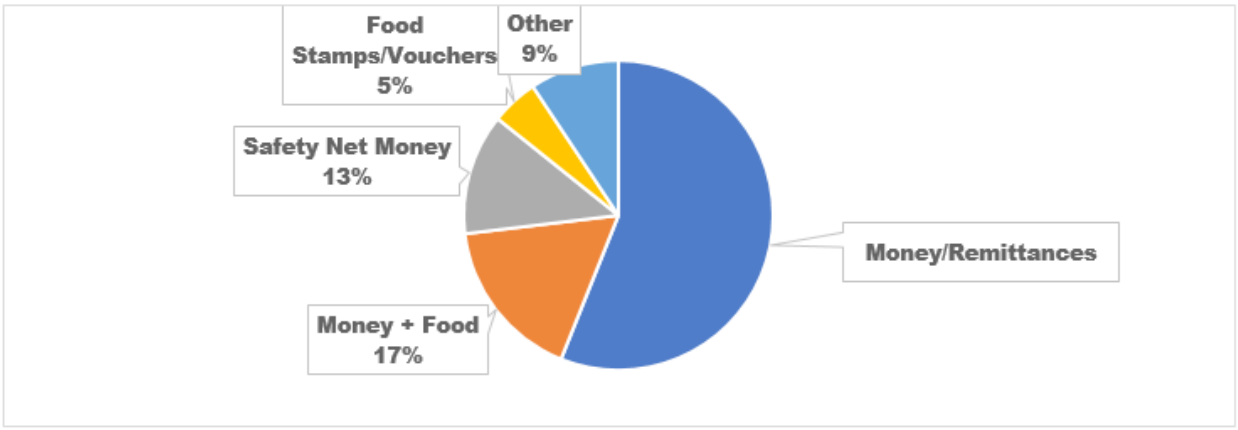

Figure 5: Type of assistance received during inflation.

Figure 5 indicates the value of the assistance in the last month ranged from J$1,000 to J$300,000, with an average of J$28,733.

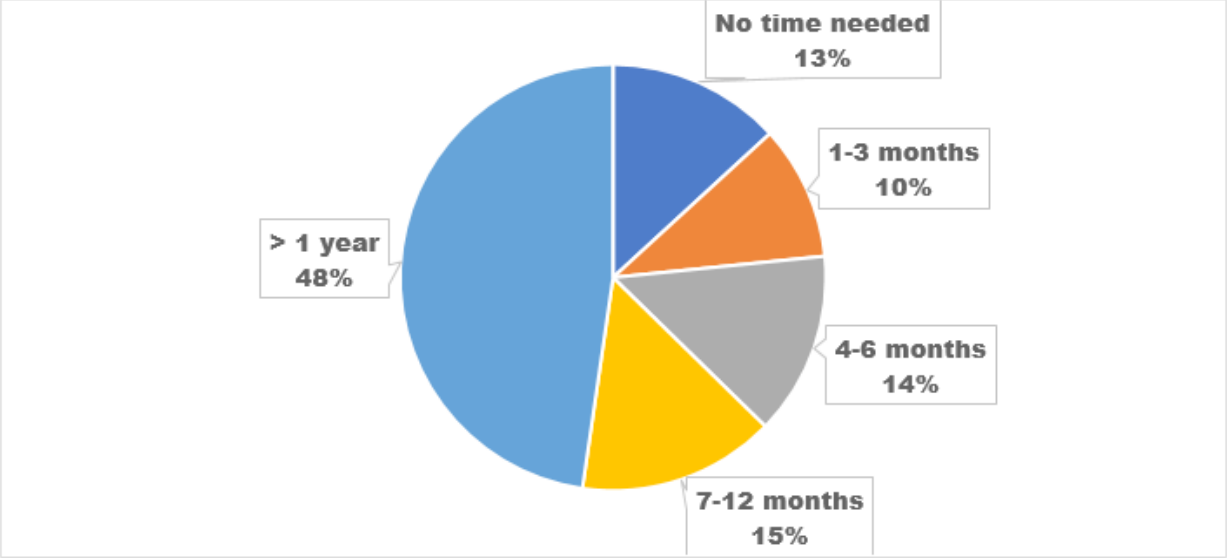

Figure 6: The time needed to recover from the effects of inflation.

Figure 6 shows that almost half (48%) of the households felt that it will take more than one year to return to pre-inflation status and only 13% said that they needed no time to recover, but it was significantly different between the low and high-income households. Among the low-income households, only 9.2% said it will take no time whereas 58% said it will take more than one year to recover. Among the high-income households, 20% said it will take no time, and 37% said it will take more than one year to recover.

Discussion

At the time of this study, inflation was the main risk to growth in the economies of almost all countries [13]; even the most powerful economies faced the challenge of high inflation [14].

The national inflation rate typically shows an aggregate price increase, but it does not reveal the depth of impact on different segments of the population. This study uniquely focused on how inflation impacted Jamaican households in high and low- income groups. The pre-COVID-19 national point-to-point inflation rate in Jamaica was 4.1 in August 2019, 5.1 in 2020, 6.1 in 2021: and 10.2 in 2022 (4). This means the COVID-19 imposed price increase was 1.0 (2020 vs 2019). In contrast, the post-COVID-19 price increase was 4.1 (2022 vs 2021). While this inordinate cost increase in the latter year is striking, this study showed that the impact was even more profound (82.6%) in lower-income households. The International Monetary Fund [7] predicts that global prices will peak at 9.5% in 2022 and remain high at 6.5% in 2023 before falling in 2024 to 4.1%. The IMF [7] further projects that in 2024 the World GDP will be 3 percent (6 percent for low-income countries) below the no-COVID-19 scenario. What is the likely social impact of this persistent inflation for developing countries such as Jamaica?

The high inflation rates during the last year were most likely driven by the fallout from the Ukraine-Russia conflict rather than from domestic policies. These global pressures from fuel, food and other price rises pass through to the local economy. Should the government absorb this impact and accrue large subsidy bills? Do national governments in developing countries have the resources to buffer these impacts and protect the entire local population? Or should the response be targeted mainly at the disadvantaged within the country? This sustained rise in food prices will most likely reduce consumer purchasing power and will undoubtedly lead to a deterioration of food security and health status. The persistent inflation on other commodities will most likely create dislocation in other social sectors. This was recently demonstrated in the education sector after it was publicly reported that a local traditional high school is presently unable to continue providing lunches for the remainder of the school term to students who are PATH beneficiaries [15]. It was further reported that all the economic resources that were provided to the institution to sustain the PATH feeding program had been exhausted.

Price increases erode peoples' purchasing power. But this could be felt differently by rich and poor families. Because the poor spend a higher proportion of their income on food [16], it was hypothesized that low-income households would consider the food price increase to be their main concern. In contrast, high-income

households will consider other items, such as transportation, to be their main concern. This study indicated that food was the priority for both high and low-income households. Perhaps the disparity between high and low-income was not large enough to separate these concerns, or the food price increase was so large that it could not be ignored by even high-income families. Nevertheless, the study supports the notion that developing a food system to withstand crises is a more sustainable way to address existing inequities [17].

In this study, one-third of the households earned less than the current minimum wage of J$9,000 (US$60) per week, which was linked to high rates of food and utility hardships. The sustained effects of these rates could inflict persistent harm to the well-being of numerous families. More than half of the low-income households indicated that without further help, this hardship will remain for more than one year. Their preferred assistance for substantial cash and jobs may not be forthcoming soon, but support with food and nutrition can help not only the immediate needs but also long-term improvements in health, education, and longevity. The dangers of failing to provide adequate support can be substantial. Studies show that people living in areas of higher socio-economic deprivation, and those in poverty, generally have a greater number of coexisting morbidities [18,19]. This means that the effects of the COVID-19 pandemic and subsequent inflation will be magnified because of the pre-existing inequities associated with the social determinants of well-being. Research in other countries shows that children are especially at risk for developmental deficits [20]. High utility bills and housing costs can result in relocating and disrupted schooling. This combined financial stress can interfere with parenting, adversely influencing children's cognitive abilities, their mental health and behaviour. Most households indicated severe hardship from this prolonged inflation. And this existed in both high- and low-income families, but more so in the latter (82.6%).

While material support is critical, it should be noted that chronic stress from material deprivation and a sense of powerlessness from prolonged financial crises can stimulate adverse consequences for physical and mental health [21-24]. Research has found that countries with higher rates of social protection during the economic recession did not experience increases in social inequalities [25]. This study, therefore, suggests that social support networks must ensure that their response is strategic and proportionate to the crisis at hand.

Pandemics, old and new, have exposed the most devastating impacts in disadvantaged communities, particularly in socially unequal countries [4]. This means that public policies to address such crises [26] must focus more on social protection programs to bridge the inequity gap so that it does not persist in future generations. Inflationary crises resulting from disease outbreaks, climate or environmental disasters or geopolitical conflicts will inevitably reappear in the future. The study concluded that it is imperative for evidence-based actions to be used to save lives and reduce the risk of vulnerability, particularly in disadvantaged sectors within countries [27,28].

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