

Rising prices and falling wages deepen UK cost of living crisis

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1 November 2021

Rapidly rising prices and wages failing to keep pace with rising inflation have resulted in a what has been dubbed by the media a “cost of living crisis” for British workers.

UK household incomes could be down £1,000 next year, according to analysis by the Resolution Foundation think tank, as rising prices combine with welfare benefit cuts and rising taxes. The Institute for Public Policy Research says a typical family will lose £500 a year because of the planned increase in national insurance taxes and an expected 5 percent rise in council tax.

The Office for National Statistics (ONS) says the consumer prices index eased to 3.1 percent, from 3.2 percent in August and fell back slightly in September too. However, before August, the last time overall inflation was at 3.1 percent or higher was back in 2017, and the ONS warns upward pressure on living costs continues.

The current hiatus in the CPI measure of inflation is temporary. Conservative government Chancellor Rishi Sunak acknowledged in this month’s budget that CPI, which doesn’t include rising housing costs, would top 4 percent next year. *Capital Economics* described the present period as “the lull before the storm”. The economic research consultancy believes inflation could reach 5 percent by April 2021. Other analysts agree the levelling off in the headline rate of inflation will prove temporary, with further pressure on living costs expected amid soaring wholesale gas and electricity prices and the lifting of Ofgem’s consumer price cap on household bills. Reflecting increases in business costs that will hit consumers down the line, inflation in factory gate prices rose from 6 percent in August to 6.7 percent in September, the highest level for almost a decade.

The more accurate measure of inflation, RPI, which includes housing costs, is already at 4.9 percent and expected to soon top 5 percent.

Energy bills may rise as much as 30 percent, petrol prices recently reached a record high, home rental is up 8.5 percent, and household debts are soaring. The Food and Drink Federation believe food prices will rise by 9 percent in time for Christmas.

As the prices of essentials soar, the gap between workers’ falling wages and living costs is becoming insurmountable, especially with the onset of winter. Workers are tightening their belts but still cannot make ends meet.

Responding to the Budget, the director of the Institute for Fiscal Studies (IFS), Paul Johnson, described projections of UK household incomes in the *Independent* newspaper as “pretty stagnant” over the next five years. “That’s partly because of inflation” said Johnson, “that’s partly because of the big tax rises that we’ve seen imposed, that’s partly because growth is so poor...”

Johnson warned, “Those almost non-existent increases in living standards over the next half-decade are a big blow to all households, and families of course...”

Household fuel bills were rising sharply before the regulator Ofgem increased the energy price cap at the beginning of October. The End Fuel Poverty Coalition warned that rising household prices, by as much as £400 per year for some, will push another half million of the UK poor into “fuel poverty” whereby households are forced to cut other essentials like food in order to heat their homes.

Working class households are most vulnerable to increases in the cost of living. Those in poverty already spend the highest share of their incomes on daily

essentials. Poorer households already pay as much as 50 percent more on their utility bills than those with more money, according to data analysed by the Labour Party. Their figures show Britain's poorest 10 percent of households pay on average £756 a year per person for gas and electricity. A far smaller average of £504 per person is spent in the richest households with the national average spent being £530 on utility bills. The poorest households spend proportionately around seven times as much of their funds on energy as the richest households, and three-and-a-half times the national average.

Another integral cause for the rocketing cost of living are government benefits cuts. These include this month's £20 a week cut to Universal Credit (UC) which alone slashes £1,040 from the annual incomes of at least 5.5 million people. The Joseph Rowntree Foundation says the cut, the largest one-off welfare cut in UK history, costing the poorest in society a collective £6 billion a year, will push half a million more people into poverty. Approximately 40 percent of those claiming UC are employed at poverty-level wages and receive the benefit because their income doesn't cover basic living costs like rent and utility bills.

Planned National Insurance (NI) increases will decrease incomes further, with workers paying an additional 1.25 percent more in tax from their wages. The increase will come into effect in April next year, just at the point when energy bills are expected to increase once more.

The Demos think tank found that those aged from 18 to 30 face the "greatest uphill battle" to make ends meet. Nearly half of young people told Demos they would not be able to ride out price rises and falling wages because the combination of their substantial debts and insecure and low wages means they already struggle to pay essential bills.

The ONS calculated supermarket prices have experienced their sharpest rise since the 2008 financial crash, rising by 1.1 percent in August alone. Price inflation for food and drink is expected to continue beyond the end of the year, according to the Morrisons supermarket chain. Food prices could increase further by as much as 2.3 percent within the next three months, research by *Capital Economics* claims.

Responsibility for the protracted decline in working-

class living standards belongs to the pro-capitalist trade unions and the Labour Party. Throughout the pandemic, Labour and the unions have worked in alliance with the Johnson government to suppress workers' opposition to attacks on their health and safety; ensuring that workplaces and schools remain open so profitability is maintained, frequently at the cost of worker's lives.

Responding to the budget, Trades Union Congress General Secretary Frances O'Grady noted families faced "a triple whammy of a £1,000 universal credit cut, tax hikes and fast-rising energy and food bills." But O'Grady uttered only shallow soundbites in response, such as, "The chancellor has gone from pay freeze to pay squeeze."

O'Grady is silent because the unions are deepening their collaboration with employers in preventing the outbreak of strikes—many aimed at opposing corporations' attempts to force down pay even further. The unions are working day and night to settle disputes with agreements that always result in a lowering of workers' pay and attacks on terms and conditions.



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