

# Inflation soars to record level as UK wages stagnate

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Rampant inflation is plunging millions of British workers into a cost of living crisis, with incomes already slashed by more than a decade of austerity and the impact of the COVID pandemic.

Inflation is at its highest level in the UK since 2011. In the 12 months to November the Consumer Price Index (CPI) rate of inflation has surged by 5.1 percent, up from 4.2 percent the month before. The main factor in the CPI surge is the rocketing of the price of petrol, which reached a new record of 145.8p a litre compared with 112.6p the previous year.

According to the Official for National Statistics (ONS), the Retail Prices Index (RPI) measure of inflation has soared even higher. It rose to 7.1 percent last month, up from 6 percent in October and its highest level in more than 30 years.

RPI is considered a more accurate measure of inflation as it includes factors such as mortgage payments.

Factors including higher factory prices and a tightening labour market mean that inflation is set to continue rising into 2022 and into 2023.

Last week the Joseph Rowntree Foundation predicted that hundreds of thousands more people will be thrust into “deep poverty” by the inflation surge. It’s assessment by Katie Schmuecker notes, “Times are hard, food is expensive now... But if you didn’t have enough to begin with, and you’re already struggling to afford the essentials, there comes a point where you can snip no further. Then the rising price of essentials simply pulls more people deeper into poverty...”

Immediately ahead “the gap between incomes and expenditure for people worst-off will grow.”

Schmuecker explained, “Back in October the OBR [Office for Budget Responsibility] forecast inflation to be 4.4% in April 2022. New JRF analysis, based on

those OBR forecasts, finds the gap between benefit uprating and the projected cost of living in April would result in around 100,000 individuals being pulled deeper into poverty (below 50% median income after housing costs, which is often used as the benchmark for deep poverty) if inflation was 4.4% in April 2022. The majority (7 in 10) will live in households with children, and around half will live in working households. Considering today’s higher inflation figure, if inflation were to stay as high as 5.1% in April, our model suggests the number of people being pulled into deep poverty would double to around 200,000.”

The Resolution Foundation think tank concludes in its analysis that the average household will be down by £1,000 next year due to rising prices.

The cost of every staple has shot up, with increases disproportionately hitting the working class. In an analysis of the inflation crisis, the *Guardian* reported, “Used car prices were up 31% since April. Petrol prices were up 29% from a year earlier to stand at a record high of 145.8p a litre. Apples and pears are up by a quarter since November 2020 from about £1.90 to almost £2.40 a kilo. The average price for a joint of beef has risen by 18% in a year from £9.91 to £11.73, while the average 250g pack of teabags has gone up more than 10% from £1.80 to more than £2.”

Further prohibitive costs will be added due to surging household energy costs. Many household already face energy bills of £1,000, after suppliers were allowed to increase bills by 10 percent in October. The price cap, supposedly in place to prevent bills becoming unaffordable to the poorest families, is likely to be breached by a further 50 percent or more next April, taking the cost of average bills for a household to over £2,000 a month.

Speaking to the *Times*, Martin Young, an analyst at

Investec said, “With wholesale commodity prices remaining elevated, we suggest that the tariff cap could jump by 56 per cent reaching £2,000 [a year] for the summer 2022 period.”

Many of the smaller energy suppliers have gone to the wall in the last few months due to wholesale energy prices and a substantial portion of any increase is due to families losing out on deals they had with them. Young warned that the energy bill increase would be “a shock to many, with implications for discretionary spend, inflation and fuel poverty.”

Such is the surge in inflation that CPI that the Bank of England has been forced to uprate its forecast for next spring to 6 percent, having said last August that it would reach 4 percent before falling. The Bank said that this will necessitate a rise in interest rates 0.1 percent to 0.25 percent. Writing in the *Times*, Andrew Sentence, a former member of the Bank of England’s monetary policy committee, said, “If we are to stay on top of the present surge in inflation, however, more rate rises are likely to be needed next year. It would not be surprising if we end 2022 with the official interest rate at somewhere between 1 per cent and 2 per cent—a significant move up from the near-zero rates that we have become accustomed to since the 2008-09 financial crisis.”

The increase in prices is so devastating to millions because wage growth has been stagnating. According to the ONS annual wage growth, excluding bonuses, stood at just 4.9 percent in the three months to October. But other studies point to a sustained collapse of wages.

According to an analysis of official figures by the Trades Union Congress (TUC) this month, real wages, taking the cost of living into account, are set to be 0.8 percent less than they were in September. The TUC’s report found that in the last quarter of the year pay hardly grew, rising only by 0.8 percent, while inflation was double that rate, at 1.6 percent.

Figures compiled in November by the XpertHR consultancy, and reported by the *Guardian* found “that pay bargaining across some of Britain’s biggest private and public sector employers showed median basic pay increased 2% in the three months to the end of October, unchanged for the seventh consecutive month.”

Among the hardest hit will be young workers and the poorest in London. Last week, a poll by Ipsos MORI funded by local London borough councils found that

the issue most concerning around one in five of all Londoners is the rising cost of living.

Rising costs of basics will devastate young workers. An *Evening Standard/Independent* joint investigation published this month found that 67.4 percent of jobs held by 18 to 21-year-olds pay less than the London Living Wage. Many receive the National Minimum Wage of just £6.56, maybe a little more, as opposed to the London Living Wage of £11.05 per hour.

The social position of the working class is being systematically worsened thanks to the trade union bureaucracy, which has stepped up its collusion with the government and the corporations during the pandemic. The collapse in wages overall refutes the claims of the unions, particularly of Unite, to have secured a raft of “inflation busting” pay deals. The *World Socialist Web Site* subjected these claims to analysis in a recent article, proving them to be false.

In its analysis of falling pay, the TUC makes sure to offer its continuing services and “calls on government to intervene and work with unions to boost pay across the economy.” General Secretary Frances O’Grady (annual total remuneration in 2020, £167,229) urges of Boris Johnson and his menagerie of Thatcherite scoundrels, “Ministers should get around the table with unions and employers now and work out fair pay agreements for every industry.”



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