Workers devastated as UK cost-of-living crisis worsens

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Workers in Britain are being engulfed by a cost-of-living crisis as inflation soars and wages fail to keep up. The Consumer Price Index (CPI) of inflation is at 5.4 percent, the highest for nearly 30 years, while the Retail Price Index (RPI) which includes housing costs is at 7.5 percent.

Workers face rising energy bills, housing costs and food prices, tax increases and higher travel costs.

A Citizens Advice charity report last November noted that around 20 percent of families had already cut back on the amount they spend on food shopping or had turned off heating in an attempt to save money.

It stated, “New research on the cost-of-living crunch by Citizens Advice reveals one in ten families—equivalent to 3.2 million households—are facing financial crisis this winter.”

The charity continued, “even if living on a minimal budget—the financial plan its [Citizens Advice] advisers use to support people through a debt management process—more than three million households would be in the red or unable to cover the essentials.

“A further 380,000 households have less than £50 spare each month after covering their basic living costs, putting them at risk of hardship if they faced an unexpected bill.”

A survey by the debt counselling charity Step Change showed nearly a third of British adults, around 15 million, say they are struggling financially, twice the number reported in March last year.

Its recent report, “Falling behind to keep up: the credit safety net and problem debt”, detailed how many workers have to resort to borrowing just to exist day to day.

Step Change said, “Over the course of the year before our survey was conducted, (up to October 2021) we estimate that 4.4 million people struggling to keep up with household bills and credit commitments borrowed £13 billion to pay bills and make it through to payday.”

It added, “Two-thirds (65%) of those using credit as a safety net have kept up with credit repayments by recently missing housing or utility bills, using more credit or cutting back to the point of hardship.”

Increasing energy prices will have a huge impact. Currently there is a cap on gas and electricity charges set at £1,277 a year. This figure, decided in October last year, was a massive £139 increase on the previous cap. From April, it will increase again, with the new amount to be announced by domestic fuel regulator Ofgem on February 7. It is expected to be lifted by around a staggering 50 percent, setting the cap at £2,000.

The rises will badly hit those on default tariffs or on prepayment meters. Those on fixed-rate deals will also be impacted. People have been advised to shop around to find cheaper deals. However, with gas at such a high world price, these are disappearing. TheEnergyShop website reported that 226 current cheaper deals will no longer be available past the end of March.

In a recent statement on the energy crisis, the fuel poverty charity National Energy Action (NEA) noted that at the beginning of October last year around four million UK households were in fuel poverty, struggling to keep their homes warm. It said the October energy cap rise pushed a further 500,000 households into this position.

NEA estimates the April rise will add another 1.5 million households to the total, taking it to 6 million. This would represent a 50 percent rise in just six months. With around 28 million households in the UK, it would see over a fifth experiencing fuel poverty.

Housing costs are also on the rise, particularly in the rental sector. The latest HomeLet Rental Index figures show average monthly rental costs in the UK rose by

8.6 percent, with the average rent being £1,060.

An article on the cost-of-living crisis in the homeless charity magazine, *The Big Issue*, noted, “Already, data shows that private rents are unaffordable for the poorest in the country, with data from 2021 showing that there are just two areas in England where the poorest families spend less than 30 per cent of their income on rent costs.”

In April, two-thirds of English local authorities will increase council tax, many implementing the maximum 2.99 percent increase allowable without having to hold a consultation with council taxpayers. For those paying the average D band figure it means a £57-a-year rise.

Following recent Bank of England interest rate increases, homeowners with mortgages are expected to see an average £15-a-month increase.

For the majority of workers, the surge in food prices is a critical element in their rising cost of living. Many staples have shot up in price, including pasta which has gone up 26.3 percent in the last 12 months. According to data analyst company Kantar, food prices overall increased by 3.5 percent in the four weeks leading to Christmas. Retail research body Assosia has calculated that a basket of common grocery items increased by six percent over the last year.

The Trussell Trust, a leading food bank charity, issued a press release on November 24 on the demands for their services. It stated, “New figures released today reveal more than 5,100 emergency food parcels were provided for people every day from April until September this year on average, by food banks in the Trussell Trust network. That’s at least three parcels given every minute and is an 11% increase compared to the same period in 2019, as need for emergency food remains well above pre-pandemic levels.

“Alarmingly, families with children have been hit the hardest, with food parcels for children increasing at double the rate for adults, compared to pre-pandemic levels. Between April and September 2021, almost 2,000 parcels were provided for children every day on average, compared to almost 1,700 in 2019.”

The cost of travel is increasing too. In March, rail fares will increase by 3.8 percent. Petrol prices reached a record high in October of around £1.43 a litre and have only dropped back slightly. According to motoring organisation the RAC, it costs around £15 more to fill an average family car than it did a year ago.

Workers have meanwhile seen their incomes hit hard. Furlough payments issued to workers laid off because of the COVID-19 pandemic have ended, as has the £20-a-week supplement to the Universal Credit welfare payment, which has devastated 6 million of the poorest, including the lowest-paid employees.

In April, National Insurance contributions will increase by 10 percent, leaving a worker on £30,000 a year around £5-a-week worse off.

Wages are rapidly falling behind these rising costs. On January 17, Sky News quoted an economist at recruitment firm Indeed Hiring Lab, who said that despite increased demand in some job sectors as the economy opened up, “we’re not seeing any signs of any real gains for the average worker, which is concerning given the squeeze on energy bills and the general cost of living.”

In the same news item, Institute for Fiscal Studies associate director Peter Levell stated, “nominal wage growth would have to accelerate quite a bit to ensure that people’s living standards for this year haven’t fallen relative to the previous year.”

The main force in ensuring that workers’ wages are held down is the trade union bureaucracy. In dispute after dispute, the have acted to secure the interests of the corporations, public sector management and the government to suppress the class struggle and impose poverty-level and below-inflation pay deals. They are the co-authors of the cost-of-living crisis.