UK wage growth cannot conceal escalating cost-of-living surge and social inequality

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A slew of media coverage aping Conservative government propaganda is claiming that the cost-of-living crisis is coming to an end, with a fall in inflation married to record pay increases.

The BBC reported August 15 under the headline "UK wages grow at record rate" that from April to June, "Regular pay rose by 7.8%, the highest annual growth rate since comparable records began in 2001."

But this still leaves wage growth to June lower than the rate of inflation.

The government's preferred measure, the Consumer Prices Index (CPI), stood at 7.9 percent in June, falling to 6.8 percent in July, primarily due to a fall in gas and electric energy prices following a 17 percent cut to Ofgem's energy price cap. The more accurate Retail Prices Index (RPI) stood at 10.7 percent in June, since falling to 9 percent.

Headline inflation figures in any case give a distorted picture as the costs of basics, including food prices, are still surging. The House of Commons Library reported this month, "Food prices have also been rising sharply over the past year and were 14.8% higher in July 2023 compared with a year before, down from the 45-year high of 19.1% set in March 2023. Over the two years from July 2021 to July 2023 food prices rose by 29.3%. It previously took over 13 years, from February 2008 to July 2021, for average food prices to rise by the same amount."

The speed of some of the increases is astounding. According to the Office for National Statistics Retail Price Index figures, the cost of an 800-gram loaf of bread rose by 9 pence from February to March from an already high £1.31 on average to £1.40, a nearly 7 percent increase in just one month.

A survey by the Which? consumer group, shared with the *Guardian* and released this week, found that over the past two years the price of milk rose by 36.4 percent, cheese by 35.2 percent, butters and spreads by 32.2 percent, and bakery items by 30.3 percent. Vegetable prices rose 19.1 percent, meat prices by nearly a quarter (23.6 percent), while savoury pies, pastries and quiches shot up by 26.2 percent. Juice drinks and smoothies rose by 28.6 percent.

In June, Which? reported that the cost of a staple meal in a UK household—fish fingers, chips and beans—had increased by 24 percent, from £3.06 (76p per portion) to £3.79 (95p per portion), in the three months March-May 2023, compared to the same three-month period in 2022. The price of baked beans rose by an average of 36 percent across all brands. Among leading brands, price-gouging rises are often much greater as firms ramp up profits. Which? noted, "HP Baked Beans in a Rich Tomato Sauce (415g) went from 54p to 95p at Asda [supermarket]—a hike of 77%."

The rising costs of basic goods do not impact the most affluent in society, hitting the working class disproportionately. According to Resolution Foundation think tank research, poorer families are most affected by surging food prices as they spend a far greater share of their family budgets on food (14 percent) compared to the highest-income households (9 percent).

The choice for many people is now between paying off utility bills or feeding their families. The *Guardian* reported that research by the StepChange debt charity "found one in seven people had recently skipped meals or gone without a healthy diet in order to keep up with credit repayments—rising to nearly one in three for those on universal credit."

Another critical element of the cost-of-living crisis is that facing mortgage payers and renters. Both have been hammered by the Bank of England raising interest rates for 14 consecutive months, massively increasing borrowing costs. Last month's rise in rates by 25 basis points to 5.25 percent—their highest level in 15 years—kept millions in financial distress. It is widely expected that rates will rise again to 5.5 percent at the Bank's next meeting in September. Renters saw their costs rise by 5.3 percent in the 12 months to July—the highest annual growth rate since UK-wide records began in 2016.

The claim of "record" wage rises across the economy is also incorrect as those already in the highest-paying sectors are seeing wages grow faster than the rest. By some distance the highest wage growth was in the finance and business services sector, at 9.4 percent.

Most of the 7.8 percent growth in wages in the quarter to the end of June was accounted for by the one-off bonus payment made to over 1 million National Health Service staff.

After 40 years of Thatcherite policies carried out by successive governments, much of Britain is de-industrialised and an economic wasteland. Most growth remains centred on London and the south east of England. The *Financial Times* reported last month, "UK pay growth since the start of the pandemic has been strongest for top earners in London, leading to a widening of regional inequalities, according to analysis released on Tuesday by a leading think-tank."

The newspaper cited the Institute for Fiscal Studies which found that "between February 2020 and May 2023 mean earnings for employees living in the UK capital had increased by 5 per cent, after adjusting for inflation, to £4,400 a month before tax. Many areas within commuting distance of London had also seen pay increases of more than 4.5 per cent—far above the average national increase of 2.7 per cent."

Despite the rosy predictions of Prime Minister Rishi Sunak and the media that the cost of living is set to fall dramatically, the Office for Budget Responsibility forecast only in March that household disposable income would continue to fall, by 5.7 percent over the two financial years 2022-23 and 2023-24. This would represent the largest two-year fall since records began in 1956-57.

It predicts that income inequality measured by the Gini coefficient will rise every year and could reach a record high of 40.8 percent by 2027-2028.

Any temporary growth in income pales into insignificance when compared to the off-the-scale accumulation of wealth by UK billionaires who have amassed an identifiable £683 billion between them—equivalent to almost 30 percent of the UK's annual £2.2 trillion GDP. Between 2020 and 2023, the wealth of the billionaire oligarchy rose by almost £180 billion.

Further investigation of the wage figures provides a devastating indictment of the trade union bureaucracy's role in enforcing real-terms pay cuts. The private sector saw pay growth of 8.2 percent, significantly above the much more heavily unionised public sector at 6.2 percent.

In the last 40 years, union membership has collapsed in the UK, with just 22 percent of the UK's 33 million strong labour force in a union. Trades Union Congress-affiliated unions have lost over 250,000 members over the last two years. According to an analysis this month by the TUC, just 12 percent of workers in the private sector are in a union. Union membership in the public sector is 48.6 percent, having fallen below 50 percent for the first time.