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Suave Sunak's cold comfort for impoverished Britons

The protests, devastating figures on salaries and price rises cannot capture the sheer scale of panic and despair among young workers

In the United Kingdom, the cost-of-living crisis shows no sign of ending. Politicians looked shocked when the Office for National Statistics reported 10.4 per cent year-on-year inflation last week. The mood darkened with an analysis by the Resolution Foundation, a centre-left think tank, showing even nominal wages were stagnating.

With the UK now suffering the highest inflation in the developed world — in the year to February, it was 8.5 per cent in the eurozone — few can escape the conclusion that it has become an outlier in the cost-of-living crisis. The reasons are clear: if there are many factors behind the inflation surge, each is accentuated in Britain.

Exasperating factors

First, the cost of basic foods has soared. The ONS said food and non-alcoholic drinks were about 18 per cent more expensive than a year earlier — the biggest increase in 45 years. Shortages of fresh vegetables, aggravated by the disruption of trade with the European Union since 'Brexit', are leaving supermarket grocery shelves empty.

Then there is the energy price shock due to global oil and gas prices. This has been exacerbated by the UK's decision to deregulate energy, shutting down gas-storage facilities, while adding layer upon layer of profit-taking opportunities for the natural monopolies engendered by the privatisation of British Gas in the 1980s.

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A further factor is the atomised nature of today's workforce. While most public-service workers in Britain are directly employed — and seeing their real wages heavily eroded by

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inflation — there are 4.3 million self-employed workers. Many perform vital functions, such as gas-boiler maintenance, site security or heavy-goods delivery. Skills shortages, in part created by the UK's self-exclusion from freedom of movement within the EU, allow associated small and medium enterprises to increase their charges at rates higher than inflation — even though there is no discernible 'wage-push' among the employed.

Finally, there is widespread profiteering, again encouraged in Britain by its highly marketised economy. The profits of road-freight companies have risen 149 per cent year on year, according to an analysis by the Unite trade union, while the margins of Britain's six petrol refineries have tripled over the same period.

Panic and despair among young workers

One measure of how hard this is hitting workers, both financially and psychologically, is the wave of strike action it has triggered. Teachers, university lecturers, nurses, hospital doctors, railway workers and Amazon employees have all staged large, well-organised strikes, building a cross-sectoral solidarity not seen in the British workforce since the 1990s.

Another snapshot is provided by a poll from the campaign organisation 38 Degrees. Forty-one per cent of Britons surveyed said price rises had worsened their mental health, 30 per cent were worried they might have to use a food bank in the next year and 35 per cent — more than one in three — said they could not afford to turn the heating on in their home when cold. And these were averages across Great Britain: in the old industrial boroughs of northern England, south Wales, Clydeside in Scotland and inner London, the rates were much higher.

Even these figures cannot capture the sheer scale of panic and despair among young workers. They have been saddled with up to £40,000 of debt to achieve an undergraduate degree. They are frozen out of the house-buying market by asset-price inflation and, as a result of 11 consecutive interest-rate hikes by the Bank of England, the cost of borrowing. Though there is an acute skills shortage for degree-educated workers, they do not have the pricing power to maintain their wages against inflation — and the whole of government policy is designed to keep things that way.

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As elsewhere in Europe, the disruptions caused by the pandemic and the impact of the war in Ukraine on food and energy prices certainly form the backdrop to Britain's crisis. What makes this however even more unique (outside of Greece) is that it comes at the end of an unprecedented 15 years of real-wage stagnation.

Many Britons feel an implicit social contract has been broken. Their expectation was that real wages would always rise, even if that entailed working harder and soaking up more managerial pressure. In periods of downturn, such as the heavy austerity imposed between 2010 and 2013, at least borrowing costs were minimal. But now these burdens and living costs are worsening, while wages just cannot grow quickly enough to match.

That is why — although there is no overt, French-style politicisation of the strike wave — the strikes are popular. Neither anecdotally nor in the polls is there any spontaneous resonance for a hostile narrative among the stereotypical, 'white van man', populist demographic.

A government that is out of touch with reality

Where does British mass political consciousness go next? It currently focuses on deep disillusionment with the recently revolving Conservative administrations. The last prime minister but one, Boris Johnson, was, at least, an entertainer. His successor, Liz Truss, almost crashed the financial system. Her successor, Rishi Sunak, while trying to appear boringly technocratic, looks completely out of touch with ordinary people.

Sunak paid personally for the local electricity grid near his mansion in Yorkshire to be upgraded, so that it could heat his private swimming pool. This at a time when many council-run pools are reducing their hours of opening due to rising heating costs.

The long-awaited publication of his tax return last Wednesday — when the media were focused on an explosive confrontation earlier in the day between Johnson and a Commons committee over the 'Partygate' scandal in Downing Street — revealed that he had paid an effective tax rate over the previous three years of just 22 per cent on an income of £4.8 million. This mainly comprised capital gains on financial investments, taxed at a much lower rate than high salaries in the UK. The only upside

for Britain's richest politician was that most ordinary people have no notion of just how much wealth you would have to possess to generate £4.8 million in income from it.

The Labour Party is neither supporting the strike action nor going out of its way to fuel expectations. It has a detailed policy on employment rights under a future Labour government but the unstated risks are obvious.

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The general pattern of strike action to date has so far been restrained, with private-sector workforces getting good but below-inflation rises while publicly employed workers often settle for changes in hours and conditions and the consolidation of bonuses. If Labour comes to power pledged to deliver sweeping reforms to trade union rights, the consequence could however be a renewed strike wave, with powerful sectors of the workforce in unions formally affiliated to the party demanding catch-up deals to remedy years of pay erosion.

Nurses, for example, have experienced a 20 per cent fall in real wages over the decade — they are effectively doing five days work for four days' pay. As demographic ageing shrinks this and other groups, including family doctors and truck drivers, an incoming Labour government could be sitting on a wage-demand explosion.

Though most British people do not yet directly attribute their pay erosion to Brexit, they are well aware that its overall promise is now tarnished. A *Financial Times* story last year, showing that one would be better off being poor in Poland or Slovenia than in Britain, has resonated widely.

Sunak, who supported Brexit, has promised to halve inflation. That should not be difficult to achieve. But telling a coherent story about how the incomes of ordinary families can recover will be much harder — and the electoral timetable is closing the window of opportunity for him to do so.

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