

Inflation & inequality - low income families face higher inflation



BARGAINING BRIEFING

Introduction

UNISON's low paid members know only too well how much prices are soaring, given they are among those unfairly hit hardest by the cost of living crisis. This briefing covers inflation, the differences between ways to measure it, and why it is vital we speak up on behalf of those members who face far higher inflation than the headline rates; in rocketing heating, food and other bills.

This all matters in pay negotiations at the best of times, even more so in this crisis. All our members deserve a decent pay increase, not real terms pay cuts as we face the biggest price rises in 40 years.

What is inflation?

Inflation is when prices for goods and services rise over time. The rate of inflation is how quickly they go up. The Office for National Statistics (ONS) gathers various types of data to measure consumer price inflation. The Consumer Price Index (CPI) is the official inflation figure, calculated from the costs of a 'basket' of around 700 goods (e.g. food and household items) and services (e.g. transport and restaurants).

The ONS reported last month that CPI rose to 9% in the 12 months to April, a 40 year high. This was up from 7% in March, way above the UK government's target 2%. Three quarters of the rise was increased gas and electricity bills. The ONS also calculates the Retail Price Index (RPI), which in April was 11.1%. See p2 re inflation inequality.

What is the difference between the RPI and CPI?

The RPI is usually argued to be a more accurate reflection of ordinary working people's lives in the different ways that it measures some housing costs and other costs compared to the CPI 'basket'. CPIH is a 3rd measure: the CPI with owner occupiers' housing costs added. (It was 7.8% in April.) RPI is due to be scrapped (trade unions argued against this) in 2030 in favour of CPIH. RPI is used for some uprating in areas including private sector pensions, the student loan interest rate, rail fare rises and often in PFI services contracts.

There is a detailed comparison and an explanation of why UNISON sees RPI as better in this Sept 2021 Bargaining Guide – Bargaining on Annual Pay Rises, available on the UNISON UK website <https://www.unison.org.uk/content/uploads/2021/09/Pay-claims-0921.pdf> (Of course, it reports on then current official forecasts on inflation that have now proven to be severe underestimates.)

KEY POINTS:

- Inflation impacts more on those on the lowest incomes, with food and very high heating costs a much higher proportion of their budgets
- RPI is a better indicator of the costs facing workers than CPI (but it is due to be scrapped in 2030 in favour of CPIH)
- Soaring energy bills are a major factor in the cost of living crisis, causing rising fuel poverty – heat or eat
- People on benefits, disabled people & low paid workers, many of whom are women, are struggling to make ends meet, with food bank use rising & more need than ever for universal free school meals
- Pay rises and higher benefits are key



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Inequalities – inflation is higher for people on lower incomes

The Guardian reported in May that the gap in the inflation rates experienced by the richest and poorest households “is at its highest level for 16 years – another sign that the cost of living crisis is most severe for those least able to cope.” A report from the Resolution Foundation thinktank showed CPI inflation at 10.2% for the poorest 10% of households, considerably higher than the 8.7% rate experienced by the richest tenth. The Institute for Fiscal Studies said the gap is as high as 3%, with the poorest facing 10.9% inflation because gas and electricity costs are 11% of their budgets, compared to 4% for the richest 10%. Food and anti-poverty campaigner Jack Monroe prompted ONS action by arguing inflation measures grossly underestimate the true cost of living. She highlighted staple food price rises and reduced numbers/availability of supermarket value ranges. The ONS has now published experimental data on the lowest cost grocery items to help better reflect the impact of inflation. Pasta was up by 50%, bread and minced beef 16%, while some prices fell. Guess how hard the Sunday Times Rich List have it? Their worth is 8% up on 2021!

Pay and inflation

Trade unions argue strongly for above inflation pay rises - otherwise pay is being cut in real terms. The TUC says we're in a 17 year pay squeeze, the longest in living memory, with public sector pay growth falling 4.9% from March 2021 to 2022, the worst on record. The Office for Budget Responsibility forecasts that pay won't return again to above 2008 levels until 2025. The STUC Congress in April backed calls for above inflation pay rises for all public workers. Scottish Cabinet Secretary Kate Forbes said, in introducing her Resource Spending Review: “The chill winds of Tory austerity are blowing when it comes to spending on public services.” But it is her government that has slashed local government funding and is now planning further real terms cuts. One in eight jobs in parts of the public sector are at risk. UNISON Scottish Secretary Tracey Dalling said the Scottish Government's plans are “catastrophic” for public services, which need investment not cuts. Meanwhile the health budget for the rest of this parliamentary term is not increasing sufficiently to deal with the various pandemic related and other pressures. Local authorities have offered a miserly 2% to council staff who, like health and care workers, have been key workers through the pandemic. It is vital we get a strong yes vote to industrial action in the local government pay ballot running from 10 June to 26 July. And our Put NHS Pay Right campaign shows NHS workers have had years of real terms pay cuts. It's essential NHS staff are properly rewarded. They deserve far more than long ago Covid doorstep claps.

Energy prices

The TUC says ensuring people can pay bills and eat won't push up inflation. Energy costs are driving it, rising 23 times faster than wages, 38 times faster than benefits - so wage price spiral claims are “nonsense”. The energy price cap is set to rise in October by more than £800 to an average of about £2,800, on top of a recent £700 rise, meaning many families' bills will have doubled. Yet energy companies make huge profits. Relief announced by the Chancellor helps but too many families still face severe fuel poverty - heat or eat.

Action for Branches – Join 18 June We Demand Better March & rally in London <https://unison-scotland.org/demand-better-18th-june-in-london/>

Discuss the cost of living crisis with members and how important strong pay campaigns are, along with ways that UNISON may be able to help. Promote There for You, incl School Clothing Grants. Donate to the There for You Energy Support Appeal <https://www.unison.org.uk/news/2022/03/there-for-you-launches-the-energy-support-appeal/>

Further info

ONS: Inflation

<https://www.ons.gov.uk/economy/inflationandpriceindices>

UNISON Scotland Put NHS Pay Right in 22

<https://unison-scotland.org/its-time-for-the-scottish-government-to-put-nhs-pay-right-in-2022/>

UNISON Scotland Local Gov Pay Campaign 22

<https://unison-scotland.org/local-government-pay-2022/>
<https://unison-scotland.org/strikes-will-shut-schools-and-nurseries/>

TUC: 17yr pay squeeze

<https://www.tuc.org.uk/blogs/only-good-well-paid-work-route-out-poverty>

TUC: Wage price spiral claim is “nonsense”
www.tuc.org.uk/research-analysis/reports/jobs-and-recovery-monitor-bonuses

UNISON There for You

<https://www.unison.org.uk/get-help/services-support/there-for-you/>



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