

The Cost of Living Crisis: A generation in the making

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9th November 2022

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Overview

- The current cost of living crisis & inflation
- Living standards
 - Earnings
 - Benefits
 - Social wage

The current crisis

- Inflation
 - The current crisis is being referred to as the cost-of-living crisis. Very suddenly the cost of energy, something that very few households or businesses can live without, went through the roof.
 - Inflation had been building for months preceding Ukraine crisis, but this was expected given the speed at which economic activity returned post-pandemic.
 - Energy costs since March have changed game completely. No short-term policy measures could have avoided.

Inflation for households

- The rate of inflation that people actually experience varies based on individual circumstances.
- It matters what your income is. Price increases take a bigger share of lower incomes.
- It matters how much you spend and what you buy. People who spend great proportion of income on food and energy take a bigger hit.
- Inflation, by necessity an average. Averages can conceal very different experiences at top and bottom.

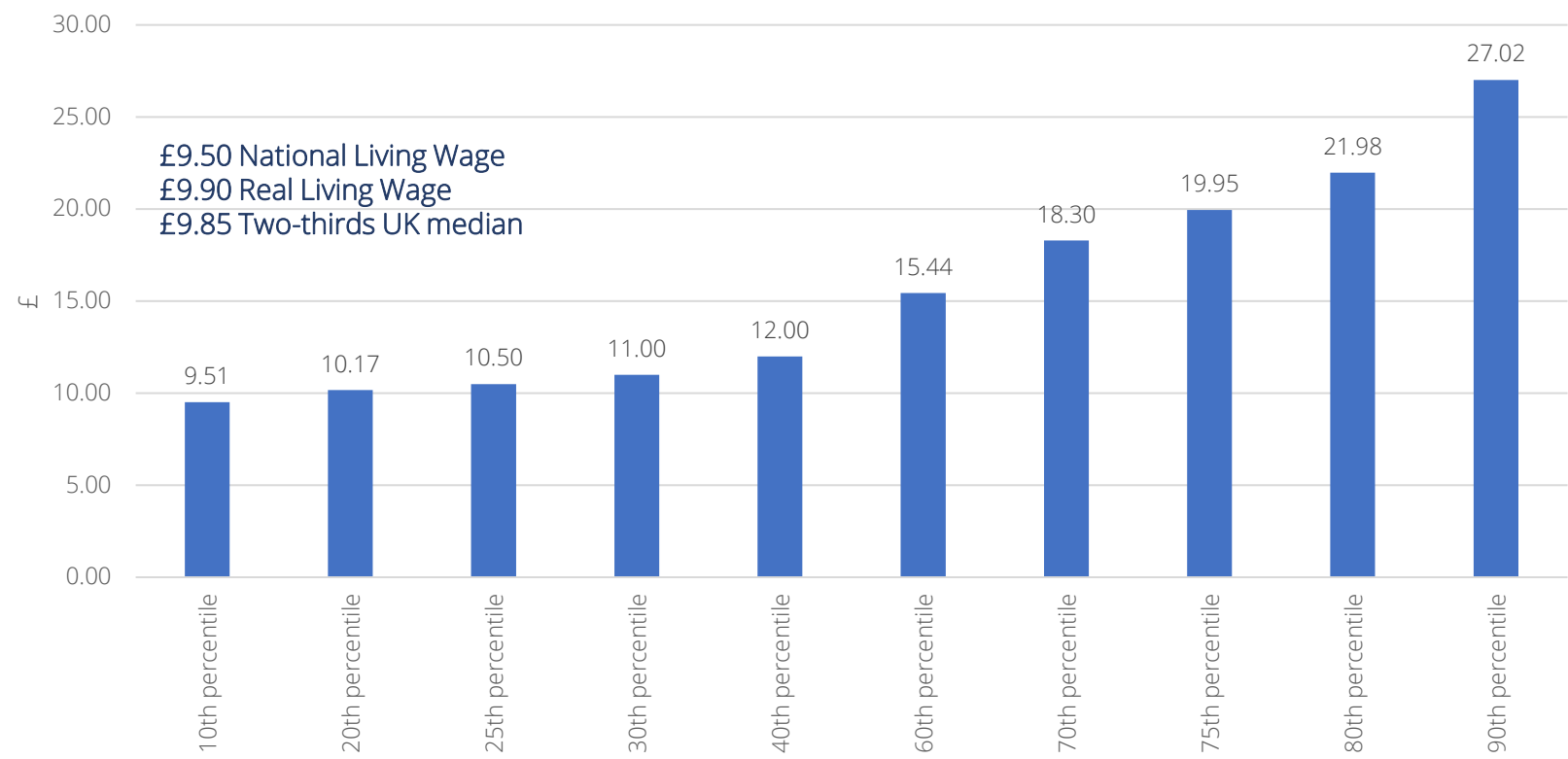
The income which most people have to meet their cost of living derives from that which they earn from work...

So, How much do we earn?

	Hourly pay excluding overtime	Weekly pay	Annual pay
All	13.39	497.8	25,293
Male	13.99	554.2	28,648
Female	12.82	437.3	22,095
Full-time	14.79	591.6	30,000
Part-time	10.68	217.3	11,958
Male Full-time	14.5	600	31,253
Male Part-time	10.66	199.4	11,320
Female Full-time	15.17	574.9	28,052
Female Part-time	10.68	223.8	12,000

Source: NISRA (2022) ASHE, Hourly pay excluding overtime

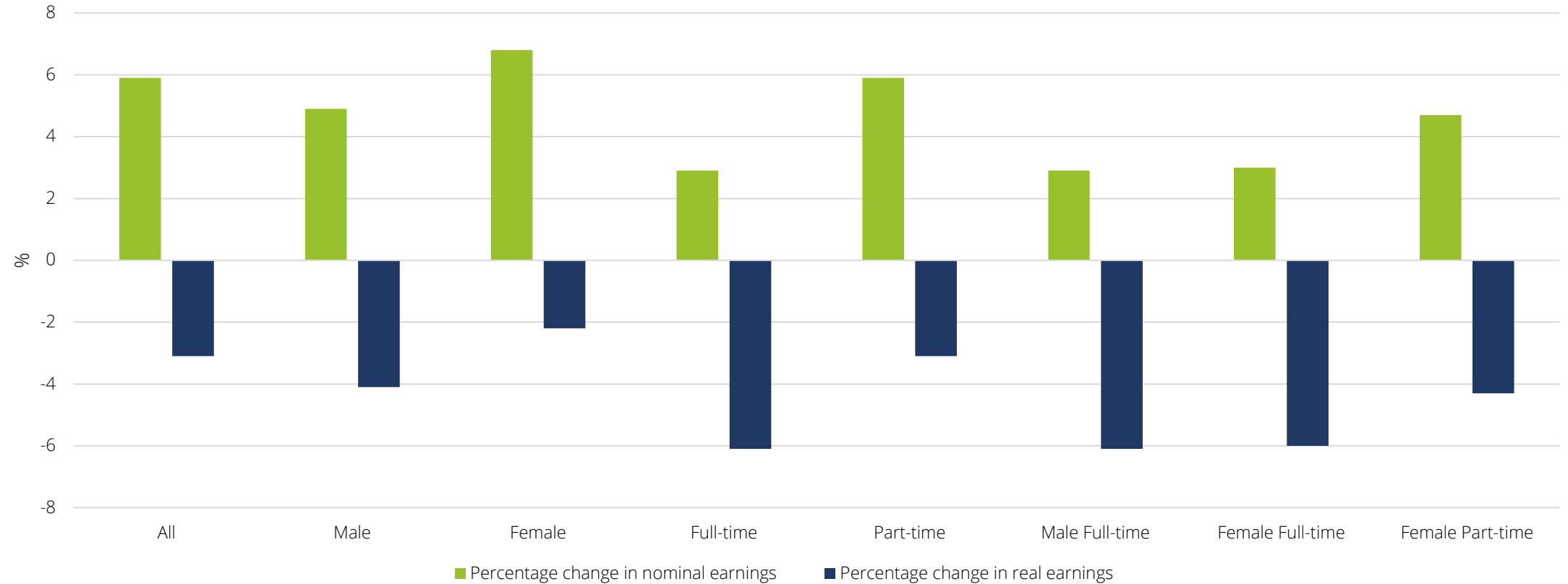
Distribution of earnings in Northern Ireland, 2022



Source: NISRA (2022) ASHE, Hourly Median earnings excluding overtime NI, 2022

**This year has seen one of the sharpest
decline in real earnings.....**

Nominal and Real Wages, 2021-2022

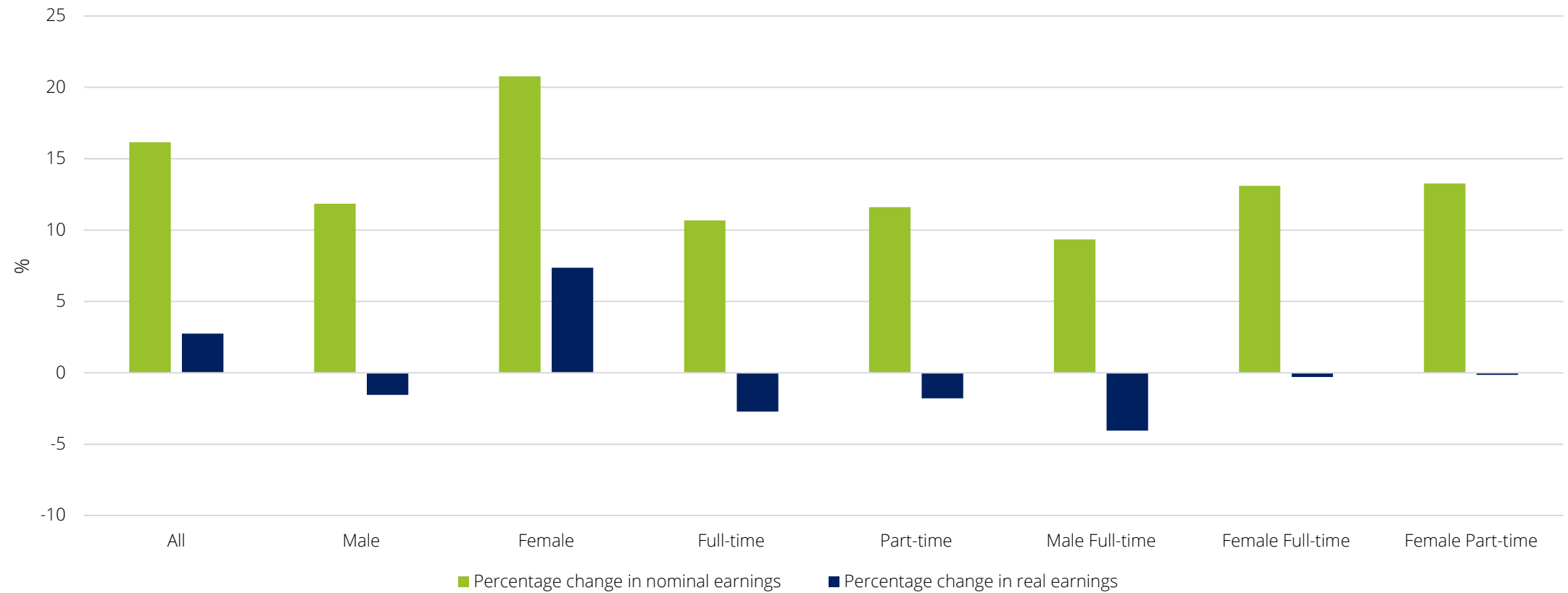


Source: NISRA (2022) ASHE, Gross weekly earnings NI, 2022. ONS, CPI inflation.

This years data is comparing earnings change against a furlough year....

- There weren't any furloughed workers in April 2022, there were in April 2021.
- This means that we are comparing pay in a non-furlough year to a furlough year, which will be having a positive effect on measured pay growth as workers returned to work.
- Means that the actual squeeze on real pay underway in April is likely to be worse than what the data show.

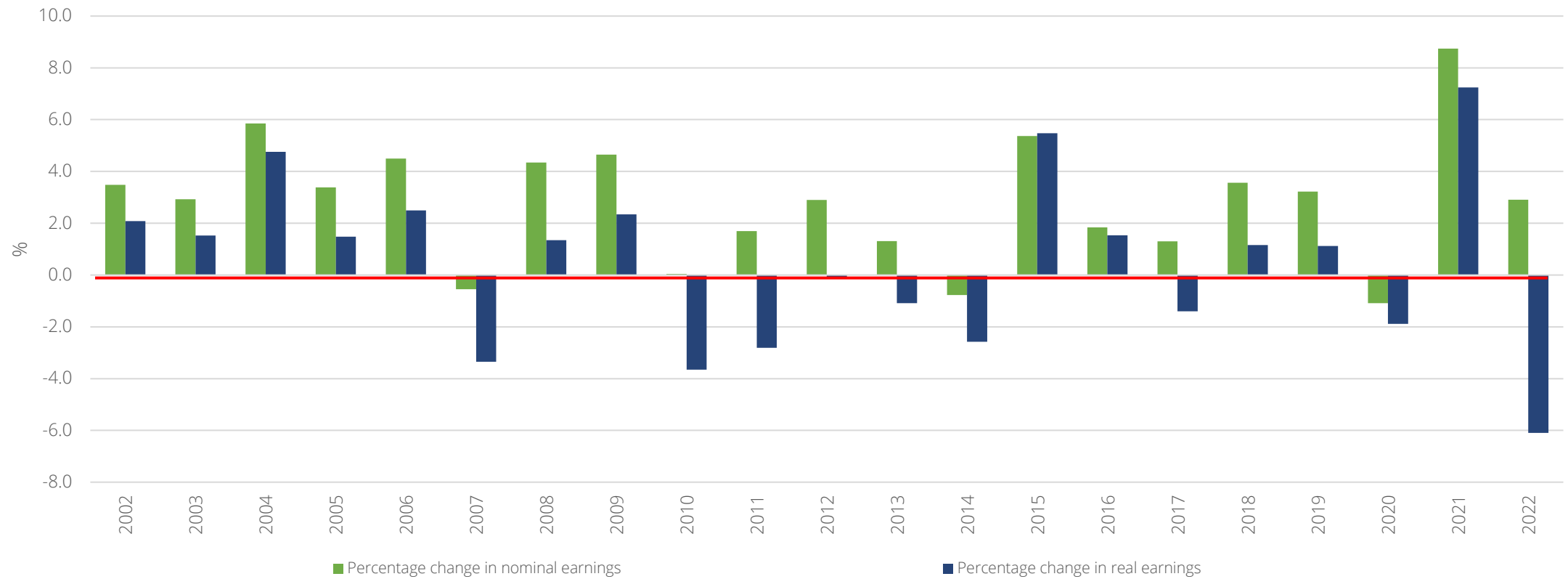
Nominal and Real Wages, 2019-2022



Source: NISRA (2022) ASHE, Gross weekly earnings NI, 2022. ONS, CPI inflation.

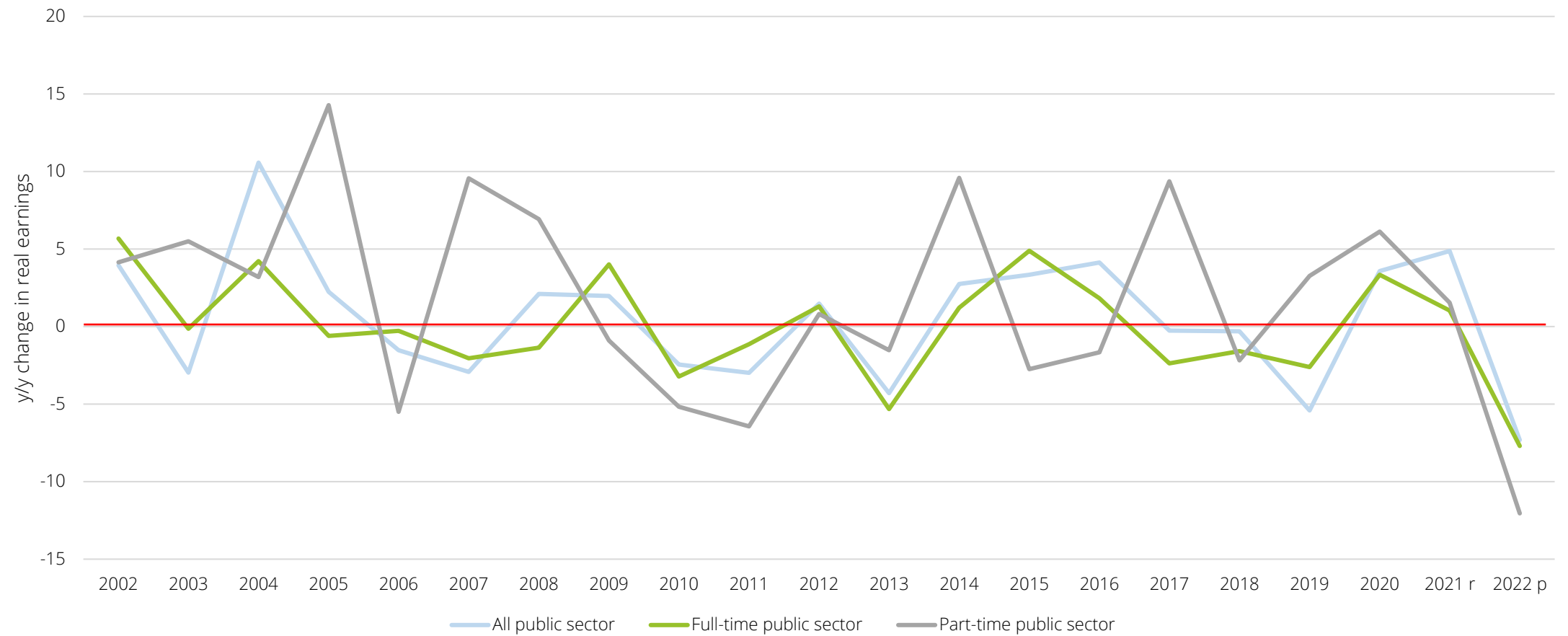
2021 was a good year for pay, 2022 was not & in 5 of the last 10 years workers earnings have not kept apace with the cost of living....

Nominal & Real Wage Changes



Source: NISRA (2022) ASHE, Gross weekly earnings NI, 2022. ONS, CPI inflation.

**Public sector employees
working full-time have seen no
progression in their earnings in
20 years....**



Private sector earnings have never recovered from the financial crisis...



**Another key component of income
derives from the social security
system.....**

Benefits

- About 40% of those who receive universal credit are in work.
- Working age benefits frozen from 2016 for 4 years.
- Continuation of erosion of welfare system: 2 child limit, child benefit.
- Working age benefits are generally uprated every April in line with the previous September's CPI inflation figure.
- Would mean that working-age benefits would increase by 10.1% in April 2023.
- Unclear as yet if Jeremy Hunt will deliver this.
- Even with this, we will have locked in a permanent real terms decline in working-age benefits.

Our living standards are not just determined by the income that we have, but by the resources that we have....

Social wage

- Patching up other issues which could be handled via the provision of services through the labour market & social security system.
- Examples of social wage include: childcare, transport, adult care, housing.

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