Small business cannot afford the escalating wage growth that the Government has fuelled. As we face a financial crisis, the greed funnelling money out of everything without putting value back must finally be stopped

Adam Tugwell | 20 September 2021

We are constantly hearing about staff shortages and wage rises. Yet very little is being said by anyone about the real reasons underpinning what is happening.

There is no discussion about what we are seeing now being just the beginning or thin end of what will be a very thick wedge. There is no mention of how dealing with the problems we are now facing will require a lot more leadership and creativity on the part of our politicians rather than barking commands at businesses and demanding that they just put wages up.

Our Politicians, the media and a lot of other people too are taking for granted that everything will just keep rolling on 'like normal', certain that after a few temporary changes to deal with Covid here and there, things will carry on as they always have and that in no time at all, everything will be back to where it all was before.

In many respects, it certainly feels like business as usual. The problems that are being talked about are being blamed on Brexit, just as they have been at every opportunity for the past 5 years. And has always been the case without us paying all that much attention, the journalists, commentators and pundits are seeing everything through the lens of their own view of everything. The difference this time being that there is so much starting to happen that even the myopic nature of their supposedly broad thinking dialogue is quickly being exposed for being anything other than joined-up.

Yet we are now on the first steps of an accelerating downward spiral. A negative trend created by politicians and the banks cooking the books and getting away with it for such a long time, they genuinely believe that they could continue without risk of ever reaching a place called stop.

To be fair to them, the political class is so detached from the realities that face people outside of Westminster, it would be futile to imagine that this political class can suddenly develop empathy and understanding as another crisis looms. They certainly didn't do so for the Covid Pandemic, and there is some irony that it is because of the choices that they have made in response to that, what comes next is set to be considerably worse.

In the coming months and possibly years ahead, we are set to experience a financial crisis of a kind that the world has never seen before. We are in the early stages of the descent towards it right now, and that thin end of the wedge – the employee shortages, empty shelves and the price escalation that we are now starting to see is just a small taste of what is set to come.

Our political class looks at every problem as being one that can be solved with money or a financial solution. But this is the same approach that politicians have been applying now for decades and all it does is make things progressively worse.

As our political class look at every problem through this ‘money solves all problems’ lens that many of they forebears have got away with – not because it works, but because there has been an awful lot of luck involved – they now see the staffing shortages as one that can simply be solved by telling business to put wages up.

Large supermarkets and hauliers have responded to the growing crisis by putting drivers wages up. Problems in other industries have resulted in large high street names like Costa throwing pay rises at staff ostensibly for their effort during the Pandemic. But this is the first sign of a panic materialising too.

There is no shortage of people to do jobs and to go to work in this Country. But no amount of money will solve what is now an out of control problem when employees are treated so badly and there are no controls placed upon what it costs and how much it costs the average person in this Country to live.

The rapidly expanding gap between what people earn and what it costs to live is an immediate problem for sure. But price inflation is now so firmly fixed in the hands of private interests who have seen the amount of money that Governments have created over the past eighteen months, that they will continue pushing prices up until the point that the system breaks. That is, if some other event hasn’t led to this already and proven to be one of the many straws that could so easily now break the camels back.

Perhaps the most useful example to illustrate the point is the cost of transporting a shipping container with goods to the UK from the Far East. Shipping costs have risen 1500% in the past 18 months, not because the costs of moving these items have become markedly different, but because world events have given the shipping conglomerate an excuse; together they have a stranglehold and ultimately, they know that they just can.

This change has in no small part led to goods shortages and price rises. And if you have already seen the presents that you want to buy for your children or family this Christmas, you might be very sensible to grab them now, whilst you still can.

What the shipping companies have and are doing is representative of how commercial supply chains now work. But what makes the situation even worse is the number of agents, speculators and handlers who have built ‘high performing’ business models, simply by handling goods – perhaps just buying and then selling them on at a profit – without adding any kind of value to the transaction. The end result being the unfathomable and unexplainable rise in the cost of living – with the end users and even the businesses one step removed from the end of the supply chain – struggling to keep going because all of the fat has been taken many times over and the prices of goods are too unrealistically high for anyone to afford or absorb.

Big name companies, that have a stake in how our broken economic model now works, can easily afford to pay their staff better than the living wage. They could easily absorb the rises with little impact on their bottom line. Yet the greed that drives them means that they would see the imposition of raising pay as one that gives them the excuse to raise their prices too.

Smaller businesses – and by this I mean the bedrock of our real economy and the ones that make everything work – don't have the means or the economic scale to raise wages and then either absorb the difference or then pass on the costs to their customers and other without there being a significant cost the businesses that they own or run.

In fact, the demands that hapless Ministers have made last week for businesses to start paying more could easily result in people losing their jobs and making what were otherwise great small businesses no longer viable because the staff they need just to fulfil their normal order book has become a luxury they cannot reasonably afford.

In a prefect world, those small businesses or the trade organisations that represent them would sit down with the people running this country and be listened to in a way that counts.

Sadly, because we have the political culture that we have, that scenario is not one that is likely to ever play out. The system is literally going to have to break before those who should have been aware of the impact of what they have been doing will be ready to take note. And when then they do, then problem will be that we have the same people in power and pretending to lead us who got us into this mess in the first place.

Like everything Government in this Country touches or legislates for, the financial and economic system needs massive and comprehensive reform.

Money does not solve problems in the way that politicians would like and the process of the fat getting ever fatter by inflicting pain on everyone else without being forced to face up to what they have been doing is now over.

Things will not return to how they were before the Covid Pandemic began.

Further Information

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