Britain: Record fall in pay levels

Julie Hyland
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The Office of National Statistics has recorded the largest fall in wages in the United Kingdom since it began collecting data in 1995.

The ONS figures show that wages fell by 1.3 percent during July-September 2009 compared with the same period in 2008. The total paid out in earnings stood at £161.6 billion, down from £163.7 billion the previous year.

The data was released as it was confirmed that the UK remains the only G20 nation still in recession, with its economy having shrunk by 0.2 percent in the third quarter.

While the figures confirm the impact of the global economic downturn on Britain, they also form part of a broader and more long-term decline in UK competitiveness. According to an analysis of ONS figures by the *Financial Times*, in the first decade of the 21st Century, the UK recorded its lowest level of economic growth in the post war period. Gross Domestic Production rose on average annually by 1.7 percent in real terms, which was "Britain's weakest period of economic expansion of any since the 1940s," the FT reported.

"Manufacturing was particularly hard hit and, on average, after adjusting for inflation, output actually contracted over the decade by 1.2 percent annually.

"Meanwhile, the British stock market suffered its weakest performance of any decade since the Great Depression, with prices on the FTSE All Share Index recording negative returns, averaging -1.8 percent per year, according to Morgan Stanley."

The newspaper said that "[t]he particularly sharp contraction in the real economy as a result of the financial crisis of the past 18 months continues to fuel pessimistic assessments of the UK's prospects for the new decade."

The FT cited the annual employment report published by the Chartered Institute of Personnel and Development (CIPD) forecasting rising unemployment and effective pay cuts "for most people in work."

The CIPD's Barometer Report for 2010 said that the "the number of people in work will fall by 250,000 between the third quarter of 2009 and the second quarter of 2010, with unemployment rising to a peak at 2.8 million next summer." Although this represents an improvement on its previous forecast of 3.2 million jobless, the CIPD stressed that containing unemployment required a widespread "pay squeeze."

Dr. John Philpott, chief economic adviser to the CIPD, said that its base line forecast was in part dependent on average earnings growing by no more than 2 percent. "Given the likelihood of a rise in price inflation to at least 3% in 2010 on the RPI measure, our forecast implies a squeeze on real pay next year. This could be difficult to deliver following a recession during which many private sector employees have experienced pay freezes or pay cuts. A slower than expected recovery or stronger earnings growth would threaten to raise peak unemployment to at least 3 million."

Anticipating a "jobs-light/pay-tight recovery," Philpott concluded, "The benign employment relations of the long Noughties boom may have just about survived the worst ravages of the Noughties recession, but they face a severe test in the coming decade. Private sector employers will seek to contain wage costs, and public sector employers will have to cope with the consequences of fast shrinking budgets and mass job downsizing."

Already the global economic downturn has been used by private and public corporations to push through major restructuring, including job losses, lowering wages and cuts in conditions. Earlier this year it was revealed that almost one-third of employees had seen their pay cut, and nearly one-quarter had their hours cut.

The situation has worsened since then. Although overall figures are not available, the Bank of England has estimated that 40 percent of workers in the private sector have had their pay frozen over the past year. In the meantime, across the country, tens of thousands of council workers are subject to wage cuts as part of a supposed review of pay grades. At least 20 percent of all local authority workers are expected to suffer a reduction in wages as a result.

A survey by the British Chamber of Commerce showed that more of the same can be expected, with millions facing fresh pay cuts or a freeze in the new year. Almost two-thirds of company directors surveyed by the BCC—58 percent—said they intended to freeze pay during 2010. Another 5 percent said they planned to cut wages.

Business is demanding sweeping cuts across the public sector, including further reductions in pay. David Frost, director general of the BCC, said, “We face a tough year ahead—it will be a really long haul…. Wage freezes and cuts are unpleasant but have ensured unemployment has not risen like it did in previous recessions. So far all the pain seems to be felt in the private sector. There have been no such measures in the public sector.”

John Cridland, deputy director-general of the Confederation of British Industry, stressed that the UK faced “structural hurdles” in turning around the economy. He said that workers in the private sector “have been prepared to take a hit on take-home pay,” but there was “clearly a greater propensity to flex muscles” in the public sector.

British Airways and Fujitsu are amongst some of the big-name private sector firms to have capped wages. On December 17, BA won a specious court victory outlawing a planned strike by its cabin crew who had voted by a margin of 92.5 percent to strike, over attempts to impose drastic changes in working conditions and pay. The majority strike ballot came after months in which BA had announced a total of 4,900 job losses globally and had demanded that its 40,000 employees volunteer for up to a month’s unpaid leave, or unpaid work. In the end, almost 7,000 staff took voluntary pay cuts or agreed to part-time working.

On December 18, workers employed by Japanese electronics firm Fijitsu took the first of six days of strike action over redundancies and a pay freeze. In addition to the pay freeze implemented earlier this year, the company has lain off 1,000 workers in the UK in the past year and plans to close the final salary pension scheme. This is despite making a £200 million profit in 2008 and paying out a compensation package of £1.6 million to two directors.

In both the private and public sector, the trade unions are playing the major role in containing widespread anger at the assault on jobs and conditions. Though finally forced into calling a strike at BA, there is no doubt that the union tops were just as relieved as the airline’s directors when the high court vetoed the strike.

Derek Simpson, for the Unite trade union—the largest in the country—summed up the part played by the union bureaucracy in helping force the burden of the economic crisis onto the backs of working people. “Our members have been prepared to share the pain and take pay freezes this year,” he said, as if they had been presented with any real choice in the matter.

Simpson went on to state that his union would challenge pay freezes in profit-making companies. But just as his invocation of a readiness by workers to “share the pain” surrenders any struggle in workplaces such as BA who claim to be making losses and in local authorities, this pledge will also prove to be worthless.