Massive increase in UK wage inequality

Robert Stevens
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Figures published by the UK Office for National Statistics (ONS) reveal the enormous gulf in pay between the vast majority of workers and the super-rich in the UK. The ONS is a non-ministerial department that reports to parliament.

The Annual Survey of Hours and Earnings is based on a 1 percent sample of jobs and uses data from the UK tax authority. It found that the bottom tenth of earners in the UK saw their pay increase by a miniscule 0.1 percent between 2010 and 2011. The increase in pay of the bottom 10 percent of workers took their hourly pay to £7.01, excluding overtime. This is a level not far above the minimum wage.

Although the average gross salary for full-time employees was £26,200 in 2011, an increase of 1.4 percent from 2010, this represents a 3 percent fall in real terms, as the rate of inflation rose to above 5 percent.

Overall pay growth (in terms of gross weekly earnings) for workers in the UK stands at just 0.4 percent. This means that average pay has fallen by more than 4.5 percent in real terms, given the inflation rate.

The brunt of the economic crisis is falling on school leavers and younger workers. Those aged 18 to 21 are earning less than half the pay of the top earners in the 40-49 age group.

The number of people being paid less than the minimum wage of £6.08 rose this year. According to the figures, 299,000 jobs, held by people aged 16 and over, paid below the national minimum wage. This constitutes 1.2 percent of all UK jobs.

The level of official youth unemployment has passed the 1 million mark. Many young people are now being forced to work for nothing, as major chains and supermarkets exploit the government's so-called work experience programmes.

The ONS report has been presented in the media as showing the difference in pay between the bottom tenth of employees and the top tenth, who saw their pay grow 18 times faster. The top tenth of workers in the UK increased their pay by 1.8 percent to an average of £26.75 per hour.

Commenting on the ONS report, John Philpott, chief economic adviser to the Chartered Institute of Professional Development, said, "Unskilled workers are facing a choice between no pay and very low pay. One feature of the previous Labour administration was widening inequality, but real wages increased across every income group. This year's earnings figures, with wages stagnant in even nominal terms, look more like those from the US than the UK."

The figures in the ONS report are themselves distorted by the inclusion of high-end earners. Millions of workers earn far less than the declared official average wage of £26,200.

If anything, the ONS report is a vast underestimation of the real income gap. In contrast to the period leading up to the 1980s, the pay of chief executives now comes in the form of bonuses, share options, etc.

The real measure of the economic and social inequality in the UK, as is the case internationally, is between the working class as a whole and the super-rich. New figures released last week by the High Pay Commission (HPC) cited various examples of the obscene pay being accrued within the top 1 percent of society.

Former chief executive of Barclays, John Varley, took home £4,365,636 last year.

The HPC pointed out that in 1980, the difference between those receiving top pay in Barclays and that of the average workers was 13 times greater. Today, the Barclays chief executive earns 169 times more than the average UK worker (an increase of nearly 5,000 percent).

At Lloyds Bank, which had to be taken into state hands following the global financial crash of 2008, chief executive pay now stands at £2,572,000. This represents an increase of 3,141.6 percent since 1980. The Lloyds Bank chief executive now earns 75 times the average Lloyds employee. In 1980, it stood at 13.6 times that of the average Lloyds worker.

Over the last 30 years, the pay of top executives at a number of UK companies listed on the London Stock Exchange has risen by more than 4,000 percent on average. Average wages for employees in that time have increased only threefold from £6,474 to £25,900 per year.

The HPC points to a scenario emerging in Britain in which "high pay" is "creating inequalities last seen in the Victorian era". It estimates that, at the current rate, by 2030 inequality in the UK could reach levels not seen since Victorian England.

Currently, the gap in income between the richest and poorest is at the same level as the 1940s, stated the HPC. Between 1949 and 1979, the top 0.1 percent of earners saw a fall in the share of national income they took from 3.5 percent to 1.3 percent. However, by 2000, the top 0.1 percent of earners had increased their share of national income to 4.6 percent.

The amount of wealth being expropriated by the super-rich has increased dramatically in the decade since then. In the period from the election of the Labour government in 1997 to its leaving office in 2010, the richest 1,000 people increased their wealth three times over.

Prior to 1997, their combined wealth amounted to less than £100 billion.

Today the wealth being accumulated by the financial aristocracy dwarfs that of the rich of the Victorian era. The latest *Sunday Times* Rich List reported that the UK's 1,000 richest people are now worth the grand sum total of £396 billion.

The previous year, it stood at £333.5 billion. In 2012, this stratospheric level of wealth is now expected to top the pre-2008 recession high of £413 billion.

In 2010, the average FTSE 100 chief executive was paid an average of £4.9 million in total in the year to June. Three of these firms, Reckitt Benckiser, Berkeley Group and Xstrata, paid their top directors the joint sum of £158 million. Reckitt Benckiser paid out £92,596,160; Berkeley, £38,428,724; and Xstrata, £26,953,936. The UK's leading supermarket chain, Tesco, paid out £17,934,000 in chief executive pay.

At the same time, it was reported that British workers' wages had fallen in real terms for the fourth consecutive year, the first time this had happened since the Great Depression of the 1870s.

As millions of workers face decades of unprecedented austerity and the destruction of their pay, living standards, and social services and the loss of their livelihoods, the financial elite, whose nefarious and illegal practices caused the economic crisis, have continued to pile up gigantic levels of wealth.

Earlier this year, it was announced that the five largest UK banks will pay out massive bonuses for 2010. According to the Centre for Economics & Business Research, around £7 billion would be paid out by the banking industry to senior directors and executives of HSBC, Barclays, Royal Bank of Scotland, Lloyds and Standard Chartered.

At the same time, it was reported that profit levels of the big five banks were set to reach £51.7 billion this year. This equates to a profit of £200 million for each working day for each of the five banks.