Workers in Britain suffer the greatest fall in wages since the 1930s

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The UK is experiencing the deepest and most protracted economic downturn in a century. The decline in wages is even greater than that resulting from the Great Depression of the 1930s.

A report by the Institute for Fiscal Studies notes that workers in Britain have suffered unprecedented pay cuts of 6 percent in real terms over the last five years. With inflation, the figures point to a more than 15 percent drop in wages since the global financial crash of 2008.

Historically, real term wages have risen by around 2 percent per year in the UK.

Paul Johnson, director of the IFS, told the *Guardian*, "This time really does seem to be different … it has been deeper and longer than those of the 1990s, the 1980s and even the 1930s. It has seen household incomes and spending drop more and stay lower longer."

Claire Crawford from the IFS added, "The falls in nominal wages... during this recession are unprecedented."

In a press release the IFS noted, "Real wages in the private sector dropped from an average of £15.10 per hour in 2009 to £13.60 in 2011, while in the public sector the average hourly rate dropped from £16.60 in 2009 to £15.80 in 2011."

The report also noted a sharp fall in productivity, mainly among smaller firms. It found that firms with fewer than 50 employees have seen their productivity fall by seven percent relative to a pre-recession trend, compared to no change for firms with more than 250 employees.

The IFS writes, "The fall in productivity has been accompanied by unprecedented falls in nominal and real hourly wages in the UK, which have occurred even amongst workers staying in the same job: one third of such workers saw their wages cut or frozen in nominal terms between 2010 and 2011."

During the recession the strategy of many smaller firms, which employ the majority of the UK's workforce, has been to reduce wages and cut investment, states the IFS, while larger firms have tended to lay off workers.

A central factor in workers being forced to accept lower and lower pay has been the slashing of billions of pounds from welfare spending, with many people being forced off unemployment and disability benefits.

The IFS report found the fall in productivity in part, "seems to be driven by greater labour supply. Lone parents and older workers, for example, are not withdrawing from the labour market as they have in previous recessions, which may in part be driven by changes to the welfare system. This means that workers may be experiencing greater competition for jobs and hence may be more willing to accept lower wages than before."

New research commissioned by the Trades Union Congress, based on analysis of official statistics on median gross annual pay using 2012 prices, backs up the IFS survey. It found that total pay was 7.5 percent lower in 2012 than on the eve of the recession in 2007. Adjusted for inflation estimated UK wages have fallen from a total of £690 billion in 2007 to £638 billion last year. A staggering £52 billion (more than £10 billion annually) has been robbed from workers' wages by the capitalist class.

Wages have been slashed throughout the country. The largest fall in wages was recorded in the north-west at 10.6 percent, while wages in the south-west, west Midlands and Scotland wages have fallen by around 10 percent and by 3.9 percent in London. Workers' wages were at least £1 billion smaller last year in every English region, as well as Scotland and Wales,

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compared to pre-recession levels.

Under conditions of deepening attacks on workers' incomes by the government and employers, with predictions that austerity will still be worsening into the 2020s, the TUC offered advice to the ruling elite on economic policy. Proposing no solution to the collapse in wages, the TUC was mainly concerned with how the fall in wages was impacting on the competitiveness of the UK economy.

General Secretary Frances O'Grady said, "Britain's shrinking wages are hitting people's living standards, holding back businesses and damaging our growth prospects."

"Employers and both local and central governments need to recognise the importance of decent wages in delivering sustainable economic growth," she urged. "They can start by becoming living wage employers and being more transparent about their pay systems."

The TUC report is the sharpest self-condemnation of its own role. For almost three decades, the trade unions have not organised a single serious struggle against successive right-wing Conservative and Labour governments. Since the onset of the global crisis, the unions have accelerated their collaboration with the ruling elite in the imposition of cuts to pay, job and conditions. As a result, workers have abandoned the unions in droves.

Figures released in April show the proportion of employees who were trade union members in the UK fell from 32 percent in 1995 to 26 percent in 2012.

According to the latest Labour Force Survey, in just three years between 2007 and 2010 trade union membership in the private sector fell by a cumulative 447,000. In the public sector trade union membership fell by 177,000 in 2011 alone. This process is particularly prevalent among young people. While more than one million people (one in five) are now unemployed, trade union membership among 16 to 24 year olds is under 5 percent.

The massive decline in pay and living standards continues as the super-rich pile up ever-greater fortunes. Last week Stephen Hester, the chief executive of British bank RBS, walked away from his job with a pay-off that could reach £14 million. As the *Sunday Times* explained, "Adding his salary, bonuses and up to £4 million in share payments he could still receive, the 52-year-old banker's pay package would average about £2.8 million a year. Even if he misses out on his final bonus, Hester will still have been paid an average of £2 million a year by RBS over his five-year term."

The 2008/09 bailout of RBS, which collapsed during the global meltdown, cost at least £53.5 billion of British taxpayers' money and far surpassed all previous banking bailouts anywhere in the world.

Hester's rich pickings emerged shortly after the news that Ross McEwan, RBS head of high street banking, was handed shares worth £1.7 million. Taken on by RBS last year after leaving his position at Commonwealth Bank of Australia, he does not sit on RBS's board, which would require his salary to be disclosed, whereas his share options are. While collecting his windfall, last month McEwan announced plans to axe 1,400 jobs over the next two years from the RBS's support functions which employ 3,600 people.

A number of commentators have dismissed recent talk of signs of economic growth, which is supposedly about to emerge in the UK. "This period has seen the biggest squeeze of real pay in decades," said Michael Pearce, an assistant economist at Capital Economics, said of the IFS report, "We're not expecting this damage [to households' real pay] to be reversed any time soon, highlighting one reason not to get too carried away by recent signs of economic recovery."

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