UK workers see six years of falling wages

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Wages in the UK have crashed to levels not seen in decades as a result of the onslaught against living standards following the 2008 global financial meltdown.

The latest report, the annual survey of hours and earnings released this week by the Office for National Statistics (ONS), found that overall wages having fallen for six years in succession and are now at levels last seen 14 years ago. Median full-time gross weekly earnings fell 8.8 percent between 2008 and 2014, after adjusting for inflation. The ONS found real wages were 1.6 percent lower this year than in 2013.

Low paid work in the UK has become the new normal. According to an annual report, "Monitoring Poverty and Social Exclusion 2014" by the Joseph Rowntree Foundation, based on research by the New Policy Institute, as many of the poor now live in working households than in non-working households. This is primarily due to the explosion in the number of low paying jobs. A sharp attack on welfare benefits has seen two thirds of those unemployed a year ago have had to take low-paid jobs.

The report notes that "average weekly earnings have risen more slowly than prices every month since 2010". It states, "In real terms, the average male full-time hourly pay fell from £13.90 to £12.90 per hour between 2008 and 2013. For women, whose average hourly pay is lower, the fall was smaller, from £10.80 to £10.30. There were falls at the bottom of the distribution too. The lowest paid 25 per cent of men saw their hourly pay fall by 70p per hour. For women the fall was 40p per hour."

Over the last decade only one fifth of low-paid workers managed to move into another job on better pay.

The living wage is calculated at £7.85 per hour nationally (£9.15 in London). Many workers are paid just the national minimum wage which pays between £2.73 per hour and £6.50 per hour depending on age. The JRF report notes, "Around 25 percent of women are paid below the living wage, unchanged since the mid-2000s. For men, the figure is around 15 percent, a figure that has been slowly rising over the same period."

A critical means by which employers have slashed their wage bill is by using workers on insecure and often low-paid zero-hours contracts. At least 1.4 million people are in zero-hours employment. Other estimates claim the real number could be as many as five million. Many employees have one or more part-time jobs or are in low-paid self-employment. Self-employed workers now earn on average 13 percent less than they did five years ago, according to the JRF.

These surveys followed research published in February this year that tracked wage rates from 1988. A report by three academics, Paul Gregg, Stephen Machin and Mariña Fernández-Salgado, highlights the "deep recession and protracted period of economic stagnation" since 2008 and concludes, "the UK has experienced a significant fall in real wages. The scale of the real wage falls are historically unprecedented, certainly in the last fifty years where broadly comparable records exist. Both mean and median real weekly wages have fallen by nearly 8 percent since early 2008, when assessed over the range of measures available". This equated to "an annual earnings loss of about £1850 in today's prices", the research noted.

The study found that from 1988 the real weekly wages of the typical (median) worker rose consistently to around 2002, with the exception of a short period of stagnation through the recession of the early 1990s. The authors note, "This was followed by a period of far slower wage growth between 2002 and 2008, and very sharp declines after this. By 2002 wages of the typical worker (at the median) reached over 30 percent above levels seen in the late 1980s. After a period of near stagnation from then up to 2008, real wages then fell sharply, falling on this measure by 8 percent in just four years…"

Analysing individual changes in weekly wages each year from 2009 to 2012 the study reveals:

• Around 20 percent of the workforce had nominal wage freezes (i.e. their weekly earnings are exactly the same one year on, before factoring in inflation).

• Around 20 percent of workers had nominal wage decreases in excess of 1 percent (i.e. they earn less one year on than they started with before taking inflation into account)

• Focusing on weekly basic pay, excluding overtime and bonuses, the fraction seeing nominal wage decreases is around 17 percent in each year.

Wage freezes, "are by far the most common story explaining real wage falls" the report notes. However outright cuts in wages have also been a significant factor in the overall massive fall in workers' pay.

Based on a measure of pay that strips out changes in hours, overtime and bonus payments, they state, "If we consider workers who are employed in the same job in all three years (about 80 percent of the sample employed in any one of the three years) we find that 30 percent have had a nominal wage cut in at least one of the three years."

The study adds, "A smaller group experience nominal wage cuts more than once. Further, some 20 percent had a nominal wage cut of at least 5 percent in one of the three years." It continues, "Nearly one third of workers employed in same job for three years saw a nominal wage cut in basic hourly pay. Thus it appears that nominal downward wage rigidities are breaking down in this period of unprecedented cuts in real wages."

Young workers have borne the brunt of the post-2008 assault on wages. The research found that those aged 25 to 29 have experienced real wage falls of 12 percent and those aged 18 to 24 of over 15 percent. It notes, "the fall for those under 25 is so large it has taken real wages back to below levels last seen in 1988, twenty-five years ago, when their parents were typically entering the labour market.

It adds, "For the first time since at least as far back as WWII, a generation is starting out poorer than their parents were at the same age." For the slightly older group, those aged 25 to 29, real wage decreases have taken wages back to the level last seen fifteen years ago in 1998. This is less extreme than for the 18-25s, but nonetheless is still a striking feature of real wage evolutions in the UK labour market. In further research by Gregg and Fernández-Salgado published in October they explain, "Real wages have fallen by 10 percent and are now nearly 20 percent below the level that would exist today had trend wage growth continued. This equates to a loss of earnings of just under £5,000 per year for the typical worker."

Last year research by the Trades Union Congress established that, adjusted for inflation, estimated UK wages fell from a total of £690 billion in 2007 to £638 billion in 2012. In other words a staggering £52 billion (more than £10 billion annually) was robbed from workers' wages by the capitalist class.

These bodies of work tear to pieces the sham claims that a recovery is underway for all or that working people and the super-rich were "all in it together" in tackling the post-2008 crisis. They expose how the ruling elite in Britain, like their counterparts internationally, are utilising the crisis to impose one of the largest ever recorded transfers of wealth from the vast majority of the population--the working class--to the very richest in society.