UK workers' pay plummets since 2008 global financial crash

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A recent analysis by the Trades Union Congress (TUC) reveals that UK workers have suffered the largest fall in real wages among leading Organization for Economic Co-operation and Development (OECD) countries since the 2007-08 economic crisis.

The figures produced by the TUC show that between 2007 and 2015, real wages plummeted in the UK by 10.4 percent, a fall only equalled by Greece, where workers have been subjected to savage austerity at the behest of the European Union (EU) and International Monetary Fund (IMF).

The UK, Greece and Portugal were the only three countries in the OECD in which real wages fell. Elsewhere, they increased by an average of 6.7 percent—in Poland growing by 23 percent, in Germany by 14 percent and in France by 11 percent.

Responding to the TUC figures, a blog post by Tim Worstall of the right-wing Adam Smith Society, entitled "In praise of Britain's flexible labour market", argues that lower unemployment rates in Britain mean workers should be content with their lot. "Wages took the hit, not jobs," Worstall writes approvingly.

The *Financial Times* noted, "The figures expose another side of Britain's so-called 'jobs miracle': its record employment rate of 74.4 per cent has come at the cost of lower real pay."

The TUC analysis also shows that although employment rates have increased in the UK since the economic crisis, countries such as Germany, Hungary and Poland have seen employment rates grow significantly higher, while real wages have also risen.

On its web site, the TUC states its mission is "to raise the quality of working life and promote equality for all." Based on the statistics it now draws attention to, one can only conclude that it has failed miserably. The TUC's figures should be seen as a *mea culpa* for nearly a decade of wage stagnation or cuts, over which the trade unions have collectively presided.

Since the onset of the economic crisis, the unions have refused to mobilise their members against a massive onslaught on wages, jobs and conditions. Hundreds of thousands of posts in the civil service and public sector have been destroyed, as services have been run down or terminated. A pay freeze was imposed across the public sector, and changes made to pension provisions adversely affecting those retiring for years to come.

Under the 2007-10 Labour government of Gordon Brown, the TUC and union leaders ensured the first wave of austerity measures went unopposed, while at the same time billions were handed over in so-called "bank bailouts"—in reality, an injection of public funds to shore up private profits.

Following the election of a Tory/Liberal Democrat coalition government in May 2010, which ramped up the austerity measures begun by Labour, the TUC voted at its annual conference to do nothing! Instead, the assembled union bigwigs gave a warm welcome to Mervyn King, the then governor of the Bank of England, which rewarded the banks responsible for the crisis in the first place with £1.2 trillion [$US1.6 trillion] of tax-payers' money.

Over the next four years, the TUC and union bureaucracy worked might and main to prevent a coordinated response by the working class to the onslaught on livelihoods and pensions. Some protests and token strikes were organised by the unions, but as the WSWS wrote at the time of the 2011 TUC Congress, "the real intention of the TUC leaders is to stage the most minimal token stoppages possible as a means of dissipating the anger of their members."

The role of the unions in suppressing strikes can be seen in the following statistics: in the seven years from 2007 to 2014, the average number of days lost per year due to industrial action was just 686,000. Over the period from 1980-89 this annual figure was 7,213,000 on average. Even during World War II (1939-45) there were nearly two million days lost to strikes each year.

For those at the top of society, the transformation of the trade unions into little more than an industrial police force has helped their already stellar incomes and wealth sky rocket. Despite the impact of the economic crisis, the fortunes of the top dozen individuals on the *Sunday Times* Rich List rose from a collective sum of £79 billion in 2007 to £110 billion in 2015, an increase of almost 40 percent.

Unlike their members, whose incomes slumped by over 10 percent, the pay packets of the trade union bosses enjoyed a rise of 18 percent collectively between 2007 and 2015.

In 2007, the leaders of 103 unions received an average income of just over £72,000 (three times median household income). By 2015, the number of unions had shrunk to 86, but average income had risen to nearly £85,000.

Whereas there were 28 union leaders whose remuneration exceeded £100,000 in 2007 (average annual pay £122,000), by 2015 the ranks of this upper echelon of union fat cats had grown to 34 (average annual pay £131,000).

One union post which saw a massive hike in salary over the same period was that of the leader of the TUC. In 2007, the then TUC leader Brendan Barber received just over £106,000 in pay and perks. His successor Frances O'Grady, appointed in January 2013, saw her pay cheque swell to almost £148,000 by 2015, a rise of nearly 40 percent. This matched the increase in wealth of the top 12 on the *Sunday Times* Rich List.

Commenting on the fall in workers' pay between 2007 and 2015, O'Grady said, "Wages fell off the cliff after the financial crisis, and have barely begun to recover."

The same cannot be said of her own remuneration or that of her union colleagues, who now rank amongst the top ten percent of wage earners in the UK.

The collapse in real wages for workers is set to escalate following June's referendum vote for the UK to leave the EU.

In its analysis of the TUC's report the *Financial Times* commented, "Real wages are adjusted for inflation, so they only grow when pay is rising faster than prices. They have started to rise again over the past year thanks to very low inflation, but economists believe the Britain's vote to leave the EU will choke off that recovery. Sterling's drop means prices in the shops will probably increase sharply next year, with pay rises unlikely to keep up."

The FT cited the average predictions of 21 forecasters polled by the Treasury, which conclude that real-terms pay is expected to fall further in 2017.

The TUC is offering its services following the Brexit vote to ensure the continued international competitiveness of the British economy. Its "national action plan to protect the economy, jobs and workers' rights", released earlier this month, includes a section, "Recognising how trade unions can help Britain succeed". It states, "The government must recognise that trade unions have a constructive role to play in the post-referendum environment. Throughout the recent steel crisis, unions worked constructively with government and business to safeguard jobs and investment."

It adds, referring to a country in which the unions have played a central role in policing workers in order to increase the profits of capital, "The involvement of employers and unions in the German response to the global financial crisis from 2008 onwards was a key factor in Germany's earlier recovery than the UK's."

The report continues, "In the wake of the vote to leave the EU, unions and employers can, by working together, help prevent investors from fleeing the UK…. The government should set an example by involving unions in its planning, and should require employers seeking assistance from the national action plan to do so in consultation with the unions representing their workforces." Workers should take warning.

The author also recommends:

British Trades Union Congress will not oppose government's austerity measures
[18 September 2010]