UK wage performance "worst in over 200 years"

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Wages in the UK have fallen by a 11 percent since 2007 and are expected to be almost £1,000 a year lower in 2017 in real terms than previous forecasts.

The Resolution Foundation think tank's pre-Brexit prediction for cuts for wages in 2017 has been revised downward by £320 to a £915 drop by the end of the year.

In addition, new figures from the Office for National Statistics (ONS) show a further fall in living standards as inflation outstrips growth in pay. In the first three months of 2017, average weekly earnings excluding bonuses rose by 2.1 percent compared to a rise in inflation of 2.3 percent. Overall, the ONS concludes that average UK workers will still be earning less in 2021 than they did in 2008.

Bank of England governor Mark Carney confirmed that the year ahead would be a "more challenging time for British households."

Two years ago, inflation was hovering around zero. The latest rise in inflation to a four-year high of 2.7 percent is linked to last year's Brexit referendum vote, which caused the value of the pound to slump and a resulting rise in the price of imports. This is set to worsen. The senior economist at Hargreaves Lansdown, Ben Brettell, said, "With inflation forecast to carry on rising—Bank of England policymakers predict inflation will peak a little below three percent in the fourth quarter—household budgets look certain to be squeezed further in the coming months."

Commenting on the ONS figures, Stephen Clarke, an economic analyst at the Resolution Foundation, said, "Coming so soon after the big post-crisis pay squeeze, this new phase of falling pay means that this decade is set to be the worst in over 200 years for pay packets."

Britain already lies third from bottom in a comparative league table of wages of 34 developed nations, in research published by the Trades Unions Congress (TUC) based on Organisation for Economic Cooperation and Development (OECD) figures. The UK is one of five countries, including Italy, Austria, Greece and Portugal, where wages are expected to be lower in 2018 than before the financial crash of 2008.

One example cited by the Resolution Foundation of how workers are being robbed of a decent wage is companies forcing an effective pay cut to fund shortfalls in defined pension schemes. An average 10 percent of money paid into defined-benefit schemes over the past 16 years has been funded by suppressing wages, an effective 0.6 percent cut compared with employees in companies that do not have a deficit. Fully 85 percent of the 6,000 defined-benefit schemes are closed to new members.

Poverty levels are set to rise further, as a result of new policies unveiled by the Conservatives in their election manifesto. To cite just one example, the Tories propose to scrap free school dinners for primary school children (up to age seven years), under conditions where a third of children are being brought up in families below the poverty threshold. With this single policy alone, families stand to lose out by an additional £440 a year for each child affected. The government has already pencilled in £9 billion in welfare cuts leading up to 2020, of which three-quarters have yet to be implemented.

In the face of this deepening social catastrophe, the Labour Party has focused on a headline commitment to raise the minimum wage to £10 an hour, but only by 2020. By this time the Tories would have raised the minimum to £8.75 an hour. A worker employed on a 40-hour week at Labour's Living Wage—and many work shorter hours—would earn £1,600 per month before deductions, so the family would remain either around or below the poverty level. According to the Child Poverty Action Group, the poverty level after housing costs for a lone parent family with two children is £1,261 per month, and for a couple with two children it is £1,703.

Equally, Labour is telling barefaced lies when it proposes to redress the gross inequality that exists in the UK, a country where the wealthiest 1,000 individuals are worth as much as the poorest 40 percent of the population. The manifesto outlines a tax on income of earners over £80,000 of 45p in the pound, with a new higher band of 50p for income earners over £123,000. These still-low rates are similar to those imposed for a time by Labour Prime Minister Gordon Brown following the 2008 crash. Careful accounting will ensure that any hit on the wealthy is minimised. Moreover, they are a tax on income, not wealth and assets in their myriad forms. The super-rich would therefore remain safe under Labour.

The manifesto also speaks of an “excessive pay levy” for companies that pay high salaries—by which is meant a 2.5 percent levy on earnings above £300,000 and 5 percent on earnings above £500,000. This is set at a very high level, given that the average pay of a CEO is around £92,000. Labour proposes a maximum pay ratio of 20:1, but only as a condition for those private companies being awarded government contracts. This sum would be easily avoided by a shift to executive bonuses by the targeted companies.

The weekly wage of a worker, before tax, is £400 at Labour’s Living Wage rate, whereas the targeted CEO will still be taking home up to £8,000 a week.

Just as tellingly, the Resolution Foundation estimates that at least £7 billion of the planned Tory cuts will be retained, according to its appraisal of Labour’s manifesto.

As for the trade unions, TUC President Francis O’Grady said earlier this month, “British workers have endured the longest pay squeeze since Victorian times, and now even more pain is on the horizon.” But after noting that “in the world’s sixth richest economy” it is a disgrace “that nurses are having to use food banks to get by” and that “Britain badly needs a pay rise,” O’Grady then meekly urged that “all the political parties...explain in their manifestos how they will boost living standards in the UK.”

Over the past 30 years, the trade unions have collaborated with various governments in attacking jobs, wages and services. This was stepped up after the 2008 global financial meltdown, when more than £1 trillion was handed over to the banks to bail them out.

The last united day of strike action called by the trade unions was in 2011 against the gutting of pensions in the public sector. This struggle was wound down to a few single strike days on a union-by-union and regional basis, and then called off altogether. As a result, workers now have to work longer and pay higher contributions for smaller pensions. As the election unfolds, the unions are working might and main to sabotage struggles of rail, car workers, health, education and IT workers at Fujitsu.