

Cuts push UK workers' living standards back 30 years

By Jean Shaoul
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Working families struggling to make ends meet are worse off than they were 30 years ago.

According to *Living on the edge—pay in local government*, a report by the New Policy Institute for the public sector trade union Unison, the Conservative-Liberal Democrat coalition is pushing low-paid local government workers into poverty.

Last autumn, the government, in line with its plans to use the economic crisis to drive through a social counter-revolution, announced a further two-year pay freeze for 6 million public sector workers. This makes 2012 the third year of wage cutting by the government. The maximum pay rise would be 1 percent.

With extra cuts to pay and living allowances at local level, pay has fallen by 13 percent in the last three years.

The minimum wage for adult workers is set at £6.08 an hour and £4.98 for 18-20-year-olds. Eight percent of full-time workers and 38 percent of part-time workers earned less than the Living Wage of £7.20 an hour in 2011. Many need benefits and tax credits to survive.

While the government had earlier promised that those earning less than £21,000 a year would get an increase of £250, even this meagre rise has not been paid by local government. Most low-paid employees are women, many part-time. Classroom assistants, home care workers, school dinner ladies, social workers, cleaners and secretaries have been the hardest hit.

There is to be no relief for the lowest paid. The government is expected to block any increase in the minimum wage, and wages rates are constantly declining as unemployment rises towards 3 million.

All in this together?, a report by Bristol University's Stewart Lansley published in January, shows that the share in national output going to workers over the last 30 years has fallen from 58 percent in 1978 to 53.8

percent in 2011. This is a cumulative wage loss of £1.3 trillion. In 2011, workers lost £60 billion in wages, earning more than £2,000 a year less than in 1978.

Ninety-nine percent of pay deals were below inflation as measured by the Retail Price Index, the measure most commonly used in setting pay, meaning that almost all workers have seen their pay cut.

The hardest hit have been those on low and middle incomes, with the wages of the poorest fifth of workers 43 percent lower in real terms in 2011 than in 1978. Middle-income workers have seen their wages fall in value by 36 percent, while the richest fifth of earners have lost 6 percent. Only top execs and bankers have not lost out.

There is no end in sight. The Office for Budget Responsibility has predicted that wages will fall even further by 2016.

Not only have wages fallen as a percent of national income, but rising prices over the last few years have also eroded what workers can afford. The Retail Prices Index shows an increase of 3.9 percent, and even the government's preferred index, the Consumer Prices Index, shows a 3.6 percent rise in the last year. But official indices bear little relationship to the experience of everyday life. The cost of utility and transport bills that working people pay has rocketed even as corporate profits have soared.

The average household would have to spend almost £1,300 more just to maintain the same living standards of a year ago.

According to Saga, the charity for the elderly, average gas prices rose by 18.7 percent in 2011, electricity by 13.7 percent and water and sewerage bills by 7.4 percent. These will rise further as the official indices trigger further price hikes for index-linked utility and transport bills. The head of British Gas

warned that energy bills will rise for the next decade.

These rises have hit the poor and older people who spend more of their money on food and fuel. Saga reckons that the average person aged 65 or more has seen a 20 percent fall in income since the bailout of Northern Rock in the autumn of 2007. At the same time, the government's switch from linking pensions from the RPI to CPI will further reduce their paltry state pensions.

Domestic gas and electricity consumption fell by 21 percent and 4 percent, respectively, as households sought to cut back on their bills.

According to government figures, the average price of unleaded petrol was 137.3 pence per litre at the beginning of March, a record high, while the average diesel price hit a record high at 150 pence a litre. Pump prices have been affected by the surge in oil prices, as companies and commodity speculators have taken advantage of US and Israeli threats against Iran and the fall in the pound relative to the US dollar.

Britain is the most car-dependent country in Europe, as privatisation of buses and railways has put public transport out of reach for millions of workers.

The Consumer Credit Counselling Service says that the typical UK household is spending £200 a month just to cover the interest on its loans, or a quarter of its disposable income. Average household mortgage debt has risen by more than £20,000 over the last 10 years to more than £47,000 in 2011.

In January, Shelter, the housing charity, estimated that nearly a million people took out a payday loan, with massive interest payments often in excess of 1,000 percent APR, to cover rent or mortgage costs, and 54,000 households have been in mortgage arrears for more than a year. The Council of Mortgage Lenders is predicting 45,000 repossessions and 180,000 mortgages in arrears of 2.5 percent or more by the end of 2012.

Even this does not take into account the increases in the pipeline, which will push more families into poverty and homelessness.

The Halifax Building Society, the country's largest, and RBS-Nat West have announced increases of 3.5 to 4 percent in mortgage costs, affecting more than 1 million borrowers, with other lenders expected to follow suit. This is despite interest rates for savers being at an all-time low for the last three years.

According to an annual survey of 306 local

authorities, 43 percent of households in England's towns and cities face an increase of up to 3.5 percent in their Council Tax bills for 2012-2013.

This drastic decline in wages and living standards is due to the pivotal role of the trade unions over the last 30 years, in demobilising all opposition to wage cuts and attacks on social conditions. When the Conservative-Liberal Democrat coalition came to power in 2010, the unions did nothing to oppose the austerity programme, just as they worked hand in glove with the previous Labour government to enforce huge cuts in the aftermath of the 2008 £1 trillion bailout of the banks and super-rich.

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