Income inequality rises sharply in Britain

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In 2011 a report by the Organisation for Economic Co-operation and Development (OECD) found that income inequality among working-age people had risen faster in Britain than in any other developed nation since the mid-1970s.

The OECD noted the emergence of a super-rich layer, with the share of the wealth of the top 1 percent of income earners increasing from 7.1 percent in 1970 to 14.3 percent in 2005. It recorded that just prior to the global economic crash of 2008 the 0.1 percent of highest earners in the UK accounted for 5 percent of total pre-tax income. This was a level of wealth accumulation not witnessed since the Second World War.

These parasites have more than recouped any financial losses from the 2008 crash with a vengeance, with the ill-gotten plunder of the top richest 1,000 people in Britain now at the highest level ever.

Social inequality continues to widen, with Britain more sharply polarised than ever between a tiny minority who control much of the country's wealth and monopolise political life, and the vast majority of the population who have little control or influence over either.

A report issued this month by the High Pay Centre think tank found that the highest paid CEOs in the UK are now paid around 131 times that of their average employee. The High Pay Centre compared the pay for FTSE 100 chief executives, recorded by companies in their annual reports, to figures for average pay at each company.

Even the obscene average figure masks how extreme the pay divide has become. WPP advertisers CEO Martin Sorrell earns nearly 800 times more than his employees. Lord Wolfson, the CEO of Next retailer, was paid 459 times as much as his average employee.

These figures appeared as media reports noted that inflation is still rising faster than earnings. It had been projected that 2014 could see the first real increases in pay for workers since 2008. Instead, as the *Guardian* noted, "Living standards will carry on falling deep into the autumn even if wages do start to pick up."

Whilst corporate pay now stands at record levels, workers' wages in real terms have plummeted over the last decade, a process that accelerated after 2008.

A new study by the Boston Consulting Group (BCG), a global management consulting firm describing itself as "the world's leading advisor on business strategy", concludes that the UK has emerged as "the lowest-cost manufacturing economy of Western Europe" over the last decade. It bracketed the UK along with the Netherlands, Indonesia and India as "regional rising stars".

The BCG defined wage costs as the amount companies paid for an extra unit of work. It found that this unit cost had increased by 16 percent in the UK over the past decade. It compared the figure with France, where the unit had risen by 52 percent, and with Italy where it had increased by 62 percent.

Examining "several distinct patterns" that have emerged, the report states, "India, Indonesia, the Netherlands, and the UK have held their cost competitiveness relatively steady since 2004 compared with the U.S. and have emerged as low-cost manufacturing economies in their regions." Another pattern is that "Some economies long considered low cost—including Brazil, China, Poland, and Russia—have seen their competitiveness erode significantly over the past decade."

Acclaiming the report, the *Daily Telegraph* trumpeted, "The trend is so pronounced that the UK is even becoming increasingly competitive compared to many Eastern European countries like Poland and the Czech Republic".

The BCG reports, "Because of moderate wage increases over the past decade that were almost entirely offset by productivity gains, the UK's direct-manufacturing cost structure improved by up to 10 percentage points relative to other leading Western European manufacturing export economies…" It adds, "The UK has also improved its competitive position compared with Eastern European nations such as Poland and the Czech Republic, as well as with Asian economies such as China."

Additional factors were also central to the UK's position as one of the best locations for the extraction of increased profits by global corporations, said the BCG. It reports, "The UK's advantages go beyond labor costs. Corporate taxes in the UK are the lowest in Europe, and by 2015 they will drop further, from 28 percent to 20 percent—nearly half the level of the U.S."

And even above these factors, the report notes, "it is labor flexibility that gives the UK a distinct edge. The country scores highest among both Western and Eastern European economies in terms of overall labor-market regulation by the Fraser Institute, a Canadian policy research organization". The BCG comments, "This allows manufacturers in the UK to restructure much more quickly than those in other European economies. It also makes the UK an attractive place to build factories and create jobs once the investment cycle turns back toward growth."

Central to this labour flexibility has been the dramatic rise in the number of workers employed on low paid zero-hours contracts and part-time work. According to the Office for National Statistics in April about 1.4 million UK jobs were offered on zero-hours contracts. This month the ONS estimates that 622,000 people are employed on zero-hours contracts, qualifying this by stating that some of these workers will likely be employed on more than one such contract.

These official government figures are certainly an underestimation. Research commissioned by the Unite trade union last year estimated that some 5.5 million people were on zero-hours contracts.

As a result of years trying to eke out a living in low paid jobs many families do not earn enough to provide even a minimum standard of living. A report issued this month by Child Poverty Action Group, *The Cost of a Child in 2014*, found that those families working full-time at the national minimum wage are 18 percent short of the basic amount needed to provide a minimum standard of living.

The minimum wage in Britain was introduced 15 years ago and is still just £6.31 an hour for those over 21 years of age. For those aged 18 to 20 it is £5.03, for under 18s £3.72 and for apprentices aged 16 to 18 and those aged 19 or over who are in their first year, a paltry £2.68.

Families in which the parents work full-time on the minimum wage now have only 82 percent, in the case of couples, of the minimum income required to make ends meet. In the case of lone parents the figure is 87 percent.

Out of work couples with families on welfare benefits were 43 percent short of the income required to provide for a minimum standard of living. For lone parents on benefits they were 40 percent short.

Even with a tiny increase in the minimum wage to come in October (an apprentice will receive another 5p an hour); the rate will still be far below the definition of low pay set by the OECD. The OECD level of low pay equates to two-thirds of the median full-time hourly wage--about £7.71 an hour. An estimated five million UK workers currently earn below that.

The facts delivered in these various reports give the lie to the monotonous declarations from the varied hired mouthpieces of the ruling elite that a recovery is underway for all. On the contrary they highlight the impact of brutal class war policies, favoured by all political parties, being carried out against working people.