



THE GREAT WAGES GRAB

how your pay has fallen
behind for **thirty** years



The great wages grab

Ordinary UK workers have failed to get their proper share of economic growth over the last thirty years. They have lost out in two ways:

- The share of the nation's wealth going to wages has fallen.
- Salaries going to those at the top have increased at the expense of those in the middle and at the bottom.

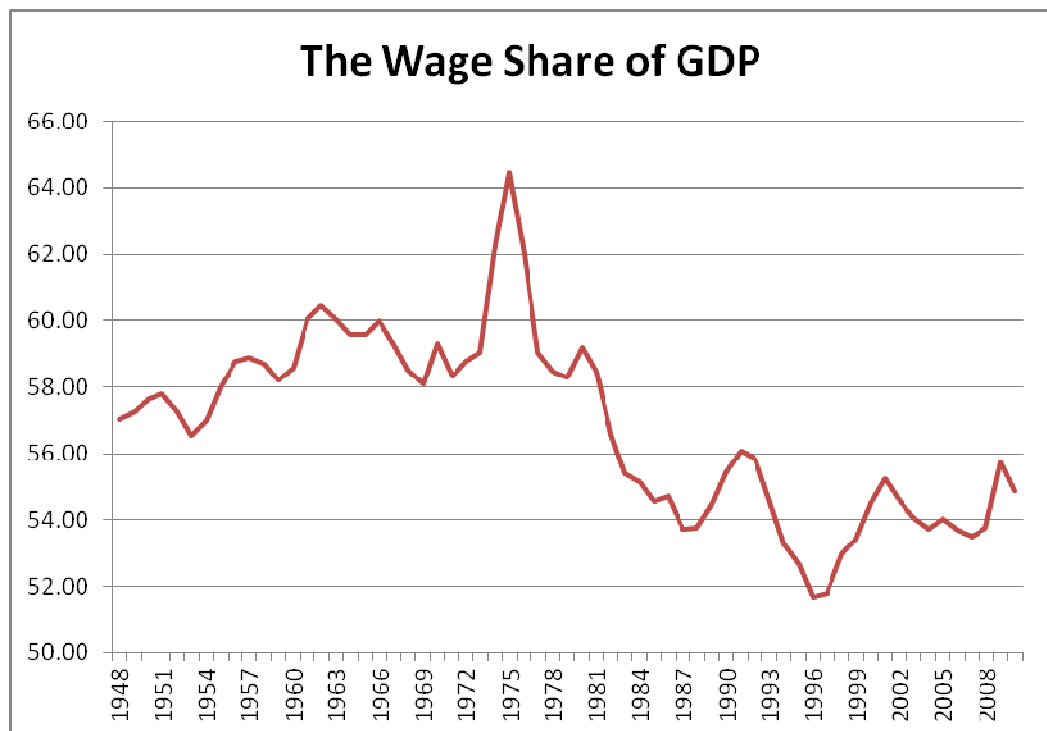
Ordinary workers have ended up with a smaller share of a smaller pie.

What is the wage share?

The wage share is the proportion of total UK national income (GDP) that goes back to workers in the form of wages. If total national income was £100 and £50 of that went back to workers, then the wage share would be 50%.

The wage share over time

Over the past three decades the wage share has fallen and so the rewards from the economy have flowed away from workers.



The graph above shows that for almost all of the 1960s and 1970s the UK wage share was between 58% and 61%. The exception was the three years 1974 to 1976 where the wage share briefly went above 62% of GDP (peaking at 64.5% in 1975).

Arguably that was unsustainable, but after 1981 the wage share declined rapidly, falling to 53.8% of GDP by 1988.

The end of the 1980s saw a partial recovery (to 56% by 1991) and then a further decline, to a low point of 51.7% in 1996. The late 1990s saw another partial recovery (to 55.3% in 2001) and then a small decline through the 2000s to 53.5% in 2007. It is very clear that the wage share in the 1980s, 1990s and 2000s was several percentage points lower than in the 1960s and 1970s.

The three decades when deregulation ruled may have been good for profits and fine for the wealthy, but the benefits did not trickle down to pay packets.

Rising inequality

Alongside the fall in the wage share, there has been a general rise in the inequality of earnings. The most highly paid have taken an ever larger share of the nation's income.

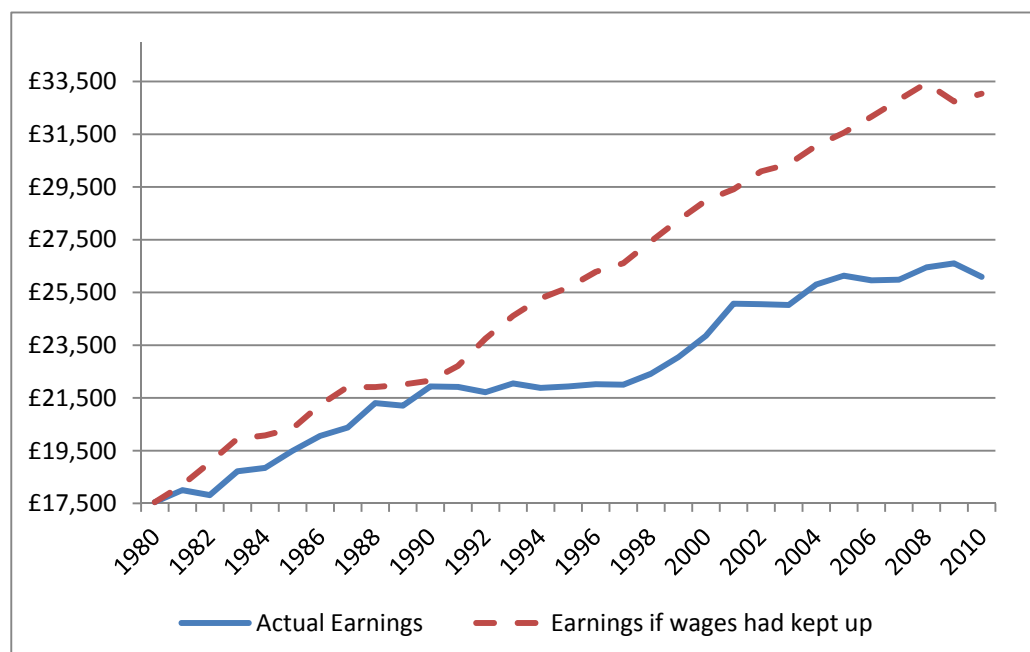
A smaller proportion of national income has gone into wages and more and more of the wage share has been taken by those at the very top.

Putting it together

The fall in the wage share, combined with the rise in inequality has meant that over the past three decades ordinary, working people have lost out.

The chart below shows how the earnings of those in the middle have fared (in 2012 prices) since 1980 (the solid line).

The dashed line shows how wages would have risen if pay had kept up with the growth in national income, the wage share had not fallen and inequality had not risen.



By 2010 the average full time person in work would be paid £7,000 more than they actually are if wages had kept up with economic growth and if the best paid had not increased their wages at the expense of everyone else.

This chart shows the wage grab for each year – the difference between what the average worker was actually paid and what they would have been if wages for the average workers had both gone up in line with economic growth and kept their share of the total wages bill.

