# Time for workers and bosses to shoulder the pain as worker pay rises

I

t is not a good sign when pawnbrokers are doing roaring business as people are forced to flog off the family jewellery to survive. Borrowing from H&T Group, Britain's biggest pawnbroker, now exceeds pre-Covid highs with no relaxation in its lending criteria.People are struggling to pay their bills.

Discontent is being expressed in a number of ways including for the first time in decades a rise in public sector strikes as workers fight to protect their living standards in the face of rising prices.

I first wrote a paper on strikes in 1986, after there had been more than two million days lost due to strikes in the 11 months between March 1984 and January 1985, but I haven't written anything about strikes for a third of a century because there haven't been many. From 1933 to 1983 they averaged 420,000 a month and since 1985, there has been an average of 80,000 a month with only one month of more than two million days lost due to industrial disputes in July 1989. This decline in strike activity was global because of weakened worker bargaining power due to globalisation, the gig economy and government policies, especially by Reagan and Thatcher, making it harder to join unions, call strikes and picket.

Mostly strikes occur because one party underestimates the strength of the other and more often than not are actually down to poor management. You can't legislate good industrial relations: workers can always throw a spanner in the works.

For the first time in decades, we are seeing strikes in the public sector on the railways and among barristers as workers understandably try to protect their falling living standards. Teachers and others who have seen their pay packets declining over the years have had enough and they are also threatening industrial action. Mick Lynch, the general secretary of the RMT railway workers, has made the workers' case well and deflected the claims from the government that this is all about militant unions, which of course it isn't.

## READ MORE


- FTSE 100: Markets cling on with big oil bets
- UK has already hit 'stage three' of a property downturn
- FTSE100: traders back big oil in troubled waters



Workers bear none of the blame for the weak economic performance seen over the last decade or so. They are the ones who took the strain via weak wage growth, while pensioners, who vote Tory, saw their incomes improve. In the private sector pay could have been increased a lot but firms chose not to do so and paid it to their CEOs and shareholders. A wage/price spiral isn't inevitable. Pay increases do not have to result in price rises as the bosses and shareholders could easily absorb the hit – it is now their turn.

The decline in public sector pay has been the direct policy choice of various Tory Chancellors who squeezed the public sector, illustrated by PM Johnson's pronouncement that he intends to fire 100,000 civil servants. Paying below going rates has resulted in workers with marketable skills getting on their bikes, hence the quality of public services then deteriorates. Waiting times at the NHS and more than 100,000 vacancies are the direct result of underpaying public workers. If you want better public sector services, you have to pay higher salaries.

A good sign is that things may be improving as prices of many industrial products have already started to tumble, including fertiliser, timber, copper and semi-conductors. Brent Crude is down 10% on the month. Shipping costs have also collapsed.

Real earnings in the UK are still 2% below what they were in February 2008, just before the Great Recession. The recent strikes are a first sign of change in the balance between labour and capital.

**Professor Blanchflower is a former member of the Bank of England's Monetary Policy Committee**