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RESEARCH NOTE 31

## **THE LOOMING WINTER OF DISCONTENT: PAY HIKES, STRIKES AND THE PENSION TIMEBOMB**

This winter will mark the thirtieth anniversary of the 'winter of discontent', which swept Margaret Thatcher into power as Britain's first female Prime Minister. It could also mark the start of Gordon Brown's very own winter of discontent, as public sector workers become increasingly militant in the face of tougher pay deals and the need to defuse the Government's £1trillion pension 'time bomb'.

This new research note from the TaxPayers' Alliance shows that public sector pay has increased massively in recent years, with generous settlements and increased staff numbers. Now the public finances are under strain and the Government has been forced to put the brakes on, this research notes shows how public sector workers have reacted by going on strike in ever higher numbers. There is a good chance that the Prime Minister faces his very own 'winter of discontent' this year, which could threaten his premiership, just as the first one in 1978 ended Jim Callaghan's days in Downing Street.

### **Key Points**

- Over the last five years total public sector pay costs have increased by **nearly £50 billion** from £107.1 billion to £153.9 billion. That is a **43.7 per cent increase**, in nominal terms (see Table 1).
- Total public sector pay costs increased by **34.9 per cent** above the **Average Earnings Index**, which measures increases in pay in the broader economy.
- Over the **last five years** public sector workers have gone on strike for over **20 times** as many days on average as workers in the private sector (see Table 2).
- Over the **last twelve months** public sector workers have gone on strike for **895,000 working days**, more than **100 times** as many days on average as workers in the private sector (see Table 3).

- This increase in strike activity is despite public sector workers being paid more<sup>1</sup> and being far more likely to enjoy benefits such as a final salary pension scheme.<sup>2</sup> The latest estimate of the total public sector pension liability by the Institute of Economic Affairs is **£1,071 billion**.<sup>3</sup>

Matthew Sinclair, policy analyst at the TaxPayers' Alliance, said:

*"Gordon Brown is facing a second winter of discontent, as public sector workers resort to industrial action now the Government is finally controlling pay. The rise in strike action could be the final nail in the coffin for his premiership, just as it was for Jim Callaghan in the 1970s."*

To discuss the research, please contact:

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## Pay Hikes

Table 1 uses data from the recently published Public Expenditure Statistical Analyses 2008 to show how government spending on pay has increased substantially in recent years. This is deflated by the Average Earnings Index, the most commonly used measure of pay inflation.

**Table 1: Public expenditure on services: pay**

Year	Pay, £
2002-03	£107,113,000,000
2007-08	£153,903,000,000
Difference	£46,790,000,000
<b>% increase</b>	<b>43.7%</b>
<b>% increase deflated by Average Earnings Index</b>	<b>34.9%</b>

<sup>1</sup> Office for National Statistics 'Annual Survey of Hours and Earnings', 2007, Table 13

<sup>2</sup> Barrow, B. 'Final-salary schemes 'extinct in 10 years', Daily Mail, April 2008

<sup>3</sup> Record, N. 'Sir Humphrey's Legacy: An Update. UK Public Sector Unfunded Occupational Pensions', Institute of Economic Affairs, January 2008

## Strikes

Tables 2 and 3 uses data from the Labour Disputes Public and Private Breakdown to demonstrate the difference in the number of working days lost to industrial action, per worker, in the public and private sectors. Table 2 shows the record in the most recent 12 months for which data is available. Table 3 shows the most recent five years.

**Table 2: Public and private sector strikes twelve-month comparison**

Month	Working days lost in the private sector, 000s	Working days lost in the public sector, 000s
2007 03	9	5
2007 04	3	0
2007 05	3	108
2007 06	2	88
2007 07	3	184
2007 08	4	83
2007 09	3	5
2007 10	1	326
2007 11	3	14
2007 12	0	68
2008 01	2	2
2008 02	1	12
<b>12 month total, 000s</b>	<b>34</b>	<b>895</b>
<b>Number of workers, 000s</b>	<b>23,679</b>	<b>5,778</b>
<b>Strike days/No. of workers</b>	<b>0.001435871</b>	<b>0.154897889</b>
<b>Public/private</b>	<b>107.8772677</b>	

**Table 3: Public and private sector strikes 60-month comparison**

Month	Working days lost in the private sector, 000s	Working days lost in the public sector, 000s
2003 03	6	8
2003 04	5	5
2003 05	3	22
2003 06	13	21
2003 07	20	28
2003 08	2	9
2003 09	2	5
2003 10	7	123
2003 11	41	21
2003 12	4	31
2004 01	10	22
2004 02	98	122
2004 03	7	126
2004 04	3	197
2004 05	6	56
2004 06	2	17
2004 07	15	79
2004 08	10	6
2004 09	2	5
2004 10	5	2
2004 11	7	108
2004 12	0	3
2005 01	0	1
2005 02	1	6
2005 03	1	3
2005 04	3	3
2005 05	5	27
2005 06	5	1
2005 07	13	2
2005 08	5	13
2005 09	16	13
2005 10	3	4
2005 11	1	19
2005 12	8	7
2006 01	4	73
2006 02	3	10
2006 03	20	462
2006 04	1	2
2006 05	12	71
2006 06	4	2
2006 07	6	7
2006 08	4	2

Month	Working days lost in the private sector, 000s	Working days lost in the public sector, 000s
2006 09	3	20
2006 10	11	2
2006 11	22	1
2006 12	6	4
2007 01	5	117
2007 02	0	4
2007 03	9	5
2007 04	3	0
2007 05	3	108
2007 06	2	88
2007 07	3	184
2007 08	4	83
2007 09	3	5
2007 10	1	326
2007 11	3	14
2007 12	0	68
2008 01	2	2
2008 02	1	12
<b>60 month total, 000s</b>	<b>464</b>	<b>2,787</b>
<b>Average No. of workers, 000s</b>	<b>22,949</b>	<b>5,770</b>
<b>Strike days/No. of workers</b>	<b>0.0202</b>	<b>0.4830</b>
<b>Public/private</b>	<b>23.9</b>	

## Sources and methodology

1. Public sector pay costs are taken from Table 5.3: Total expenditure on services by economic category, in the Public Expenditure Statistical Analyses 2008:  
[http://www.hm-treasury.gov.uk/media/1/A/pesa0809\\_complete.pdf](http://www.hm-treasury.gov.uk/media/1/A/pesa0809_complete.pdf)
2. The Average Earnings Index is produced by the Office for National Statistics and measures increases in nominal earnings across the whole economy:  
<http://www.statistics.gov.uk/STATBASE/tsdataset.asp?vlnk=392>
3. Data showing the number of days lost to strikes is taken from the Office for National Statistics report Labour Disputes Public and Private Breakdown:  
<http://www.statistics.gov.uk/StatBase/tsdataset.asp?vlnk=9350>
4. Data showing the number of people working in the public and private sectors is taken from the Office for National Statistics report Public Sector Employment:  
<http://www.statistics.gov.uk/pdfdir/pse0308.pdf>