

but it's a side issue. Inflation can only be measured accurately in a society where we all earn the same and where all goods cost the same. The more unequal a society is and the more goods prices vary, the harder it is to set an inflation figure that applies to society as a whole.

This can be seen in our own very unequal society. Government figures fail to take account of income differences and the fact that prices of some goods, like foodstuffs, are rising far faster than others, like luxuries. Couple this with the fact that the lower someone's income is, the more of that income goes on essentials. Finally, add in the fact that most people's pay is frozen or falling. This leaves us, as workers, facing spiralling inflation and plummeting living standards.



This is shown by how inflation affects the low paid, like manual workers in the public sector, whose pay has been frozen by the government for two years. During this time household fuel prices have risen rapidly, forcing them to spend a whopping 19.6% of their income on fuel. Given that electricity and gas prices are set to rise by 15% and 10% respectively next year, that percentage will only increase.

The government claims that, at worst, prices are rising at 5.2%. But this includes the effects of inflation on the richest 20% of the population, distorting the figure for the rest of us. This group have not only seen a massive increase in their incomes, despite the economic crisis, but they also face far lower levels of inflation as they spend a far lower share of their income on basics and a far greater amount on luxuries, like private school fees which have hardly risen in recent years. According to the Institute of Fiscal Studies, the inflation experienced by the richest 20% of society was half that of the bottom 20%.

The truth is, government inflation figures disguise the brutality of rising inequality and mislead working people into believing that, though they may be struggling, society as a whole is doing better. We must look beyond government spin and lies and recognise what is taking place – the rich and powerful are taking an increasing share of society's wealth. The cuts may have started as a means of making us pay for the crisis in capitalism, but they are now increasingly used to attack our living standards. The rich have declared war; we must fight back.

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# The Great Pension Robbery

**H**ave no illusions about government intentions on public sector pension schemes – they want rid of them! Proposed pension cuts and increased contributions are meant to put people off joining and drive out existing scheme members. The ultimate aim is to reduce the numbers contributing to the point where schemes collapse.

The real value of public sector pensions has already been cut by the switching the link from the Retail Price Index to the Consumer Prices Index. This automatically lowered annual increases so pensions don't keep up with inflation, saving £86bn over 15 years, a 15% cut in real value.

The government also wants to phase out "final salary" schemes, replacing them with the significantly inferior CARE scheme. For example, under CARE a university lecturer with 35 years' service would get 29.6% less than under a final salary scheme.

Under the existing scheme, a worker with 30 years' service would get half of their annual salary. Under CARE the same worker must work 40 years for the same pension. Even more worrying, leaked documents show the government intends much deeper pension cuts than so far admitted.

The government also intends to increase our contributions to pension schemes. To sugar the pill, they claim low paid workers will be protected from significant increases. But this depends on the definition of "low paid". For instance, a worker earning £20k a year – hardly a fortune – can expect their contributions to double to about £200 a month! On top of that, the proposals suggest all money generated from rising contributions >>



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will go straight to the treasury, not into pension schemes. Effectively, extra contributions are a tax on pensions.

It speaks volumes that the government claims public sector schemes are unaffordable while it raids those schemes to boost revenue. In reality most public sector schemes are doing well. Last year the NHS pension scheme had a

£2bn surplus. Like the proposed contributions increase, that £2bn didn't go back into the scheme; instead, it went straight to the treasury.

The average public sector pension is £4,000 for men, falling to £2,800 for women. If public sector workers are forced to pay more for falling payouts, many will leave or not join pension

schemes. Union surveys suggest 52% of current scheme members will leave.

In the short term, the government sees pension schemes as a cash cow to replace the billions given to the banks. In the long term, they hope to drive workers out of public schemes into private schemes; and from 2012 workers without pension cover will be forced

to take out a private pension.

The government envisages everyone making their own private pension provision, managed by the financial sector. Pensions, once seen as a right, will then be another means for company directors to boost their already obscene salaries. Now there's a comforting thought for our old age.

## WAGES - THE HARD FACTS

**E**ducation workers face job cuts, rising financial hardship and, with non-existent pay rises and 5.3% inflation, drops in the real value of our wages. The planned rise in pension contributions will take another chunk from wages and, as public sector cuts really bite, the pressure for further cuts in jobs and wages will grow. Unless we act, our wages will fall further.



Enough is enough! We must organise ourselves and fight back. The education system is already teetering on the brink. After years of productivity drives, with increasing amounts of work piled onto us, education workers can no longer take on extra work. Such a workload severely impacts our quality of life and, for many, our health. Should the cuts go ahead, not only will many lose their livelihoods, but those left behind will face intolerable workloads.

The situation with pay is little better. TUC figures show that, despite the economy's value doubling over the last 30 years, the real value of our wages has hardly risen, while the last decade has seen them virtually flat-line. Once inflation is considered, someone on

£16,000 in 1996 was, by 2007, earning £17,000, a rise of only 0.7% a year. Now, however, our wages are beginning to decline alarmingly, leaving many of us struggling; further decline will bring real financial crisis for many.

The current orthodoxy says there is no alternative to cuts. But why can't a rich society have decent wages and public services? The answer isn't hard to see. By the end of the 1970s a strong workers' movement had attained "inflation busting" pay rises and forced successive governments to raise public spending. Under Thatcher, our ability to wage industrial action was curtailed and, with little opposition, the rich got richer. While our wages stagnated, the wealth of the richest 10% exploded. Even while the economy struggles, the rich still get massive pay rises, with the top 1,000 earners last year getting £60.2bn in rises. While the lion's share of society's wealth lines the pockets of the rich, it's little wonder we can't afford decent public services.

It is obscene to impose savage cuts while heaping billions on a small minority. It is this that should be at the heart of the anti-cuts campaign. We should

demand that wealth created by society as a whole should benefit society as a whole.

This won't come by relying on political parties and union officials, or hoping the rich see the folly of their ways.

Instead, we must use our economic strength as workers, look beyond the artificial barriers created by the unions and stand united as workers

and as a class. The June 30th strike is a step, but we must use this to build links with other education workers and students as well as other public sector workers. We must also reach out to private sector workers, the unemployed and pensioners to build for a class fightback. Austerity is class war – we must respond in kind.



## THE INFLATION CON TRICK

**L**ike any official propaganda, government inflation figures bear little relationship to reality. Simply doing the weekly shop shows prices are rising far faster than claimed by the government, who use the figures to limit pay rises, conceal inequality and downplay the fall in working class purchasing power.

Sadly the unions fall for this trick and limit themselves to arguing for fairer measures of inflation that include household costs. This may be true >>