Workers’ wages to fall further, International Labour Organization warns

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The International Labour Organization (ILO) warned Tuesday that global growth in workers’ real wages, which fell sharply in 2008, will decline even more in 2009, despite what is being touted by governments around the world as an economic recovery.

Announcing its “Global Wage Report: 2009 Update,” the United Nations-affiliated agency said “the picture on wages is likely to get worse in 2009.” Its report notes that in half of the 35 countries for which data is available, real monthly wages fell in the first quarter of 2009 compared to their 2008 average, in many case due to reductions in work hours.

An ILO press release states: “In a sample of 53 countries for which data are available, growth in real average wages in the median country had declined from 4.3 percent in 2007 to 1.4 percent in 2008.” The press release goes on to note that among the ten G-20 leading economies for which figures are available, “growth in real average wages in the median country had declined from 1.0 percent in 2007 to -0.2 percent in 2008.” In these countries, in other words, real wages actually fell in 2008.

The report further points out that the deterioration in wages since the eruption of the financial crisis follows a decade of wage stagnation internationally.

The decline in workers’ earnings is particularly sharp in the United States. Average weekly earnings of production workers rose by only 0.7 percent in September, as the average number of weekly hours worked fell to a record low of 33 hours. This represents the lowest annualized weekly earnings growth since such data began to be tracked in 1964—nearly half a century ago.

Since hitting a recent peak in December 2008, real average weekly earnings have fallen by 1.9 percent, according to the US Bureau of Labor Statistics.

The ILO evaded making any analysis of the roots of the wages decline in the breakdown of world capitalism and the class policies adopted by the world’s ruling elites and their governments in response to the crisis.

The recession has been seized upon to effect an unprecedented redistribution of wealth from the working class to the financial elite, in part to fund trillions of dollars in bailouts for the world’s bankers. At the same time, mass unemployment is being encouraged by governments, including the Obama administration in the US, to blackmail workers into accepting lower wages, shorter hours and speedup.

Even as the ILO issued its report on wages, the White House stepped up its efforts to reassure Wall Street that it will propose no significant government outlays to create jobs and will instead turn to mapping out a campaign of fiscal austerity to rein in soaring budget deficits by slashing social programs.

With the US Labor Department widely expected to report an official jobless rate for October of 10 percent or more when it releases it employment data on Friday, the administration is publicly foreswearing any programs to directly employ jobless workers and insisting that no measures be taken to address the jobs crisis that impinge on the capitalist market and the profit interests of big business.

Last Thursday, the head of Obama’s Council of Economic Advisers, Christina Romer, gave a speech in which she touted the administration’s proposed health care overhaul as a major step in cutting costs for business and the government. On Sunday, Treasury Secretary Timothy Geithner, interviewed on NBC’s “Meet the Press” program, said, “The president’s very committed to bringing down these deficits.”

The director of the White House Office of Management and Budget, Peter Orszag, on Tuesday delivered a speech at New York University entitled “Rescue, Recovery and Reining in the Deficit.” Orszag painted a dire picture of prolonged mass unemployment and lower wages for years and even decades to come.

His response was to pledge that the next federal budget, to be presented in February of 2010, will outline spending cuts in social programs designed to cut in half the projected federal deficit by the end of Obama’s first term—January of 2013. “And as the economy recovers,” he said, “we must pull together—as a nation—and make the tough decisions to put our country back on a solid fiscal foundation."

Orszag hailed Obama's health care plan as a major step in reducing budget deficits and the national debt. He called rising health care costs "the biggest threat to our long-term fiscal future," passing over in silence the fiscal impact of the bank bailouts and soaring spending for the military and the wars in Iraq and Afghanistan. He reiterated Obama's pledge that any health care bill signed into law "will not add to the deficit over the next decade and will reduce deficits thereafter."

He touted the administration's drive to enact "pay-as-you-go" legislation that would require any additional federal spending or reduction in revenues from tax cuts to be offset by spending cuts or tax increases elsewhere in the budget.

However, he made clear that these measures are mere down payments on the sweeping austerity measures required to bring projected deficits—estimated to total $9 trillion over the next decade—to "sustainable" levels. "That is why," he said, "the president and his economic team are busy working on a range of options as we prepare for the fiscal year 2011 budget to be released in February."

Even as he pledged to enact deep cuts in social programs, Orszag acknowledged that the impact of the current economic crisis on the generation now entering the labor market will be severe and long-lasting. He noted that "the children of workers who were once laid off have lower average wages as adults—even decades later than those whose parents never experienced such setbacks."

He pointed to a recent study which found that "graduating during a period of high unemployment leads to depressed initial wages—roughly 6 percent on average for every one percentage point increase in unemployment." He continued: "This negative wage effect declines only slowly over time: to 5 percent after five years, 4 percent after 10 years, and 3 percent even 15 years after graduation."

Stressing that the percentage wage declines are for each percentage point increase in the unemployment rate, he noted that when most of today's seniors entered New York University the jobless rate was about 5 percentage points lower than it is today. "You can do the math," he quipped.

The math yields a reduction in wages of 30 percent now and 15 percent even 15 years down the road.

That the Obama administration has no intention of enacting policies to counteract this trend was underscored on Monday at a meeting in Washington of Obama's Economic Recovery Advisory Board. Obama set the tone for the meeting, telling the board that "the government is going to have to get serious about reducing our debt levels" and calling for an "export-driven" revival of manufacturing.

Obama reiterated his position that government policies must be subordinated to the profit interests of private corporations. "We are not going to be able through government spending to replace business investment," he said. "The most important thing we can do is create an environment in which business investment is triggered," he added.

The board, which is dominated by corporate executives, agreed wholeheartedly, stressing the need to increase US exports as a percentage of the gross domestic product.

How is this to be accomplished? Precisely by permanently reducing the wages of American workers and increasing labor productivity. In other words, by driving up the rate of exploitation of the working class to levels not seen since the 1930s.

The basic "recovery" strategy of the American corporate elite and the Obama administration is to make the United States a cheap labor center for exports to the world market, bringing the wages and conditions of American workers more in line with those of super-exploited workers in China, India and other "developing" countries.

It is no accident that the chairman of Obama's Economic Recovery Advisory Board is Paul Volcker. He is an old hand at waging class war against the American working class.

Appointed chairman of the Federal Reserve by President Jimmy Carter in 1979, Volcker tackled double-digit inflation by raising interest rates to more than 20 percent, deliberately precipitating a deep recession. Plant closures and mass layoffs, combined with government-backed union-busting and the betrayal of strike struggles by the trade union bureaucracy, were employed to impose sweeping wage concessions on the working class.

As Fed chairman under Ronald Reagan, Volcker oversaw the systematic dismantling of regulations on the banks and corporations and a vast growth of social inequality. This process has continued under Democratic as well as Republican administrations, and is being intensified under Obama.