

The state of world capitalism: Labor productivity up, real wages down

Patrick Martin
6 December 2014

The Global Wage Report 2014/15, released Friday by the International Labor Organization, documents the stagnation of wages for workers in most of the advanced industrialized countries, even as productivity continues to rise. The result is an ever-rising share of income raked in by the capitalist class, while the share that workers receive from what they produce continues to shrink.

“Wage growth has slowed to almost zero for the developed economies as a group in the last two years, with actual declines in wages in some,” said Sandra Polaski, the ILO’s Deputy Director-General for Policy. “This has weighed on overall economic performance, leading to sluggish household demand in most of these economies and the increasing risk of deflation in the Eurozone,” she said.

Here are a few key facts noted in the report that have enormous implications for world politics:

- Wage rates rose by only 2.0 percent in 2013, down from the 2.2 percent increase in 2012, and well below the 3.0 percent rate before the financial crash of 2008.

- Global wage growth in 2013 was cut in half when China is excluded (1.1 percent for all other countries, 2.0 percent including China).

- Real wage growth slowed sharply in 2013 in Latin America and the Caribbean, from 2.3 percent in 2012 to less than 1 percent.

- Italy and the United Kingdom have seen “an unprecedented period of falling real wages.” In particular, “According to the Low Pay Commission, British wages fell more sharply than at any time since records began in 1964.”

- For a large number of developed countries, “including Greece, Ireland, Italy, Japan, Spain and the United Kingdom – average real wages in 2013 were below their 2007 level.”

- In the two advanced countries with the greatest income inequality, Spain and the United States, job losses and wage cuts accounted for nearly all the increase in inequality.

Perhaps the most devastating fact in the report is this: “Overall, in the group of developed economies, real wage growth lagged behind labour productivity growth over the period 1999 to 2013.” This means that throughout this 14-year period, the share of national income going to the working class declined, while the share of national income going to the capitalists, a tiny minority of the population, steadily increased.

These figures are compiled, not by revolutionary Marxists seeking to demonstrate the failure of capitalism and the necessity for socialism, but by defenders of capitalism—government officials, corporate executives, trade union officials.

Nonetheless, there are some cautiously worded warnings. The ILO report cites certain dangers in the policies being pursued, particularly in Europe: “If too many countries with close economic ties or in a large geographical area (such as the European Union) simultaneously pursue a policy of ‘wage moderation’, the result is likely to be a shortfall in aggregate demand...” In other words, slashing wages will suppress consumption and leave few buyers for goods.

Moreover, the ILO notes, “labour markets are still in a state of disarray in many countries, and the global jobs deficit is worse today than before the onset of the global financial and economic crisis in 2008. The challenge of absorbing the estimated 199.4 million unemployed and integrating the 395.7 million new entrants into the labour market in the next decade is enormous.”

Consider these figures: nearly 200 million workers are unemployed worldwide, and another 400 million

will enter the job market looking for work in the next decade. How will capitalism provide 600 million new jobs under conditions of worldwide economic stagnation? What wages will be offered? What will be the working conditions? What will be the level of exploitation? Posing these questions only underscores the revolutionary dimensions of the crisis now facing the profit system.

Whatever the concerns of the authors of the ILO report, however, they have nothing serious to propose. This is because the relentless assault on wages throughout the world is driven by the dictates of the capitalist market they defend and the interests of the ruling class they themselves represent.

At the highest level of the capitalist ruling elite, there are those who understand full well that their system has entered into a crisis that can end in only two ways: either the revolutionary overthrow of capitalism and the expropriation of the tiny minority of billionaires and corporate bosses by the working class; or a counterrevolutionary bloodbath of such proportions that it would make the crimes of imperialism in the twentieth century pale by comparison. The ruling classes of the world are preparing accordingly, heaping up weapons, building armies of police, intensifying their attacks on democratic rights and spying on the entire population of the world.

The task facing the working class is to become just as clear-sighted and intransigent in defense of its class interests, with this inestimable and historically decisive advantage: the working class is the rising, progressive class, the vast majority of the human race, and the bearer of all that is valuable in human civilization, including all the achievements of science, technology and culture.



To contact the WSWWS and the
Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)