OECD report details

A global economic “recovery” without wage increases

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A report issued by the Organization for Economic Cooperation and Development (OECD) July 4 finds what hundreds of millions of workers are experiencing in their daily lives: nearly a decade after the worst financial crash since the Great Depression of the 1930s, wages are stagnating and the benefits of economic “recovery” are going to the corporate elite.

The OECD countries—26 in Europe plus the United States, Canada, Mexico, Chile, Australia, New Zealand, Japan, South Korea, Israel and Turkey—accounted for more than 60 percent of world GDP in 2017. The grouping includes seven of the ten largest national economies, excluding only China, India and Brazil.

The report begins with an editorial bearing the striking headline: “Wageless growth: Is this time different?” It points to the fact that the current economic “recovery” differs from previous rebounds from capitalist slumps, because despite lower unemployment rates and a record number of job vacancies in the euro area, the United States and Australia, “wage growth is still missing in action.”

The bulk of the 300-page document is devoted to drilling down into the figures detailing the paradox of “tight” labor markets and stagnant wages in country after country, as well as selected industry groups, but the basic conclusion appears early on: wages are being held down because of the lingering effects of the 2008 crash and the proliferation of low-wage and part-time jobs, particularly for those workers who were laid off in the worst years of the economic crisis.

The initial editorial states, “involuntary part-time employment has risen significantly in a number of countries since the crisis, and this has been accompanied by a deterioration in the relative earnings of part-time workers.”

The report underscores the fact that the 2008 global financial crisis was used by the capitalist class and governments of every stripe around the world to accelerate the decades-long assault on the social position of the working class. In country after country, higher paid full-time positions with a modicum of job protection and health and pension benefits have increasingly been replaced with low-wage and precarious employment.

The executive summary declares that despite the return of average unemployment rates across the OECD countries to pre-2008 levels, “nominal wage growth remains significantly lower than it was before the crisis for comparable levels of unemployment.”

Nominal wage growth has slowed from 4.8 percent per year before the financial crash to only 2.1 percent, less than half. Because of slowing inflation, real wage growth has fallen somewhat less, from 2.2 percent per year to 1.2 percent. But even this slowdown is colossal: a full percentage point per year, over the decade since the crash, accumulates to trillions of dollars in lost wage increases.

The executive summary admits, “Real median wage growth in most OECD countries has not kept pace with labor productivity growth over the past two decades, partly reflecting declines in the share of value added going to labor—i.e., the labor share.”

As the report states later, “If real median wages had perfectly tracked productivity growth over 1995-2014, they would have been 13 percent higher at the end of the period.”

This amounts to an acknowledgement that one of the main claims of the apologists for capitalism—that rising productivity growth will translate into rising wages and living standards—is a lie. In fact, the capitalist class has not only captured all of the increased wealth generated by rising productivity; it has made use of its dominant role in the economy to actually claw back from workers gains in living standards made in an earlier period.

The decline in median wage growth is compounded of two factors: a declining share for labor income overall, and greater inequality in the distribution of wages across the labor force.

According to the OECD report, the aggregate labor share of economic output for 24 of the 36 OECD countries, those that were members throughout the past two decades, fell from 71.5 percent to 68 percent, a decline of 3.5 percentage points.

The labor share fell by the largest amount in the United States, a staggering eight percentage points, while it remained the same or increased slightly in France, Britain and Italy and several of the smaller OECD countries.

Besides the United States, Greece and Spain showed the worst results, falling two points or more below the pre-crisis employment rate, and showing the biggest increases in labor market insecurity, a measure of how far a worker's wages would fall after being laid off and then rehired to another job.

Even these figures, devastating as they are, conceal some of the decline in the position of the working class, since OECD figures count all salaries as wage income, whether they are paid to minimum-wage workers or corporate CEOs. As the report's editorial admits, "Real labor incomes of the top 1% of income earners have increased much faster than those of median full-time workers in recent years, reinforcing a longstanding trend."

The editorial continues, openly worrying about the political consequences, albeit in cautiously understated terms: "This, in turn, is contributing to a growing dissatisfaction by many about the nature, if not the strength, of the recovery; while jobs are finally back only some fortunate few at the top are also enjoying improvements in earnings and job quality."

The OECD report identifies the primary mechanism for holding down wage increases and lowering the labor share of national income as the spread of low-wage and part-time jobs. This is particularly prevalent among workers who experienced a significant period of joblessness in the period immediately after the 2008 financial crisis, or during the debt crisis that afflicted such European countries as Greece, Ireland, Spain and Italy.

The report notes, "There has a been a significant worsening of the earnings of part-time workers relative to that of full-time workers associated with the rise of involuntary part-time employment in a number of countries. Moreover, the comparatively low wages of workers who have recently experienced spells of unemployment, combined with still high unemployment rates in some countries, have pushed up the number of lower-paid workers, thereby lowering average wage growth."

This is compounded by the erosion of social safety net programs such as unemployment compensation. The OECD report notes than only one-third of jobless workers were eligible for unemployment benefits overall. The figure for the United States would be far lower.

The economic result of mass unemployment and the spread of low-wage and part-time jobs is a substantial increase in poverty. According to the report, poverty has increased significantly throughout the OECD. Before the financial crash of 2008, 9.6 percent of the population earned below 50 percent of the median household disposable income. By 2016, this figure had risen to 10.6 percent.

Again, an apparently small numerical increase, compounded across the nearly two billion people living in the OECD countries, means tens of millions more people living in acute poverty. (For the United States, 50 percent of median household income would be $24,500, about the same as the official poverty line for a family of four).

In its overall perspective and policy recommendations, the OECD report does not stray beyond the bounds of conventional bourgeois economics. It does not acknowledge that the figures it presents amount to an admission that the capitalist system has failed. Instead, it proposes to muddle along through cautious bureaucratic maneuvering.

The report even suggests that trade unions can ameliorate the impact of the crisis: "Co-operation and co-ordination among social partners have a key role to play in addressing these challenges, but this requires addressing the long-term trend decline in union membership and eroding role of collective bargaining in a number of countries."

Such language simply ignores the actual role of the trade unions and collective bargaining, which have served to reduce rather than increase labor's share of national income throughout the period in question. In other words, the corporatist role of the unions ("social partnership" in OECD jargon), helped the capitalists slash wages during crises and hold down any rebound in pay during the supposed "recovery."

The immense transfer of wealth from the bottom to the top since the 2008 crash was only possible because of the suppression of working-class resistance by the trade unions. In the US, for example, the number of major work stoppages between 2008 and 2017 was the fewest for any decade since the Bureau of Labor Statistics began recording figures in 1947. The explosive growth of social inequality, however, is fueling the resurgence of the class struggle around the world.

It is, of course, entirely beyond the purview of the well-paid bureaucrats at the OECD to draw any radical conclusions from an economic situation that is both dire and growing worse. But workers can draw their own conclusions, not from the dry pages of an economic report, but from their own lives. There is no time to be lost in the mobilization of the working class, as an independent political force, to fight for a socialist and revolutionary alternative to the capitalist system.