Once again, the much told fact has been reiterated: workers get a thinner slice of pie. The International Labour Organisation’s (ILO) ‘Global Wage Report 2012/13: Wages and Equitable Growth’ records the fact. The bigger slice is always for capital. This is the rule, and the rule was enacted and being implemented by capital. There is no division of power; although capital markets the power-division formula in democracy market.

An amalgamation of crises, especially financial and economic crises in the advanced capitalist countries have intensified capital’s war against labor. One of the gains by capital in this war is labor’s declining share in income. The ILO report finds: ‘Workers get a smaller share of GDP, as a bigger slice goes to capital income.’ Capital income shares increased in a majority of countries. In China, wages tripled over the last decade, but GDP grew at a faster rate than the total wage bill. This surge cut down labor’s share.

In 16 developed economies, the average labor share dropped from 75 percent of national income in the mid-1970s to 65 percent in the years just before the economic crisis, and in 16 developing and emerging countries, it decreased from 62 percent of GDP in the early 1990s to 58 percent just before the crisis.

Labor’s declining share in income means labor is paid less for its necessary labor time, and less payment for necessary labor time means labor is pressed down or squeezed out more for more profit by capital, which is labor’s increased hardship, deprivation, and suffering. Then, labor is dictated to keep silent. And, this is the democracy capital practices. A real capitalist democracy!

To put it point blank: it’s labor’s starved, half-starved days, untreated diseases, degrading housing condition, more work, less rest, more uncertainty, less security, more indignity. This puts pressure on labor and weakens labor’s bargaining power. So, the ILO report finds: ‘Wage growth suffered a double-dip in developed economies.’

Between 1999 and 2011, the report tells, average labor productivity in developed economies increased more than twice as much as average wages. In a number of larger economies including the US, Germany and Japan wage growth lagged behind productivity growth.

In Germany, average wages declined in spite of positive average labor productivity growth in the years 1999–2007. In 2011, hourly wages were only marginally (0.4 percent) above their 2000 level while hourly labor productivity had grown by 12.8 percent over the same period. Real monthly wages remained flat although labor productivity soared by almost a quarter over the past two decades.

Citing S. Fleck, J. Glaser and S. Sprague’s ‘The compensation–productivity gap: A visual essay’, in ‘Monthly Labor Review’ (US Bureau of Labor Statistics, January 2011) the ILO report says: ‘The gap between hourly labor productivity and hourly compensation growth contributed to a decline in the labor share in the US, where real hourly labor productivity in the non-farm business sector increased by 85 percent since 1980 while real hourly compensation increased by only around 35 percent. In the UK, despite ‘productivity gains real average wages declined sharply.’

The declining trend is also ‘amazing.’ In a number of countries including Greece and a number of
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new EU member-countries, wages declined considerably more than labor productivity.

LOWER WAGES

Large numbers of employees are getting lower wages, finds the report. The reasons include reduced working hours and less overtime. Companies in several countries have reduced employees’ working time: three or four-day weeks have replaced five-day week, daily hours have been reduced, and even plants have been shut down for weeks or months.

Reducing working hours is no kind-heartedness of capital. The same is with less overtime work. The measure has been taken to avoid laying off labor as laying off labor creates risky situation for capital, especially during the period of increased social tension. The threat to capital’s political instability increases.

‘Real average wage growth,’ the ILO report finds, ‘has remained far below pre-crisis levels globally, going into the red in developed economies, although it has remained significant in emerging economies.... Omitting China, global real average wages grew at only 0.2 percent in 2011, down from 1.3 percent from in 2010 and 2.3 percent in 2007. This is the hard fact of 0.2 percent, and the fact turns harder if one casts glimpses on the company, especially bank balance sheets of loss and profit. The sheets show a higher profit, higher dividends.’

In developed economies, wages suffered a double dip; in eastern Europe and central Asia, real wages contracted severely in 2009; in the Middle East, real average wages appear to have declined since 2008; and in Russia, the real value of wages collapsed to less than 40 percent of their value in 1990s. It took another decade before the Russian wages regained its initial level. In terms of real value of wages, is it a decade lost in the Russian capitalist wilderness?

In India, wage trends appeared ‘somewhat unclear’, as the report observes. It says: ‘[R]eal wages declined in a majority of recent years, shrinking the purchasing power of wage earners. This would explain the many concerns expressed by workers in India about rapidly increasing prices, particularly food prices. The trend, however, is surprising in the light of the country’s rapid economic growth over the last decade.’

In a number of Arab countries, the Arab Spring ‘seems to have prompted [...] to make further increases in wages for local people working in the public sector. [But in”]> the private sector, minimum wages and collective bargaining are underdeveloped in the Arab region.’

WAGE-PRODUCTIVITY GAP

The wage growth-labor productivity growth gap, the ILO report finds, is widening. The fact turns out: labor is made to move wheels with more speed, move its limbs and brain faster, stretch its muscles further but the number of coins that are thrown down on its frail hands increases with a slower speed. The gap widens.

When necessary labor time is squeezed down further, wheels are turned speedier, and labor’s bargaining power is weakened, the crueler reality declines to hide. It gets exposed. It’s hard time for labor, a time of intensified exploitation of labor, a time for higher profit by capital. It’s not ‘equitable growth’, the ILO report’s 2012/13 edition looks at. So, the academic parlance emerges: ‘working poverty.’

But there is cheap labor: workers in the Philippine manufacturing sector were paid $1.40 for every hour worked. It was less than $5.50 in Brazil, $13 in Greece, $23.30 in the US, about $35 in Denmark.

A treacherous space is there. ‘Throughout the crisis wages continued to grow in Latin America and the Caribbean, Africa and Asia.’

Growth in wages in Latin America and the Caribbean, Africa and Asia will not reach the level in Europe and the US in the near-future. So, there will be scope for threatening labor in these two
continents, there will remain space for bargaining with it, and there will be profit.

IMF INTERVENTION

In Greece, the report notes, wages were growing ahead of productivity before the crisis. But, average wages were forced down by austerity programs. However, in 2010-2011 cumulatively it fell close to 15 percent. The minimum wage has been severely cut, losing 22 percent of its previous value, informs the report.

‘This change was made on the request of the European Central Bank, the European Commission and the IMF as a condition for giving the Greek Government access to bailout funds from the European Financial Stability Facility (EFSF).’ The report cited ‘The IMF’s advice on labor market issues’, IMF Fact sheet [1]: ‘Wage cuts were necessary if the country was to regain competitiveness and growth.... The IMF also considered that the minimum wage in Greece was substantially higher than in other developed economies, even though ... it was not out of range.’

Referring to the case of Portugal the report says: in the country, ‘access to EFSF came at the condition of a minimum wage freeze.’

In Serbia and Albania, the report says, ‘real wages fell in spite of positive labor productivity growth, a reflection of the freezing of nominal wages in the public sector.’

Citing M. Arandarenko and S. Avlijas’ ‘Behind the veil of statistics: Bringing to light structural weaknesses in Serbia’ in V. Schmidt and D. Vaughan-Whitehead (eds): ‘The impact of the crisis on wages in South-East Europe’(2011) the report says: ‘In Serbia, an agreement with the IMF signed in April 2009 included a commitment by the government to keep public sector wages and pensions frozen in nominal terms in 2009 and 2010 – as a result of which real wages in the public administration declined. This measure came with a ban on new employment in the public sector. Similarly, on the advice of the IMF, budgetary restrictions on wage growth in the public sector have been introduced in Albania.’ The IMF’s wage-freezing ‘story’ is told, at least for now.

SPACE FOR CAPITAL

It is preached that companies need breathing space – scope for making profit – in times of crisis. So, an arrangement was imposed on labor: work sharing.

Many companies, the report finds, have adopted new working practices, and labor’s hourly wage rates were changed. Brains in the moneybag of capital have not suggested reducing profit rate.

Citing ILO’s ‘Decent world country profile: Ukraine’ (Geneva, 2011) and G. Kulikov and V. Blyzniuk’s ‘Impact of the financial and economic crisis on wages, income distribution and the tax system’ (Budapest, 2010) the report says: In Ukraine, ‘[m”]>any employees had to go on unpaid leave, especially in the industrial sector while others saw their basic wages frozen and their bonuses cut.’ Ukraine labor has experienced the award of formally resorting to open market its red turned white party bosses promised.

However, the reality emerges: capital finds its breathing space by further and further encroachment of labor’s breathing space.

CAPITAL’S INCREASED SHARE

The report says: ‘The mirror image of the fall in the labor share is the increase in the capital share of income (often called the profit share), which is measured most frequently as the share of gross operating surplus of corporations as a percentage of GDP.... [l”]>n advanced economies, profits of non-financial corporations have increasingly been allocated to pay dividends, which accounted for 35 percent of profits in 2007 and increased pressure on companies to reduce the share of value added going to labor compensation.’

The report shows: in many countries, there is a long-term trend towards labor compensation’s falling
share and profit’s rising share.

Citing studies/reports including OECD’s ‘Divided we stand: Why inequality keeps rising’ (Paris, 2011) and J. Roine and D. Waldenström’s ‘On the role of capital gains in Swedish income inequality’ (in Review of Income and Wealth, Vol. 58, No. 3, 2012) the report said: In the period 1987–2008, a large part of the increased surplus of corporations went into boosting the dividends to shareholders. In France, total dividends increased from 4 percent of the total wage bill in the early 1980s to 13 percent in 2008. In the US, three-quarters of the increase in gross operating surplus went into the payment of dividends. The greater concentration of income with capital instead of labor, booming dividends have often contributed to higher overall household income inequality. No interpretation is needed. ‘Truth needs no flowers of speech’, writes Pope.

VOID CAPITALIST GLOBALIZATION

Capitalist globalization was hawked vociferously by the mainstream. But, the void promise by capitalist globalization has been exposed. Financialization is actually gambling with incapacity by a few that savages the broader society. To labor, capitalist globalization is a savage fact. Reality has exposed the lies of the benefits of trade globalization, expansion of financial markets, etc.

‘The drop in the labor share is due to technological progress, trade globalization, the expansion of financial markets, and decreasing union density, which have eroded the bargaining power of labor’, says the report. ‘Financial globalization, in particular, may have played a bigger role than previously thought.’


In developed economies, the report says, ‘global financialization contributes 46 percent of the fall in labor income shares, compared to contributions of 19 percent by globalization, 10 percent by technology and 25 percent by changes in two broad institutional variables: government consumption and union density. ... [F]inancialization, globalization and technological progress have all grown in magnitude over time, thus contributing negatively to changes in labor income shares between the two periods.’

THE WORKING POOR

‘One of the key findings’, the report says, ‘is the growing inequality in income, in terms of functional and personal income distribution.’

‘[M]any waged and salaried workers in developing countries are in fact living with their families in poverty’, says the report. Out of about 209 million wage earners in 32 developing countries from 1997 to 2006, about 23 million were earning below US$1.25 a day and 64 million were earning less than US$2 per day, the international poverty lines for 32 developing countries.

An ‘interesting’ relation is mentioned in the report. ‘A lower labor share’, the report says, ‘was associated with a higher share of net exports in all countries. A 1 percent lower labor share was associated with higher rates of investment in GDP in nine countries as well as in the eurozone group, but had no perceptible effect on investment in five emergent economies and the US. The positive effect of lower labour share on exports is perhaps not surprising, given the close relationship between the concept of the labour share and the concept of unit labour costs. A decline in unit labour costs is often seen as an improvement in external cost competitiveness [...].’ lower unit labor costs are [...].’ frequently advocated as a means of restoring economic growth and promoting employment. This is [...].’ the rationale behind the decision in Greece to reduce the minimum wage by 22 percent, with a further 10 percent cut for young workers, together with a reduction in non-wage costs (social security contributions) by 5 percentage point. Similar [...].’ measures were also part of IMF programs in Portugal, Serbia and Latvia.’
The fact shows capital’s efficiency in imposing burdens on labor: to sharpen competitive edge, press down, squeeze out labor, ask labor to ‘sacrifice/contribute’, which is actually appropriation. To ensure the ‘sacrifice/contribute’, there is force, the force of political mechanism. And, to hide the act of appropriation and use of force, there are crude jargons ‘innovated’ by a section of dignified academic brains.

The reality of shrinking income, increasing hardship, growing poverty of the labor, and rising profit of capital finds Guy Ryder, ILO Director-General, write in the Preface of the report: ‘On a social and political level this trend risks creating perceptions that workers and their families are not receiving their fair share of the wealth they create.’

In developed economies, according to the report, unemployment rose from less than 6 percent to more than 8 percent of the labor force. The figure was double-digit in Greece, Ireland, Portugal and Spain. Worldwide unemployment has gone up by 27 million since the start of the crisis, bringing the overall number of unemployed to about 200 million or 6 percent of the global labor force.

In this saturnalia organized by capital, shall labor’s discontent and rising appear immoral and illogical?

ENDNOTES:

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In a global examination of the survival of capitalism in crisis, the recent International Labour Organisation report shows that workers globally continue to be extremely exploited and capital continues to exact greater profits for the minority whilst finding new ways to justify this heinous system

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