

# **Reframing Productivity**

**Promises, assumptions, their flaws and alternatives**

**Adelajda Soltysik**  
**Senior Adviser, Centre for Policy Development**



# Promises & Assumptions

**Labour productivity definition (usual) = output per worker = total output / total employment**

**= Total output (usually real GDP or GVA) ÷ Total hours worked**

**Promise: raise living standards**

## **Assumption:**

**Productivity growth increases jobs, and higher labour demand boosts wages.**



# Promises & Assumptions



## **Assumption 1**

**Productivity  $\uparrow$  leads to more jobs.**

### **Reality:**

**Depends on marginal productivity;  
automation often replaces labour  
(self-checkout example).**



## **Assumption 2**

**Jobs  $\uparrow$  leads to higher wages.**

### **Reality:**

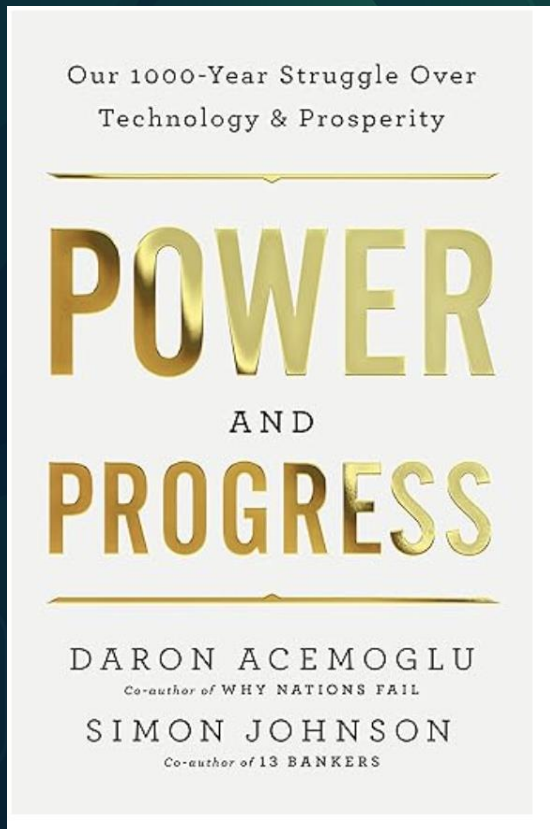
**Only when workers have power.  
Monopsony and weak bargaining  
suppress wages.**

## **Assumption 3**

**Higher wages  $\uparrow$  mean better living standards.**

**Reality: Rising incomes don't automatically translate to wellbeing -  
quality of life depends on how gains are shared, time, health, and  
sustainability.**

# Lessons from History



**"Shared prosperity emerged ... only when, the direction of technological advances and society's approach to dividing the gains were pushed away from arrangements that primarily served a narrow elite."**

**1750–1850: Industrial Revolution**

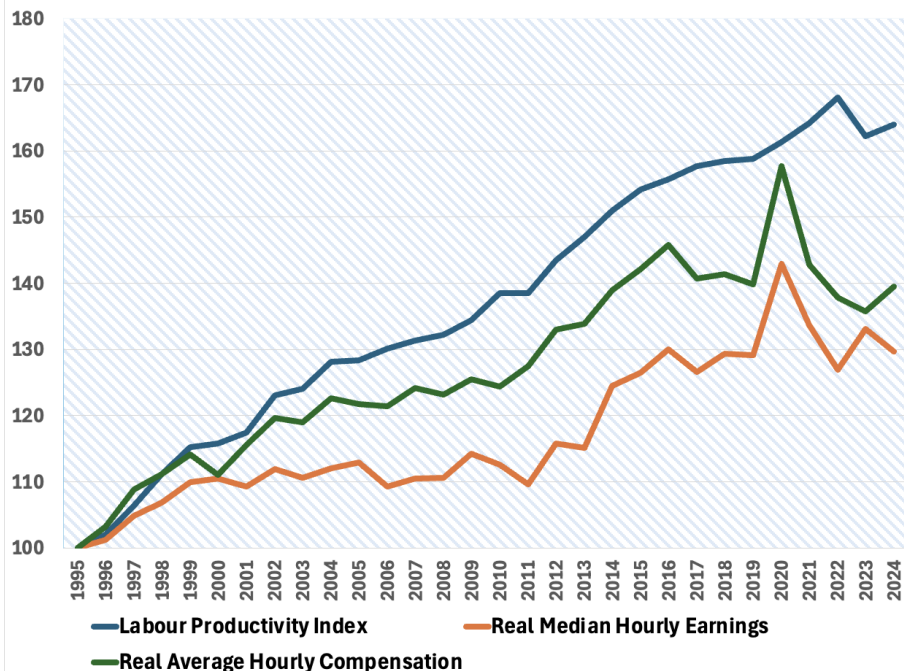
**Productivity surges but wages stagnate; child labour & slavery intensify.**

**Late 19th–20th c.: Social reforms**

**Unions organise, public goods expand. Shared prosperity emerges.**

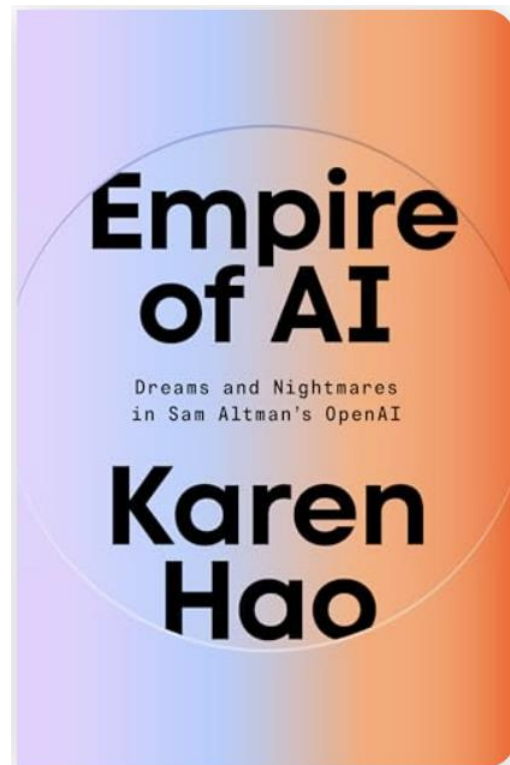
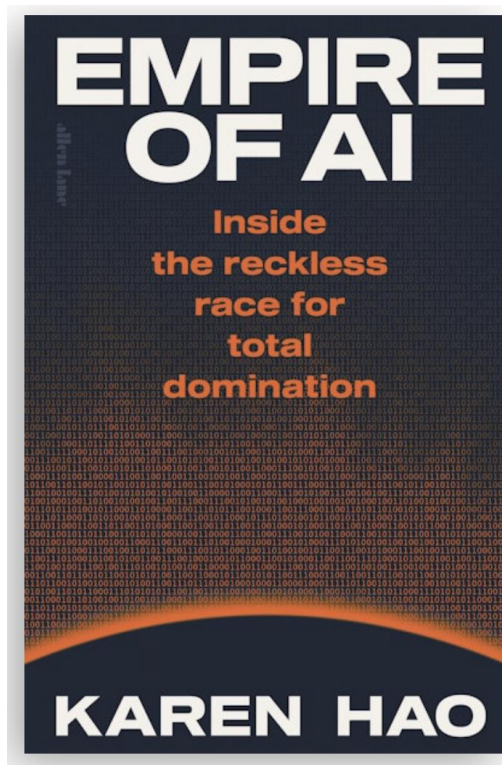
# We do not have the conditions for shared prosperity

Wage - Productivity Decoupling 1995 - 2024



- **Union coverage fallen**
- **Labour share of GDP declined**
- **Key industries highly concentrated**
- **Competition for workers limited**
- **Corporate profits strong**
- **Inequality rising**
- **Wages decoupled from productivity**
- **Same short-term logic driving climate decline**

**And then there is all the complexity and uncertainty**





# Reframing Productivity

**“If we do not connect productivity to purpose, we risk pursuing productivity in a way that worsens the overlapping crises we face as a society”**



## Productivity with Purpose

Clear pathways to a more equitable future

