

# Reframing Productivity

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

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# 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.**

 **Productivity**  
↑

=

 **Jobs ↑**

=

 **Wages ↑**

# Promises & Assumptions



## Assumption 1

**Productivity ↑ leads to more jobs.**

### Reality:

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



## Assumption 2

**Jobs ↑ leads to higher wages.**

### Reality:

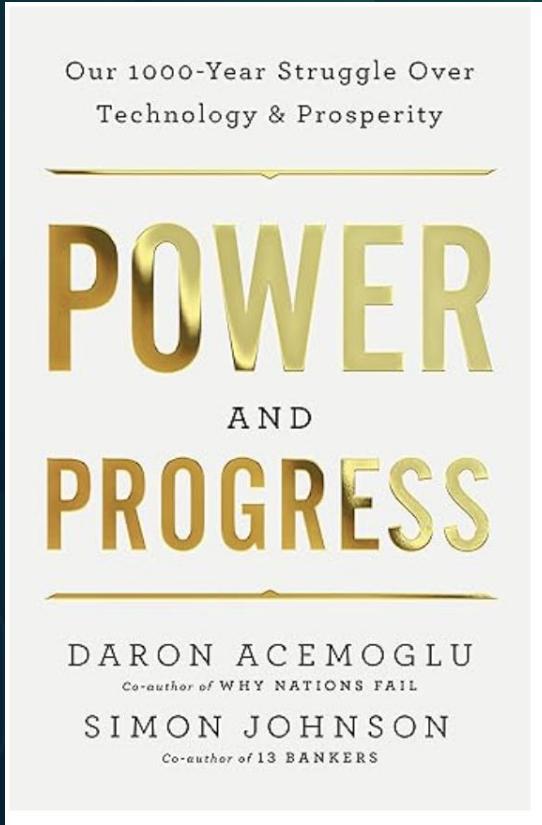
**Only when workers have power.  
Monopsony and weak bargaining  
suppress wages.**

## Assumption 3

**Higher wages ↑ 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**

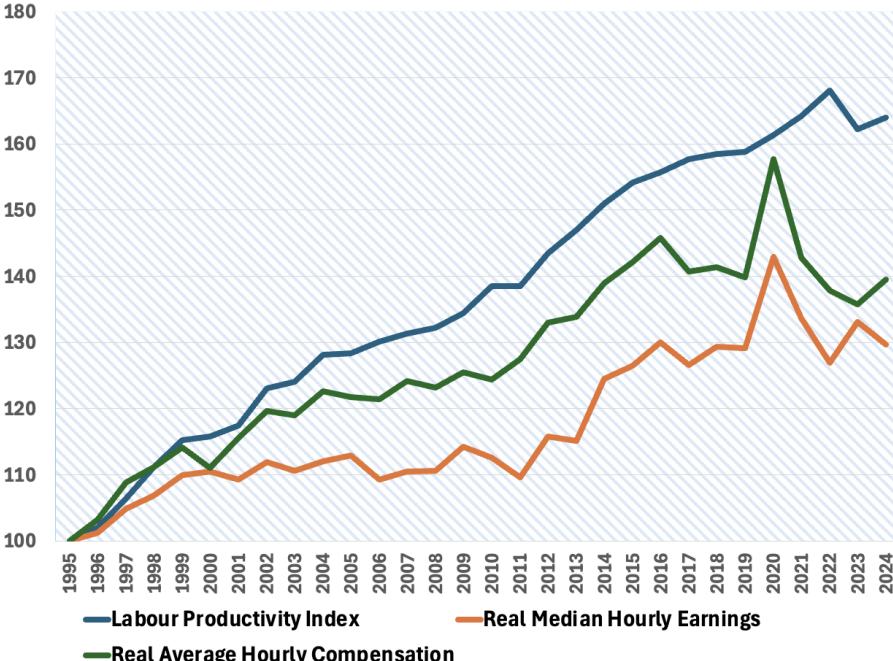
**Productivity surges but wages stagnate; child labour & slavery intensify.**

## **Late 19th–20th c.: Social reforms**

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

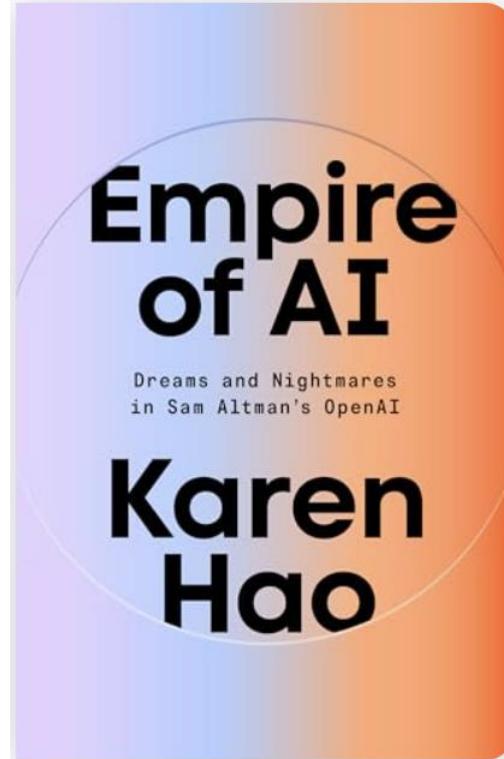
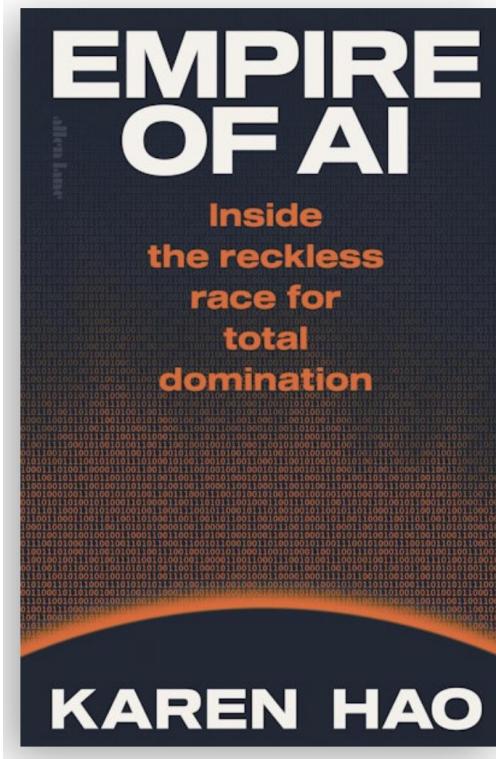
# We do not have the conditions for shared prosperity

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

