

Why are workers losing?

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Workers in Britain and the United States are getting a smaller share of national income than they did decades ago. That is not simply a feeling. The long-run data shows it.

In the UK, labour's share of national income peaked at around 71% in the mid-1970s and has fallen to around 59%. The United States has experienced a similar long-term decline. The consequence is an enormous shift in income away from wages and towards profits, rents and the owners of capital.

In this video, I look at what happened, why the decline in labour's share is structural rather than a temporary economic fluctuation, and how changes in trade union power, deregulation, privatisation, globalisation and financialisation contributed to it.

I also argue that this helps explain something much bigger: the political anger now evident on both sides of the Atlantic. Millions of people have good reason to believe that the economy is no longer delivering for them. But that anger can be directed towards people who did not cause the economic changes from which workers have lost.

The decline in labour's share was not inevitable. Economic policy helped create it, and different economic policies could change it.

If we want to understand today's political discontent, we need to understand who has gained from economic growth, who has lost, and why.

https://www.youtube.com/watch?v=gJ8z1o6FBbs?si=AfDE2e_EoSK1909Y

This is the audio version:

<https://www.podbean.com/player-v2/?i=ghtbk-1b67b6f-pb&from=pb6admin&from=pb6admin>

This is the transcript:

People right across the UK and in the USA feel they're being left behind economically, and their anger about this is not irrational. It is grounded in long-run data. As a matter of fact, workers' share of national income has been falling for decades in both the UK and the USA. This is a documented fact and not a matter of political opinion. The numbers reveal a sustained transfer of wealth away from people who work for a living. This is real political economy, and it has serious political consequences.

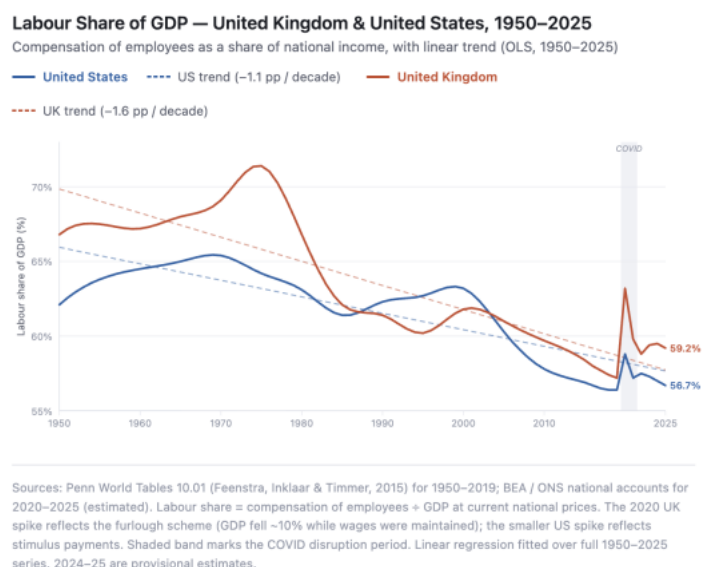
The labour share of GDP, or our gross national income, in effect, is a core measure of economic fairness. It shows what proportion of national income goes to wages and salaries.

When labour share rises, workers gain more from economic growth.

When it falls, the gains from economic growth flow instead to profits and the owners of capital.

This ratio therefore tells us who is actually benefiting from the economy we share.

The story it tells over the past 75 years is deeply troubling. This chart on the screen now shows labour share of GDP for both the UK and the USA from 1950 to 2025. The line in red is the UK. The line in blue is the USA, and both countries show a clear, long-run downward trend.



The UK labour share peaked at around 71% of total national income in 1975, and has since then fallen to around 59%. In the year before I went to university, people who were working in the UK had the best deal they ever got.

In the US, the labour share peaked at around 65% in 1970, and again has fallen, in their case to around 57%. One of the marked things that you'll see from the chart is how much we have converged. Globalisation has, in this sense, worked.

And on both lines there is a dotted straight line as well, and that's what is called in statistics a regression line. It shows the underlying statistical trend of the data.

Now I've used a simple line in this case; this is a straight-line regression, but that's good enough for our purposes here. And what it shows is that the decline in the labour share is structural and not part of a short-term cycle. Workers in both economies have lost roughly eight to 12 percentage points of GDP.

And in the UK, where the economy is worth around £3 trillion a year, a 12% fall in labour share is worth roughly £360 billion annually. And that's a lot of money that people in employment aren't getting. That is money which once went to wages, but is now going to profits, rents and asset holders.

In the US, a similar shift represents more than \$2 trillion a year lost by workers in the USA.

And these, then, are not marginal fluctuations. They are massive transfers of value on an historic scale. This is the economic foundation of the anger we are now seeing in the politics of both countries.

In the 1950s and 1960s, labour share was relatively stable in both countries. Workers shared in the fruits of post-war economic growth. That was one of the characteristics of this era. Trade union power, full employment and regulated markets sustained all of this. And then from the mid 1970s onwards, as neoliberal thinking began to take over and the crises of that decade hit, that settlement began to break down.

In the UK, the 1976 economic crisis and Thatcher's election in 1979 marked the obvious turning point in this chart. In the US, the Volcker Shock of the early 1980s, deliberately created to sustain an attack on industry, played a similar structural role.

And we should remember that Margaret Thatcher did the same thing in the UK. One of the first things she set out to do when she became Prime Minister was destroy British manufacturing and, in the process, destroy the highly paid jobs that went with it to substitute, instead, lowly paid vulnerable employment.

And the UK's labour share peak of around 71% was not a chance, as a consequence. The Thatcher government of 1979 to 1990 reversed this share deliberately. Trade union power was dismantled through successive waves of legislation. Privatisation,

deregulation, and marketisation shifted income towards capital. And by 1990, the UK labour share had already fallen to 62%. That was a staggering change in little over a decade. And the data shows that the UK's decline is even steeper than in the USA. It's around 1.6 percentage points per decade over this period. But the overall trend is very markedly downwards.

The US decline is less steep, but it is equally persistent across the period. Labour share fell gradually from 65% in 1970 through the 1980s and 1990s, and by 2000 the pace of decline was accelerating rapidly. Offshoring, platform economics, and declining union density all played a role. The US regression line shows a fall of around 1.1 percentage points per decade. By 2019, the US labour share had reached its lowest post-war level, and this again was not by chance. This was the result of deliberate policy.

And when labour share falls, the counterpart is a rise in the profit share. Corporate profits, dividends, rents hidden within those profits, and capital gains are the direct beneficiaries of the contrast between the declining labour share and the rising return to capital.

And wage inequality also rose dramatically across this period, and we should remember that. This means that the average worker might have seen their share fall even more than this data reveals because executive pay grew so much faster than that of the normal worker.

And at the same time, shareholder returns were systematically prioritised over wage growth. That was deliberate policy on the part of business, and it was encouraged by government. Financialisation of both economies accelerated this transfer, and the mechanism was very simple. Whatever labour lost, capital won: it was as straightforward as that.

Now, there is a bump in the chart, and it's very obvious, and I've highlighted it, and that was during the COVID period. The data at that time went all over the place, and the reason why is that although the labour share was kept intact by furlough in the UK and to some extent in the USA, there was a problem, and that was that GDP collapsed. So it looks as though the labour share rose dramatically, but in fact, just holding things steady while the world was falling apart was what produced the anomaly that the chart shows.

That pushed the UK labour share temporarily back up to around 63% in 2020.

The US saw a smaller spike driven by government transfers rather than wage growth.

But by 2022, both countries had returned close to their pre-pandemic trajectories. In other words, the trend was moving downwards again. COVID was a statistical disruption to this data and not a structural shift in power.

And there are political consequences to all of this, and they are now visible everywhere. When workers lose ground over decades, they look for explanations and someone to blame, and they are right that something has been taken from them. The data confirms this. But they're often offered the wrong explanations for what has happened, and people blame migrants, bureaucracy and culture for this shift when the real cause is a systematic or even systemic and policy-driven shift in economic power.

It is that shift in power, which is the basis for the rise of right-wing populism, and ironically, this policy has been created by right-wing politics. The anger is entirely legitimate, but the, in which it is being channelled is not. Those who are being blamed did not create this crisis. Those who are pointing the fingers did, and that is the political problem we face as a consequence.

And I stress this fall in the labour share is not the result of impersonal or inevitable market forces. It is the outcome of deliberate policy choices made over four decades. Weaker unions, labour market deregulation, and tax policy all shifted income upwards in both the UK and the USA, and governments consistently chose to prioritise capital returns over wage growth.

A different set of choices would have produced different outcomes. This data makes clear that this is a political question and not an economic inevitability. Restoring labour share then means rebuilding workers' collective bargaining power. Trade union rights, sectoral bargaining, and living wage legislation all matter, whilst taxing capital returns more heavily and wages less heavily would shift economic incentives considerably and could help to restore this balance.

Meanwhile, industrial strategy could direct investment towards labour-intensive activity, and regulating financialisation would reduce the dominance of short-term shareholder returns in the thinking of our large businesses. These are not radical ideas. They just described how the post-war settlement worked when people did better than they do now.

The data then is unambiguous. Workers in the UK and the USA have lost ground for years. That loss is measured in terms of hundreds of billions of pounds and trillions of dollars, and that's an annual figure. It directly explains the anger that now dominates politics in both countries, and the causes are political, which means the solutions are as well.

We do not have to accept these outcomes as permanent or inevitable. Understanding the evidence is the essential first step towards changing it. We could change it. We could put in place the suggestions I have just made. We could restore the power of labour. We could give people back the share of GDP that they once had. And if we did, we would restore the balance in our economy and in our politics, and we would not face the threat from fascism, which is now very real on both sides of the Atlantic.

That's what I think. What do you think? You may disagree. That's your right. There's a poll down below. Let us have your comments. Please like and share this video. Please do subscribe to our channel and hit that bell button so you are notified when we make another video. And if you'd like to buy Tom and me a coffee, they really do help these things get made.

Poll

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