12 Labour Productivity, Wages and Employment

In Chs 7–10 some important topics, such as the role of quality improvement in the labour force (education), the relationship of growth of wages to productivity growth, and structural changes in employment, have been deliberately left out. I felt that the reader would benefit more if these problems were discussed in a separate chapter. I will start out with a brief discussion of the growth of labour productivity and its role in economic growth, and then discuss the mentioned problems.

1 LABOUR PRODUCTIVITY

In socialist countries productivity on the macroeconomic level is measured by what is called the 'social productivity of labour', which is national income per person employed in the material sphere (including agriculture). This is not the most suitable measure for the purpose of this study, since it does not cover the steadily growing non-material sphere. In addition, figures on wages in the material sphere as a whole are not available for all three countries. Therefore I resort to a compromise. When discussing labour productivity as a factor of economic growth I limit myself solely to the material sphere, whereas, when I deal with average wages and productivity, the latter is defined as national income per person employed in the national economy.

Social labour productivity depends not only on the productivity of individual sectors but also on structural changes in the economy. The move of labour from lower productivity sectors to higher ones, a phenomenon characteristic of economic development, adds to productivity gains. I do not intend to elaborate on this problem other than to mention that the Hungarian economist, K. Szikra (1967), who studied the impact of structural changes on labour productivity in the period 1951–65, maintains that they grew in importance.
At first glance the record in the growth of social labour productivity seems to be good. With the exception of 1976–80 when the growth rate substantially declined in all three countries and 1961–5 in Czechoslovakia, it was on a relatively high level, but, of course, fluctuating through the period under review. (See Table 12.1). The effort to make growth of national income depend primarily on labour productivity, an important task in light of the decreasing labour supply, was on the whole successful. Already in the period 1951–65 the countries had managed to increase to 80 per cent the percentage share of labour productivity in the generation of national income. Since 1965 the share has increased even more, mainly in 1976–80 when the growth rate of national income plummeted. The increased role of labour productivity means that labour–output ratio (the amount of labour needed for the production of a unit of output) declined. Social labour productivity looks different if the costs incurred in its achievement are accounted for, mainly if capital expenditure is considered. Labour productivity namely depends to a large degree on capital intensity (on the amount of fixed assets available per person employed in the material sphere) and capital productivity (output per unit of fixed capital in the material sphere).

A glance at Table 12.1 shows clearly that the growth rate of the stock of fixed assets accelerated in the period under review. This is most obvious in Poland, where the rate grew from one quinquennium to another; in 1951–5 it was 3.4 per cent and in 1976–80, 8 per cent. Efforts to increase shift work in order to reduce the need for fixed assets and/or to make their use more efficient were not successful. In 1960 the shift coefficient was 1.57 in Poland, 1.38 in the CSSR and 1.47 in Hungary (in 1965). After some fluctuations the shift coefficient declined to 1.37 in Poland and 1.32 in the CSSR in 1981, and to 1.38 in Hungary in 1980. Understandably workers prefer not to work in shifts, and labour shortages enable an increasing number to avoid such work. With the increase in the stock of fixed capital, capital intensity grew, all the more because the growth rate of employment in the material sphere slowed down on the whole.

Yet the evolution of capital productivity reveals a bleak picture, mainly in 1976–80 when fixed assets grew at a much higher rate than national income, in Poland even more than six times. In the article mentioned K. Szikra (1967) complains that, while in CMEA countries in 1951–65 social labour productivity compared to employment accounted for 80 per cent of the national income growth, the contribution of capital productivity compared to the stock of capital did not reach 50 per cent in any country. Since then the situation has become much worse; capital