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IS RAISING THE WAGE BAR THE WAY TO GO ?

Raising the minimum basic wage is not, necessarily, the answer to major problems that assail an economy, those problems that are extant and those that can be reasonably expected within a certain time period.

This lesson, hopefully, was learned by the economists in the People's Republic of China (PRC) when, after demanding multiple increases in the minimum wage as well as other benefits and perquisites, inflation in the country continued to rise much too quickly despite the Government's artificial efforts to try to control this scourge of any and all economies.

There is, always, a knock-on effect when wages rise, sometimes good and sometimes bad.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, the recent increase in the minimum wage is, clearly, fanning the flames of inflation in the territory, but, perhaps, more importantly in the short term, is that these wage increases are not putting more disposable income into the hands of those whom it was supposed to ameliorate their plight.

Raising productivity in the workplace is, in today's world, the real challenge; and, raising the minimum wage is not, necessarily, going to be the answer to meet this challenge.

In the HKSAR of today, managements of many companies, facing annual increases in the minimum wage, turn to methods of reducing staff levels with insufficient consideration, being given to increasing productivity levels – which means that the increases in the minimum wage, from the worker's point of view, is, to a great extent, negated.

From the point of view of management, its present actions are a stopgap measure in order to maintain profitability. In reality, however, the Bottom Line is standing still whereas the duty of management should always be to expand productivity and to increase the Bottom Line.

Managements of companies, the world over, aim to try to minimise expenditure while maximising profitability. This is a hard and fast rule.

At the same time, however, good management is well aware that a happy workforce is a guarantee of future profitability, all things, being equal: A happy workforce is defined as labour, being satisfied with its lot; a perception of long-term security in the job for which they are responsible; and, have a feeling of fulfillment in their labours.

For management, therefore, there is, constantly, a balancing act between the cost of production and the returns derived therefrom and a fair and reasonable wage packet for labour without whose industriousness, there would be no reason for management's existence.

In order to raise the average productivity level in the workplace, it seems only obvious that raising the level of education of workers is a key factor to be coupled with productive transformations and economic development.

Stronger domestic consumption is dependent, among other things, on increased investment in the education of the youth of an economy: The youth, being the future of all economies.

Without education, how can the average person realise that the amount of the average monthly wage packet must be calculated after adjustments are made for inflation if that wage earner is to understand the reason that his or her dollar has not the same buying power as it had yesterday?

To understand the importance of *'real average wages'* – wages that have been adjusted for inflation – statistics, compiled by departments of the US Government, have determined that, globally, average monthly wages grew by about 1.20 percent in 2011, down about 2.10 percent, compared with 2010 – and down about three percent, compared with 2007.

In the decade, ended December 31, 2011, the real average wage for a worker in the Philippines, employed in the manufacturing sector, was about $US1.40 per working hour. In Greece, it was about $US13, in the US, it was about $HK23.30, and, in Denmark, it was about $US34.80.

In that same decade, productivity levels in developed economies grew about 100 percent of the real average wage.

The gap between the real average wage and productivity is seen to have widened, considerably, over this decade – and it is quite likely to continue to widen by all statistics that have been collated of late.

Case in point, in the US, labour productivity in the non-farm sector of the economy rose about 85 percent since 1980, but real hourly wages increased by only about 35 percent.

In the PRC, over the past decade, real average wage packets have more than tripled while the **G**ross **D**omestic **P**roduct (**GDP**) – the total market value of goods and services that are produced – rose at a much-faster rate than the total wage bill for workers.

Thus, it is clear that labour's share of an economy's growth is, slowly but surely, dwindling.

When labour comes to this realisation, it is fuel for discontent: Labour may well be asking questions as to the fairness of the disproportions between the haves and the have-nots – especially when the chief executives of corporate entities receive year-end bonuses which, in many cases, are far greater than the average worker could imagine in his and his children's working lives.

What many people may not realise is that household consumption is reduced when labour's share of an economy's growth is lowered, materially.

Household consumption in the US is known to represent about 66 percent of the country's GDP.

It need not be stated as to the importance of household consumption on any economy in the world, today.

Perhaps, an answer to the question that must become obvious is that productivity in the workplace and compensation to the workforce could be interlinked, at least, to some extent.

This interlinking of productivity to workers' compensation, however, would require a great deal of earnest consideration because, taken to extremes, it could become detrimental to an economy.

Thus far, there has been no such consideration, having been given to this potential solution to the problem that has irked nations from time immemorial.

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