As it charts depths of economic crisis

OECD pushes for cuts in assistance for jobless

By Nick Beams
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The latest economic and employment report from the Organisation for Economic Cooperation and Development (OECD), comprising 37 of the world's major economies, is notable for two features.

It details some of the severe effects of the economic crisis resulting from the COVID-19 pandemic, particularly its impact on lower-paid and younger workers, and sets out measures it believes governments should start to use to carry out a restructuring of wages and working arrangements as historically high unemployment continues.

Pointing to the employment effects of the pandemic, it notes that "up to 10 times fewer hours were worked in some countries, compared with the first months of the 2008 financial crisis."

It warns that the jobs crisis risks turning into a social crisis, as in the sectors of the economy most affected up to half of all workers have part-time or temporary contracts or are self-employed.

It describes the numbers as "stark" and its projections as "bleak."

Even if a second wave of infections is avoided, it projects a 6 percent annual decline in global GDP for 2020 and an OECD-wide unemployment rate of nearly 10 percent at the end of 2020.

By 2021, real income per capita in the majority of OECD countries will have fallen back to the levels of 2016. If there is a second wave, arriving in late 2020 with the onset of the northern winter, real per capita income would fall to 2013 levels.

Even though lockdowns and other measures were adopted only in the second half of March, first quarter growth "plummeted," with projections for the second quarter pointing to a "further dramatic fall."

"Between the fourth quarter of 2019 and the second quarter of 2020, GDP is projected to have collapsed by about 15 percent on average across the OECD, reaching -23 percent in Spain, -22 percent in France and -21 percent in Italy and the United Kingdom."

The report says the main impact of the economic collapse has been on lower-paid workers in essential industries and young people.

"The economic consequences of the COVID-19 pandemic have not fallen with equal severity on all shoulders. Existing vulnerabilities have been exposed, and inequalities entrenched."

The report points to the fact that higher paid workers are more likely to be able to work from home and therefore avoid both some of the health dangers and the loss of income.

But significantly, it does not point to the most egregious expression of inequality. This is the rise of the stock market—Wall Street market capitalisation has increased by around $7.1 trillion since the middle of March, enabling some of its leading representatives such as Amazon owner Jeff Bezos to increase their wealth by as much as $25 billion.

And the financial oligarchs are pushing for this massive redistribution of wealth to be further accelerated through the provision of still more money by the Fed and other central banks.

The conclusion of JPMorgan Chase, in a recent note reported by Bloomberg, is that there has to be "more debt, more liquidity, more asset reflation." The largest US bank forecasts that world debt will increase by $16 trillion this year to reach a record high of $200 trillion.

The OECD report says those most affected in the initial phase of the crisis were so-called "frontline workers," who put their health at risk to ensure the continuation of essential services during lockdowns, but who were more likely to earn low wages.

These included health care workers, cashiers, production and food processing workers, janitors, maintenance workers and truck drivers. Low earners were also more likely to be employed in jobs affected by the shutdown. In the UK, "employees in the bottom decile of weekly earnings are about seven times as likely to work in shut down sectors as those in the top earning decile."

Young people are among the hardest hit. This year's graduates, sometimes referred to as the "Class of Corona," are leaving schools and universities "with poor chances of finding employment or work experience," and they will be adversely affected for a long period, as the experience of the last decade shows.

The report notes that many of their peers are experiencing a "second heavy crisis" in their short careers.

"During the global financial crisis, across the OECD, almost one in ten jobs held by under 30-year olds were destroyed and the recovery was very slow, particularly for the disadvantaged. It took a decade, until 2017, before youth unemployment returned to its pre-crisis levels and the impact on the incidence of non-employment, low-pay and underemployment lasted longer still."

The other central feature of the report, beyond its outline of the effects of the crisis, is its advocacy of the withdrawal of the limited support measures provided by governments for those made jobless. This is couched in language aimed at trying to cover up its real meaning.

For example, after noting the provision of emergency support, it says that policymakers will "need to modify the composition and characteristics of their support packages, targeting support where it is needed most, and encouraging a return to work where possible."

What this means in practice is withdrawing or reducing emergency unemployment relief and other support measures to force workers to accept jobs at lower pay.

This push is set out in a number of places. The report speaks of the need to tailor jobs and wage subsidy schemes so as to ensure "sufficiently strong incentives for firms to move off support, and for workers to move into viable jobs."

It continues: "This would reduce the pressure on public budgets as well as the risk that job retention schemes" end up "curbing job reallocation towards more viable and productive firms."

In other words, existing support measures have to be wound back lest they stand in the way of the restructuring of wages and employment conditions downwards. It says that so-called "mutual obligation" requirements that were relaxed or suspended should now be progressively re-established.

What "mutual obligation" means in practice is that unemployed workers must accept whatever job is available, no matter the pay level or the danger to their health, or have their benefits cut off.

The essential content of the report was spelled out more clearly in a *Financial Times* article basing itself on remarks by the OECD's director for employment, Stefano Scarpetta. According to the FT, the OECD said it was time to phase out "massive, generalised support" so that "labour markets could adjust to the changing shape of the global labour market."

That "shape" is already clear: even lower wages beyond the wage stagnation and cuts that ensued after the crisis of 2008, together with stepped-up exploitation.

Scarpetta used more direct language than that used in the report. "We have to allow [labour force] mobility. Some companies will not be viable in the short term and medium term. We have to allow workers to move into new jobs," he said.

That is, mass unemployment, which the OCED acknowledges is going to persist, is to be used as a battering ram to further drive down wages and working conditions.