Pay rise campaign
Wages, profits and corporate greed
Short term greed is the enemy of fair wages

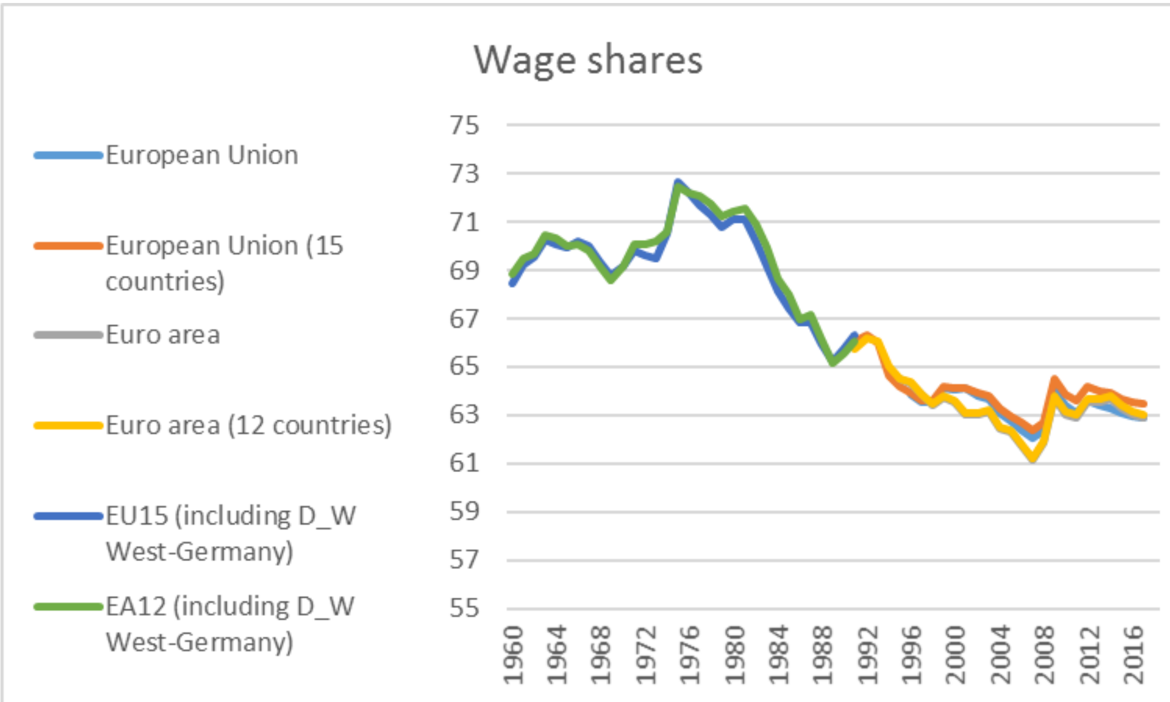
In this paper, we show that wages, which are an important engine of growth in Europe, are being held back by an increasing amount of profits being paid out to shareholders.

Europe needs a pay rise to drive growth which is currently far too slow. With more money, working people would spend more on goods and services and enterprises would be more incentivised to invest– which is good for business and for the economy.

Instead, wages have been decreasing as a proportion of Gross Domestic Product (GDP) across Europe for over 40 years.

In 1976 almost 73% of national wealth was paid in wages to working people. Today the figures is almost 10 percentage points less – with wages making up about 63% of national wealth. At the same time, the share of national wealth made up of profits has increased.

Increases in productivity have not been shared equally – but an increasing proportion has been kept as profits, and a decreasing proportion paid in wages. Working people are losing out while shareholders are taking more money. Working people are being more 'exploited' for higher profits.



Source: Ameco database

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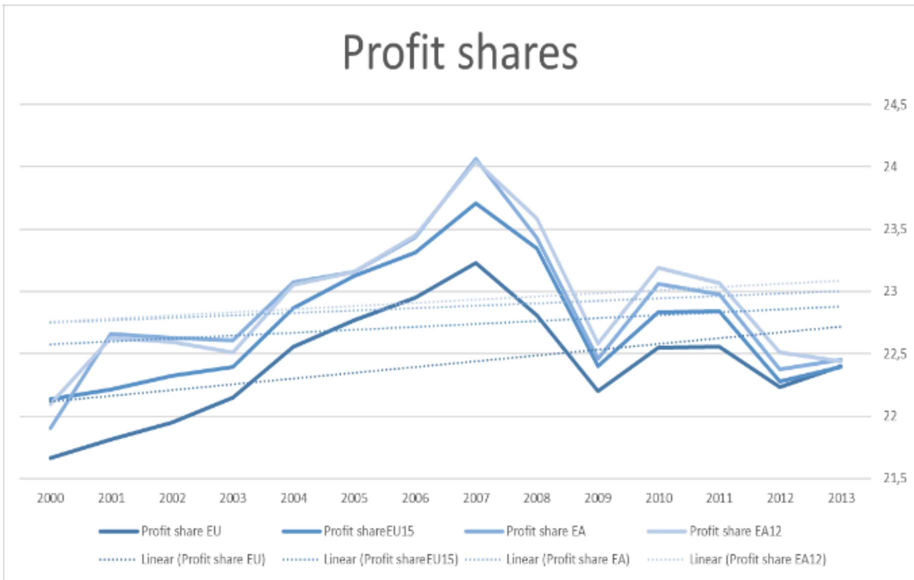
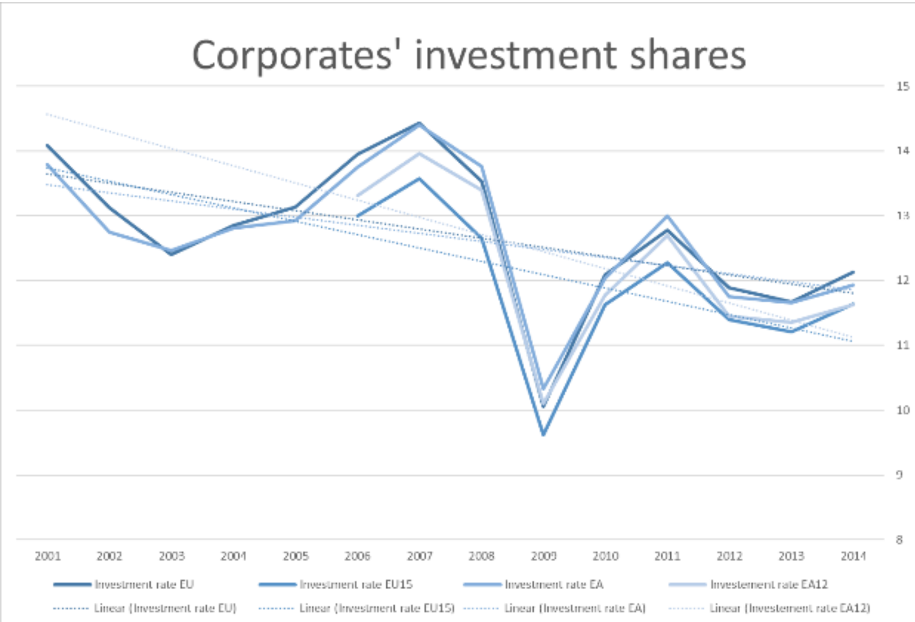
This would be less unacceptable if investment by private enterprises had increased as much as profits. But this is not the case: investment has fallen as a proportion of GDP while profits increased!

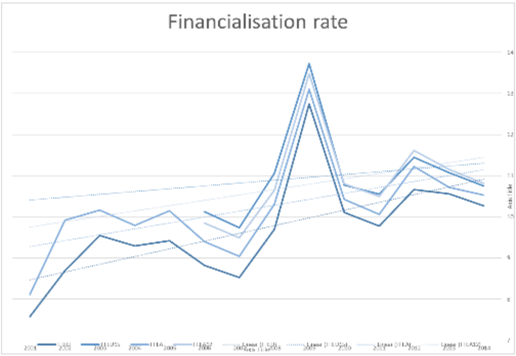


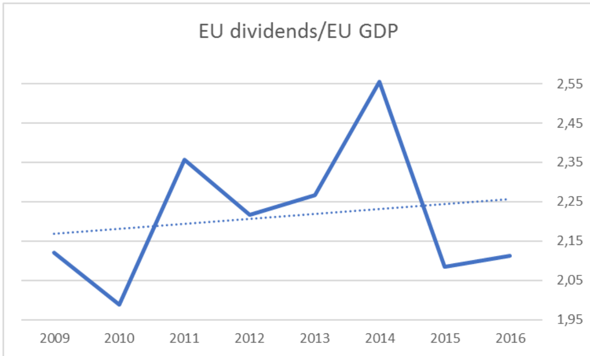


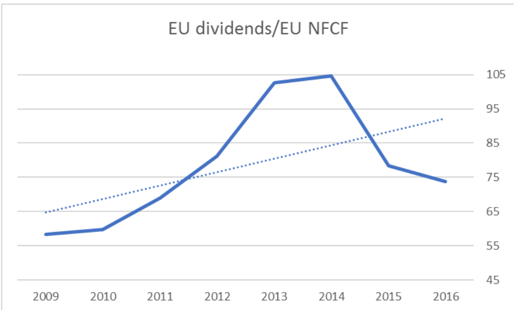
Source: Ameco database, ETUC's calculations

This means that an increasing share of wealth has been diverted from the real economy into profits for shareholders. This is no more than corporate greed and short-term business management. It overwhelmingly benefits the wealthy at the expense of people who depend on wages for their living.

This unacceptable trend is getting worse! Even after the 2007-2008 crisis, dividends paid to shareholders in Europe continued to increase at a faster pace than GDP. Increases in dividends paid to shareholders have in recent years exceeded growth in new investments[1] (NFCF) in companies. The rich are profiting at the expense of the economy.







Sources: Henderson Global Dividend Index, Edition 9, February 2016 and Ameco database, ETUC's calculations

The increasing amount of profits, and the increasing amount of profits paid out as dividends to shareholders, is holding back wages and investment – and this in turn is holding back Europe's economy. To increase wages and drive growth, profits need to return to sensible proportions.

Europe needs a pay rise, not a higher percentage of wealth going in profits to shareholders!

[1] The 2015 drop is due to exchange rates' fluctuations, dividends being here measured in US dollars (see Henderson Global Dividend Index, Edition 9, February 2016.