

The “Great Resignation”: the Changing Wage-Nexus in the United States and the United Kingdom after the Covid-19 Pandemic

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Abstract: This communication seeks to examine how the wage-nexus has changed in the United States and the United Kingdom as a result of the Covid-19 pandemic and following what has been called the “Great Resignation” of workers as of early 2021. The communication notes that massive monetary and fiscal support for firms and households meant that unemployment returned quickly to very low levels by 2022, as labour markets tightened, partly as a result of high job quits – the cause of the Great Resignation. The latter and its multiple causes are then reviewed. Despite tighter labour markets, and low unemployment, real wages were subsequently squeezed through to the end of 2022, due to the unexpected, strong rise of inflation which began in spring 2021. It is possible that workers may be in a stronger position to push for higher pay henceforth, given labour market tightness prevailing in early 2023 and the possibility of a significant slowdown in the rise of global wage labour. This could alter labour-capital relations, which have been unfavourable to workers since the policy shifts to neoliberalism from the late 1970s onwards. However, despite the widespread popular support for so-called “frontline workers” during the pandemic, little indicated at the time of writing that workers and labour in general are getting greater political support from governments and national political institutions. In short, workers may today have some more market power, but nothing like the historical compromise of Fordism between labour and capital, which followed the Great Depression and World War II, seems likely today.

Key words: Great Resignation, labour, workers, Covid-19, pandemic, Fordism, United States, United Kingdom, wage-nexus, industrial relations.

Introduction

An editorial published in the *New York Times* on 28 November 2020 noted that “raising the wages of American workers ought to be the priority of economic policymakers and the measure of economic performance under the Biden administration”. This was not put forward just for reasons of social justice. Instead, the editorial argued that higher wages would be better for growth, and that it was necessary to challenge mainstream economists, who “for decades [...] insisted that it was impossible to order up a sustainable increase in wages because compensation levels reflected the unerring judgment of market forces”. The article noted that “[p]erhaps the most famous illustration of the benefits is the story of Henry Ford’s decision in 1914 to pay \$5 a day to workers on his Model T assembly lines. He did it to increase production [...] The unexpected benefit was that Ford’s factory workers became Ford customers. too”.² As an example of what Robert Shiller calls “narrative economics”, the editorial went on to note the importance of “rewriting our stories about the way the

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² It was this article that mentioned Ford’s pay policy but not “Fordism”, which still remains marginal in economics in the English-speaking world, that led me to organise the September 2022 conference on Regulation theory.

economy works” and how “beliefs about economics determine what seems viable and worthwhile”.³ Significantly, the editorial stressed the importance of power in determining the level of wages.⁴

This follows up on another article by the *New York Times*’ Editorial Board in June 2020 which sketches out the history of how the balance of power in the US economy has shifted in favour of employers and capital since the 1970s.⁵ It is now a well-known tale, along with the real-wage stagnation of median income households, that labour has suffered multiple assaults by capital, favoured by leading economic thinkers of the last 50 years. The June 2020 article thus mentions Milton Friedman’s well-known essay, published in 1970 in the *New York Times*’ *Magazine*, decrying the social responsibility practices of corporations as socialism, and the abuse of their positions by corporate executives as *agents* misallocating the resources of shareholders – the *principles*.⁶ The June 2020 article also mentions the way Jack Welch, an early apostle of shareholder capitalism with ruthless personnel policies,⁷ transformed General Electric during his first three years as CEO, from being a business proud of paying its taxes, to managing to avoid federal taxes all together. The Op-Ed also notes how corporate America attacked unions, and rigorously pursued low-wage policies. These were supported by free-market think tanks like the Heritage Foundation,⁸ and strong lobbying of Washington by corporations to support policies weakening unions. Moreover, the article stresses that this hostility to labour was pursued by the Democrats, beginning with the Carter administration (1976-1981), and carrying on during the Clinton years in particular (1993-2001).⁹

The crisis of Fordism in the United States during the 1970s was of course the historical, economic, social and political process that Michel Aglietta examined, leading to the founding text of Regulation Theory: *Régulation et crises du capitalism* (1976).¹⁰ Drawing on Marx, the analysis recalls the conflictual nature of capitalism, and views the US’s post-war boom being based on the Fordist compromise between labour and capital that emerged following the New Deal. This compromise was enshrined in institutions that structured the wage-nexus (*rapport salarial*), giving it stability and hence underpinning the historically-extraordinary growth of the period. Fordism was thus able to achieve long production runs to make standardised consumer goods and generate large economies of scale, while workers received high wages (and benefits), allowing them to be mass consumers of industrial output. Government too intervened in a Keynesian way to ensure demand and provide welfare goods and services (including social housing), which stabilised the Fordist economy. However, the

³ Robert J. Shiller has stressed the importance of how narratives emerge and shape policy: see [Narrative Economics](#), Cowles Foundation Discussion Paper No. 2069, Cowles Foundation for Research in Economics, Yale University, January 2017. See also, the recording of the *Econtalk* between Russ Roberts and Robert Shiller, [Robert Shiller on Narrative Economics](#), Econlib, Hoover Institution, 3 February 2020.

⁴ New York Times Editorial Board, [“Let’s Talk about Higher Wages”](#), *The New York Times*, 28 November 2020.

⁵ New York Times Editorial Board, [“The Jobs We Need”](#), *The New York Times*, 24 June 2020.

⁶ Milton Friedman, [“The Social Responsibility of Business is to Increase Profits”](#), *New York Times’ Magazine*, 13 September 1970.

⁷ *The Economist*, [“Jack Welch transformed American capitalism as boss of GE: In good ways and bad”](#), 7 March 2020.

⁸ There is a galaxy of think tanks that have emerged since the 1970s in particular, in support of free market economics, and libertarianism more lately, including in the US: Cato Institute, Ludwig von Mises Institute, Electronic Privacy Information Center, Hoover Institution (created 1919), Heartland Institute, Acton Institute, Mercatus Center at George Mason University, Competitive Enterprise Institute, and Reason Foundation: see TBS Staff, [“The 50 Most Influential Think Tanks in the US”](#), *The Best Schools*, August 19, 2022.

⁹ Interestingly, the editorial does not mention Ronald Reagan’s sacking of air-traffic controllers in 1981 for breach of contract as federal employees, after they went on strike. Reagan’s action is widely seen as a landmark event that greatly encouraged the weakening of unions during the 1980s.

¹⁰ Michel Aglietta, *Régulation et crises du capitalisme*, Odile Jacob, Paris, 1997 (1ère édition Calmann-Lévy, Paris, 1976).

institutional structures that had “regulated” Fordism began to break down in the late 1960s with the rise of inflation, and the greater ability by labour to push for higher wages, and the growing exposure of the US economy to international pressures, to say nothing of the stagflation in the 1970s, and the emergence of international finance.

Box 1: Covid-19 pandemic timeline of some key events in the first semester of 2020

1 January, Chinese officials close seafood market in Wuhan, believed to be source of first cases.
7 January, US Center for Disease Control and Prevent sets up Coronavirus Incidence Management System.
11 January, first worldwide death of coronavirus reported in Wuhan, China.
20 January, first Covid-19 case reported in Washington State, USA.
23 January, China puts Wuhan into lockdown.
30 January, World Health Organisation (WHO) declares a Global Public Health Emergency. First two cases in the UK are confirmed (two Chinese nationals staying in York).
31 January, President (Trump) of the United States (POTUS) proclaims travel restrictions on Chinese nationals entering the US.

6 February, first death in the US.
21 February, Covid-19 cases spike in Italy, signalling an outbreak.

8 March, Italy declares a country-wide lockdown.
11 March, the WHO declares Covid-19 a pandemic. The US announces travel restrictions from Europe. Rishi Sunak, then Britain’s finance minister (Chancellor of the Exchequer) announces an annual budget including a fiscal stimulus of £30 billion to counter the “temporary disruption” to the economy of Covid-19.
13 March, POTUS declares Covid-19 outbreak to be a national emergency.
15 March, States in the US begin to implement shutdowns (of schools and public places).
16 March, POTUS announces “15 Days to Slow the Spread” of Covid-19, as a nationwide effort.
17 March, Chancellor Sunak announces £330 billion will be made available in loans to firms. (France enters lockdown.)
18 March, POTUS signs Family First Act, providing \$3.5 billion of emergency supplemental appropriations related to Covid-19, modifications of Federal nutritional programs, employment-related protections and benefits, etc.
20 March, Chancellor Sunak announces the government will pay 80% of wages for employees not working, up to £2,500 per month. Prime Minister Boris Johnson orders all cafes, pubs and restaurants to close.
26 March, lockdowns come into effect in England.
27 March, POTUS signs the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act.

16 April, POTUS releases plan outlining how states or metropolitan areas should reopen.
24 April, Georgia, Alaska and Oklahoma begin to partially reopen.

(11 May, phase 1 of France’s end to lockdown: phases 2 and 3 occur 2 and 22 June respectively.)
15 May, POTUS officially announces Operation Warp Speed to support the rapid development, production and distribution of vaccines.

15 June, England allows general re-opening of retail shops and public-facing businesses, though restaurants, pubs, cinemas, etc. are excluded.

Sources: various, mainly Wikipedia pages of national timelines, plus the [US Dept of Defense](#). and the [Centers for Disease Control and Prevention Museum Covid-19 Timeline](#).

This contribution seeks to review in what way Covid-19 and the subsequent Great Resignation of people changing jobs or leaving the labour market has affected the wage-nexus in the United States and in the United Kingdom, two economies and societies which spearheaded the neoliberal attack on post-war compromises. The pandemic did indeed create the worst economic set back since the Great Depression of the 1930s.¹¹ At the time, much thanks was extended publicly to “frontline workers”, not just the nurses and doctors in hospitals, but also the cashiers and self-stackers in supermarkets, the

¹¹ See for example the blog by Gita Gopinath, IMF chief economist, “[The Great Lockdown: Worst Economic Downturn Since the Great Depression](#)”, *IMFBlogs*, 14th April 2020.

waste collectors and workers in other essential services who kept societies operating – while many white-collar workers and managers retreated into their homes to work online. There was much loose talk about the world “after Covid” needing to be different, with even Klaus Schwab of the World Economic Forum declaring that “[t]he pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world”.¹² As we shall see below, governments across the (developed) world did step in massively to help households during the pandemic, as economies were profoundly disrupted, and working practices in many sectors have changed in parallel with the Great Resignation. So, the question here is to what extent has the pandemic changed the wage-nexus in these two countries?

Section 1 of this paper begins by reviewing succinctly the labour market support mechanisms used by the US and UK authorities during the pandemic, which varied quite significantly. The next section provides basic employment data during and Covid-19 lockdowns. Section 3 then looks at how the Great Resignation unfolded in both countries. Section 4 sets out information about the evolution of wage growth, notably with respect to the rise in inflation that has taken place since spring 2021 and in view of the *Great Demographic Reversal* (flagged by Charles Goodhart and Manoj Pradhan in 2020). Section 5 examines the (limited) return to union militancy in both countries, while Section 6 provides a discussion and conclusion about how far, if at all, there really has been a shift in power back to labour.

1. Massive Fiscal Support For Economies and Households

Writing in early 2023, it already seems hard to remember how quickly the Covid-19 pandemic broke out, how strongly governments reacted in terms of imposing lockdowns, how peacefully these were largely accepted, how massively governments intervened and how quickly economies picked up by the end of 2020. Box 1 gives a few key dates just to recall how unexpectedly the virus swept the globe.

The rapid transformation of societies worldwide was in fact remarkable, as governments took draconian measures restricting personal liberties. These were generally accepted in Europe, though they turned out to be more controversial in the United States, where the response to Covid-19 became politicised in the run-up to the 2020 elections, notably by the Trump administration and other Republicans. Ironically, the administration was remarkably effective at the same time in putting together a highly successful federal programme to support the creation and rollout of vaccines (Operation Warp Speed). But, President Trump’s personal posturing on everything from wearing masks to social distancing (to say nothing of his hare-brained suggestions about swallowing bleach) meant that the response to the pandemic by US public authorities – federal, state and local – was shambolically coordinated. And after the Republicans lost the elections in November 2020, the whole vaccination process became even more-intensely polarised.¹³

The responses to tackling the labour impact of Covid-19 was also markedly different between the United States and the major European countries, with the United Kingdom joining Germany, France, Spain and Italy in adopting substantial job retention schemes. These were inspired by Germany’s long-running tradition of providing government support for wages when employees go on to part-time work during economic downturns (so-called *Kurzarbeit*). This German practice was widely seen to have been successful in cushioning German workers at the time of the global financial crisis (GFC) and Great

¹² World Economic Forum, [The Great Reset](#), June 2020.

¹³ Nicholas Sowels, [“Operation Warp Speed as a ‘Moonshot’: Some Public Policy Lessons”](#), *Angles*, No 12, 2021.

Recession (2007-2009) in particular, and had been much studied in Europe.¹⁴ When Covid struck, governments from other European countries adopted similar measures.

Accordingly, the British government announced its Coronavirus Job Retention Scheme (CJRT, also known as the “furlough” scheme) on 20 March 2020, through which it would pay 80% of employee wages, up to a limit of £2,500 per month. This ceiling was subsequently reduced in July 2021 to 70% (with employers having to make up the 10% difference). Given that the UK experienced a second lockdown during the winter of 2020/21, the scheme was extended until 30 September 2021. It is estimated to have covered 11.9 million jobs altogether, with a peak of 8.9 million people being on furlough in May 2020. The cost of the CJRT scheme to the government (and hence to the taxpayer) was £70 billion, with the average cost of protecting a job estimated at £5,983. Some sectors were especially badly hit, with the wholesale and retail sectors having the most furloughed jobs in March and April 2020, peaking at 1.85 million. However, these numbers fell quickly as shops re-opened.¹⁵ When the scheme finally ended at the end of September 2021, the CJRS was still supporting 410,000 employers who had a total of 1.16 million jobs on furlough.¹⁶

Table 1: Cost of European furlough schemes during the pandemic, and US regular unemployment insurance for federal benefits in the 17 months to July 2021

	Spending billions	% share of GDP
France	€35.5	1.6%
Germany	€40.2	1.2%
Italy	€24.2	1.5%
Spain	€18.8	1.7%
United Kingdom	€77.4	3.2%
United States	\$790/€692*	3.7%

* The average exchange rate in 2020 was €1 = \$1.142 (according to [Exchange Rates UK](#)).

Source: Carolynn Look, Reade Pickert and Demetrios Pogkas, “[Europe’s Giant Jobs-Saving Experiment Pays Off in Pandemic](#)”, *Bloomberg*, 28 September 2021

By contrast, the US labour market response occurred mainly through temporary layoffs. Although legislation does actually exist in the US for job retention schemes (especially at state level) and was supported by the Trump administration, these were practically not applied for a number of reasons, including: “administrative bottlenecks, lack of employer awareness, weak financial incentives for employers (employers are liable for their part of social-security contributions for hours not worked) and limits to the maximum reduction in working hours”.¹⁷ As a result, payrolls dropped by 22 million in the US, in March and April, with unemployment rising to nearly 15% in April 2020. However, many

¹⁴ See Philippe Askenazy et al., “[HRM Strategies in Response to the First Covid Lockdown: a Typology of French Workplaces](#)”, *Document de travail*, Centre d’études de l’emploi et du travail, Cnam, January 2023; and Carolynn Look, Reade Pickert and Demetrios Pogkas, “[Europe’s Giant Jobs-Saving Experiment Pays Off in Pandemic](#)”, *Bloomberg*, 28 September 2021.

¹⁵ Harriet Clark, “[Examining the end of the furlough scheme](#)”, *Insight*, House of Commons Library, 15 November 2021.

¹⁶ HM Revenue & Customs, *Official Statistics, Coronavirus Job Retention Scheme statistics*, 16 December 2021.

¹⁷ OECD, [Job retention schemes during the COVID-19 lockdown and beyond](#), 12 October 2020.

of these layoffs were temporary, with “relationships between firms and workers remain[ing] intact, allowing individuals to return to work quickly when labour demand improve[d]”.¹⁸ This turned out to be the case, as the unemployment spike receded quickly. In practical terms, the differences in approach between European policies and the US policy response were therefore likely not as dramatic as suggested by the headline jump in unemployment in the US (see Table 2 below).

However, the US decision to tackle the lack of work during lockdowns by more conventional policies (i.e. providing unemployment support and making one-off payments to households) rather than orchestrating a nationwide furlough scheme does not seem to have been less costly than the European responses. Figures compiled by Carolyn Look et al. for *Bloomberg* in fact suggest that the major European countries spent considerably less (relative to GDP) than the two English-speaking economies: see Table 1. Care should be taken in making straight comparisons here, as perhaps other policies of Europe’s relatively larger welfare states (notably in France and Germany) may have provided household income support during the pandemic. Nevertheless, the spending figures relative to GDP seem surprising as the European countries only spent about half as much on furloughs as the US did for unemployment support, and as the UK spent on its furlough scheme.

Aside from unemployment benefits paid in the US, it must also be noted that the CARES (Coronavirus Aid, Relief, and Economic Security) Act provided – amongst many other policies – quite significant direct payments to US households: couples earning up to \$150,000 received a tax-free payment of \$2,400, plus an additional \$500 for every child; individuals earning up to \$75,000 received \$1,200, plus \$500 for each child.¹⁹ Altogether, the total fiscal support for the economy from the CARES Act (signed off on 27 March 2020) amounted to more the \$2 trillion.²⁰ This was supplemented in December 2020, when the newly-elected Congress and the outgoing Trump administration passed a further, extra stimulus of \$900 billion, which was integrated with the Federal government’s omnibus finance bill of \$1,4 trillion, running through to the end of the financial year on 30 September 2021. This Consolidated Appropriations Act (CAA) of 2021 provided additional support for households, including direct payments of \$600 to individuals earning less than \$75,000, and an additional \$300 per week in unemployment benefits, as well as a wide range of fiscal stimulus measures to numerous sectors of the economy (Probasco et al.).²¹

When the Biden administration entered office in January 2021, it too launched a major fiscal stimulus. The American Rescue Plan of March 2021 injected a further \$1.9 trillion into the economy. This too included: direct payments to households, in the form of a \$1,400 check; an extension of unemployment benefits through to September, along with a \$300 supplement; emergency aid to cover back rent and support “struggling homeowners catch up with their mortgage payments”; and a host of other tax credits, child assistance, etc. The Plan also set out to distribute \$360 billion in emergency funding for state and local government, and to support public transit agencies to avoid layoffs.²²

¹⁸ Erin Wolcott et al., “[Temporary Layoffs and Unemployment in the Pandemic](#)”, *FRBSF Economic Letter*, 2020-34, 16 November 2020.

¹⁹ White House Fact Sheets, “[President Donald J. Trump Is Providing Economic Relief to American Workers, Families, and Businesses Impacted by the Coronavirus](#)”, Healthcare, issued on March 27, 2020.

²⁰ Office of Inspector General, US Treasury, [CARES Act](#), updated 1 January 2021.

²¹ Probasco, Jim et al., “[The Consolidated Appropriations Act of 2021: What’s in It, What’s Not](#),” *Investopedia*, December 11, 2021.

²² White House, [American Rescue Plan Fact Sheet](#) (Overview), (March) 2021.

These are dizzying figures. Taken together, the three stimulus packages totalled around \$5 trillion, and US GDP in the fourth quarter of 2020 reached \$21,5 trillion.²³ A rough calculation thus puts the total fiscal support at 23% or nearly a quarter of GDP. This is a truly colossal sum, which surely reflects the fact that 2020 was an election year with President Trump seeking re-election, while the incoming President Biden was subsequently called on to “go big” with its own budget, in an effort to avoid repeating the fiscal retrenchment which had followed the global financial crisis and Great Recession (in 2007-2009).²⁴ This persistent fiscal stimulus, and especially the Biden package undoubtedly did much to bring down unemployment, as we will see in the next section. Yet it also played its part in contributing to the strong surge in inflation in spring 2021, as some had warned it would (most notably Lawrence Summers).

Figures of the United Kingdom were far more modest, but still impressive. Estimates vary as to how much Covid-19 has cost the Exchequer, partly due to differences in accounting by various bodies. A summary report published by the House of Commons Library stated that by March 2022, spending related to the Covid pandemic had been between £310 and £410 billion, according to various calculations.²⁵ On the basis of a GDP in 2021 of £2.2 trillion, these amounts represent between 14% and 19% of GDP, to give some rough comparison with the United States. As in the US, such spending covers all extra expenditures on public services, as well as support for businesses and individuals.

2. The Evolution of US and UK Unemployment and Employment during the Pandemic

The different policies used to support workers (furlough in the UK and beefed-up unemployment benefits as well as direct grants to households in the US) are reflected quite dramatically in the overall unemployment figures given in Table 2. The table highlights the very sharp rise in unemployment in the US, which reached a peak value of nearly 15% (as we have already noted above), whereas elsewhere, the peak values in unemployment were only marginally above levels experienced in December 2019, just before the outbreak of the pandemic: in fact, in France, Germany, Italy and Spain, only the latter saw the unemployment rate rise by more than 1%.

What is even more astounding is that in all these major industrialised countries, unemployment rates in January 2023 were lower than before the pandemic (see Table 2). This in many ways is quite spectacular. To be sure, the full effects of Covid-19 are not yet known: we do not know what the effect of the virus will be in the years ahead; we do not yet know how the rise in inflation since spring 2021 will affect the global economy and in particular what its interactions may yet be with higher interest rates and hence the value of assets, etc.; we do not yet know what the consequences of the massive debt build-ups during Covid (public sectors and companies) will be over the long to medium term. But all that said, given the depth of the economic collapse worldwide following the imposition of lockdowns across the planet, this return to low (sometimes very low) levels of unemployment is truly quite remarkable. *It was certainly not expected in spring 2020.* At the time, let us recall, whole sectors of the economy were shuttering and millions of persons were obliged to stay at home: the global economy was experiencing its worst slump since the Great Depression. Moreover, in the first weeks of the pandemic, it was widely believed that it could take at least 18 months (if not years) to create a

²³ Bureau of Economic Analysis, [Gross Domestic Product, 4th Quarter and Year 2020 \(Advanced Estimate\)](#), News Release, BEA 21-02, January 28, 2021.

²⁴ Emily Stewart and Ella Nilsen, [“How Biden learned to go big,”](#) Vox, February 16, 2021.

²⁵ Philip Brien and Matthew Keep, [Public spending during the Covid-19 pandemic](#), Research Briefing, No 09309, House of Commons Library, 29 March 2022.

vaccine against the coronavirus.²⁶ When these factors are taken into account, the rebound in employment seems truly remarkable in retrospect.

Table 2: Unemployment rates in selected countries

	Pre-Crisis (December 2019)	Peak	Jan 2023
France	8.2	8.9	7.1
Germany	3.1	3.9	3.0
Italy	9.7	10.2	7.9
Spain	13.9	16.4	13.0
United Kingdom	3.9	5.2	3.7*
United States	3.6	14.7	3.4

* November 2022.

Source: OECD, *Employment Outlook*, 2022, Sept. 9, 2022.

Situating the impact of the pandemic within the longer-term trends of these same countries reveals some interesting factors that are useful in thinking about the Great Resignation below. The figures given in Tables 3, 4 and 5 only indicate the impact of the Covid-19 pandemic incompletely, as the latest data are for 2020 and 2021. Nevertheless, they provide a useful view of longer-term employment trends, dating back to 2000, thus providing background information on the Great Resignation.

Perhaps the most unusual trend – widely commented – is the fall in the total employment rate in the United States. Of these six countries, the US is the only society to have witnessed a fall in its employment rate, which moreover was already taking place before the global financial crisis and Great Recession (2007-2009), as the employment rate for the total population (women and men of all age groups, i.e. from 15 to 64 years old) fell from 74.1% in 2000 to 71.8% in 2007. This shrinkage continued into the 2010s, although there was a slight pick-up in 2021, with the rate rising to 69.4%. The reduction in employment rates in the US was especially pronounced for younger workers (down from 59.7% in 2000 to 50.1% in 2021), although the rate for prime-age workers (25-54 years old) also fell from 81.5% in 2000 to 77.6% in 2021.

By contrast, employment rates have increased everywhere. This was especially the case of older workers, though among these workers, the employment rate rose even in the US (from 57.8% 61.9%). Elsewhere, the rise in employment rates in this age group has been generally quite strong, with the exception of the UK which already had quite a high employment rate for older workers in 2000 (50.8% rising to 64.5% in 2021). France, Germany, Italy and Spain all experienced especially strong rises in the employment rates of the over 64s: in Germany, the rate almost doubled during the period, up from 37.6% in 2000 to 71.8% by 2021.

Turning to the employment rate figures by gender, a similar overall pattern emerges. Women’s employment went up from 2000 onwards everywhere – except in the United States, where the women’s employment rate for all ages fell from 67.8% in 2000 to 62.2% in 2020, before rising to 64.6% in 2021 (Table 4). Big increases are to be found in the European countries, most notably in Spain and

²⁶ Sanger, David E, “[Trump Seeks Push to Speed Vaccine, Despite Safety Concerns](#),” *The New York Times*, 29 April 2020.

Italy. In the UK too, there was a clear increase over the whole period, with women’s employment rate rising from 65.7% in 2000 to 71.5% in 2021, just marginally lower than the rate in 2020 (71.7%). Again – remarkably perhaps – the women’s employment rate in the US fell both for younger workers (15-24 years old), and for prime-age workers (24-54 years old), in the years 2000 to 2021. Interestingly in the UK, the employment rate of younger women (15-24 years old) fell over the period 2000 to 2021, from 59.1% to 51.8%, but rose both for prime-age workers and older workers. Overall, perhaps the most important factor to observe in Table 4 is that the employment rate of women over 55 picked up strongly everywhere. The reasons for this are surely multiple and outside the scope of the research here, but they do indicate quite substantial social change.

Table 3: Employment/population ratios by selected age groups (% of each age group)

	Total (15-64)				Youth (15-24)				Prime age (25-54)				Older pop. (55-64)			
	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021
Fr	62.7	63.8	65.3	67.2	30.4	30.6	28.5	32.2	79.6	81.4	80.8	82.1	29.9	38.2	53.8	55.9
Ger	65.6	69.0	75.4	75.8	47.2	45.9	48.1	48.7	79.3	80.3	84.0	84.5	37.6	51.3	71.6	71.8
Italy	53.9	58.6	58.1	58.2	27.8	24.5	16.8	17.5	68.0	73.4	69.6	70.2	27.7	33.7	54.2	53.4
Spain	57.4	66.8	61.9	63.8	36.3	43.0	20.7	23.0	68.4	77.1	73.1	75.4	37.0	44.5	54.7	55.8
UK	72.3	72.4	75.1	74.7	61.4	57.3	52.3	51.3	80.3	81.0	84.2	84.1	50.8	57.4	65.4	64.5
US	74.1	71.8	67.1	69.4	59.7	53.1	45.9	50.1	81.5	79.9	75.6	77.6	57.8	61.8	60.3	61.9

Source: *ibid.*

Table 4: Employment/population ratios by selected age groups of women (% of each age group)

	Women (15-64)				Youth (15-24)				Prime age (25-54)				Older population (55-64)			
	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021
Fr	56.2	59.1	62.2	64.5	26.9	27.5	26.5	30.6	71.4	75.3	76.7	78.3	26.0	36.0	51.8	54.3
Ger	58.1	63.2	71.8	72.2	44.6	43.5	46.5	46.1	71.2	74.0	79.9	80.7	29.0	43.4	67.8	67.8
Italy	39.6	46.6	49.0	49.4	22.1	19.5	12.8	13.5	50.9	59.6	59.1	60.1	15.3	23.0	44.6	44.0
Spain	42.0	56.0	56.6	58.9	29.0	37.2	18.5	21.5	51.0	66.3	67.4	70.1	20.1	30.2	48.0	49.3
UK	65.7	66.4	71.7	71.5	59.1	55.8	53.0	51.8	73.2	74.4	79.9	80.1	41.8	48.8	61.1	60.2
US	67.8	65.9	62.2	64.6	57.4	51.8	45.3	49.7	74.2	72.5	69.6	71.7	50.6	56.6	54.8	56.7

Source: *ibid.*

Table 5: Employment/population ratios by selected age groups of men (% of each age group)

	Men (15-64)				Youth (15-24)				Prime age (25-54)				Older population (55-64)			
	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021	2000	2007	2020	2021
Fr	69.5	68.7	68.5	70.1	33.9	33.7	30.4	33.8	88.0	87.7	85.0	86.0	34.1	40.6	56.0	57.7
Ger	72.9	74.7	78.9	79.3	49.7	48.2	49.6	51.1	87.2	86.4	88.0	88.2	46.4	59.4	75.5	75.9
Italy	68.2	70.6	67.2	67.1	33.2	29.4	20.5	21.3	84.9	87.4	80.1	80.2	40.9	45.0	64.5	63.4
Spain	72.7	77.3	67.3	68.7	43.2	48.6	22.7	24.4	85.6	87.5	78.8	80.7	55.2	59.6	61.6	62.5
UK	79.0	78.6	78.5	78.0	63.6	58.8	51.5	50.8	87.5	87.8	88.5	88.2	60.0	66.4	69.9	69.0
US	80.6	77.8	72.1	74.3	61.9	54.4	46.4	50.6	89.0	87.5	81.8	83.6	65.7	67.4	66.2	67.4

Source: *ibid.*

Finally looking at men's employment rates, the US stands out for the sharp declines in all categories, except for older workers, where the rate rose slightly from 65.7% in 2000 to 67.4% in 2021. The US is not entirely alone in this reduction of employment among prime-age men: Table 5 also indicates quite a strong retrenchment in Italy (down from 84.9% in 2000 to 80.2% in 2021) and in Spain (85.6% to 80.7%). But the US situation stands out, and has indeed been quite well documented for some time, because it is part of a longer trend stretching back to the 1960s. The causes for this seem to be varied and are hard to pin down. Nevertheless, they appear to include the decline in manufacturing jobs, the emergence of no-work lifestyles, and the US's very high incarceration rate which has created many "felons" who are then hard to reintegrate into the labour market.²⁷ Some research even suggests that immersive video-gaming may not be the *result* of disengagement from the workforce, but its *cause*.²⁸ This social trend in the US surely has major social and political consequences, which are beyond the scope of this paper. That said, the employment rates of both younger and prime-age American men picked up between 2020 and 2021.

3. Workforce Participation and the "Great Resignation" coming out of the pandemic

Despite the turmoil in job markets across the world in 2020, 2021 saw a new, unexpected labour market phenomenon emerge in these two English-speaking countries (and elsewhere): a significant wave of employees switching jobs or even withdrawing from the labour market. This quickly became known as the "Great Resignation", a term coined by Anthony Klotz (an associate professor of management at Texas A&M University) in the spring of 2021.²⁹

The causes of this reluctance to go back to work as before appear to be very varied. Partly, the initial surge job resignations in 2021 was due to catch-up phenomena. During the pandemic's early phases and the lockdowns of 2020, employees tended to "stay put" in their existing jobs. As a result, typical job switches were "pent-up" in the early phases of the pandemic. However, according to Klotz, numerous other factors were at work too, "pandemic related-epiphanies – about family time, remote work, commuting, passion projects, life and death, and what it all means – that can make people turn their back on the 9-to-5 office grind" (ibid).

Writing a year later in June 2022, Klotz noted that during the previous twelve months, monthly quits in the US had exceeded 4 million (i.e. 2.8% of the overall workforce) in 11 months out of 12, indicating that the Great Resignation was indeed continuing. At the same time, he was able to flesh out his explanations for the persistence of such high quit rates, and provide a number of caveats. Accordingly, he noted that "burnout [was] playing a big role, leading some to take career breaks or find jobs that better support[ed] their personal and professional well-being". He noted that "stressors" causing such burnouts stem not only from the workplace, but also from the "deleterious effects that threats occurring in the broader society – hate crimes, school shootings, foreign invasions – can have on employees' mental health while at work".³⁰

Klotz then also returned to the point of workers reassessing their lives and "whether their jobs are helping or hindering their pursuit of happiness and meaning". He noted that "many workers have

²⁷ Nicholas Eberstadt, "[America's Unseen Social Crisis: Men Without Work](#)", *Time* (online 22 September 2016; and 3 October 2016 in the print edition).

²⁸ Eli Lehrer and Catherine Moyer, "[Putting Men Back to Work](#)", *National Affairs*, Number 33, Fall 2017, p16-31.

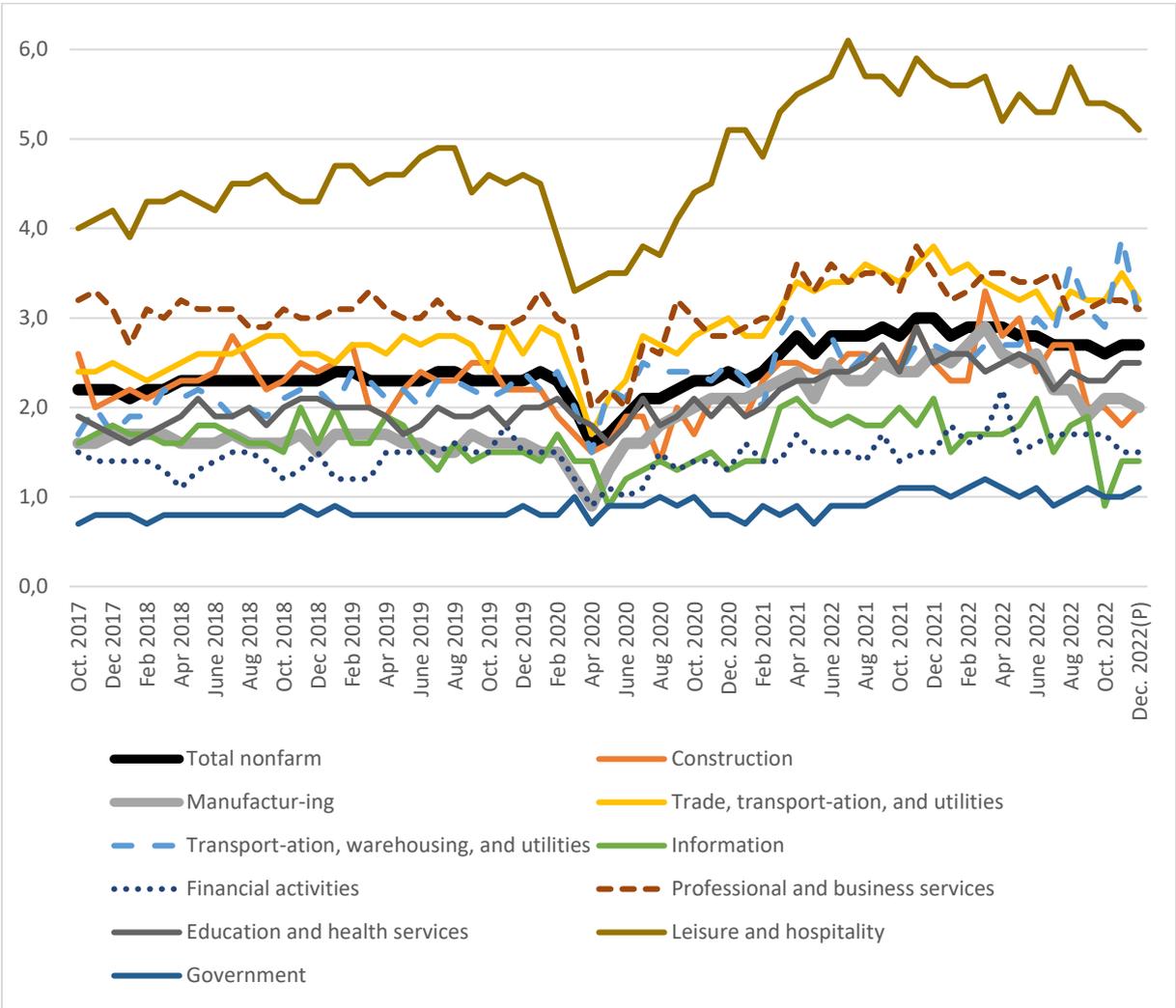
²⁹ Arianne Cohen, "[How to Quit Your Job in the Great Post-Pandemic Resignation Boom](#)", *Bloomberg*, 10 May 2021.

³⁰ Anthony Klotz, "[The Great Resignation Is Still Here, but Whether It Stays Is Up to Leaders](#)", *The OECD Forum Network*, 3 June 2022.

experienced an awakening, realizing that they were misinvesting the hours at their current jobs, and [so have] sought fulfilment elsewhere”. Significantly, he notes that “it is difficult to overstate the impact that the largescale switch to remote work had on how office workers experience their jobs. Humans have a fundamental need for autonomy, and thanks to working remotely, many workers had that need satisfied on-the-job for the first time in their careers”. Moreover, “turnover is contagious”, as co-workers leaving a job may make a workplace less enjoyable, increasing pressure on employees remaining, and weakening company loyalty.

That said, Klutz also argued that companies may be able to attenuate resignations by accompanying shifting workplace demands by workers, and by “invest[ing] in employees and experiment[ing] with new, more sustainable ways of working”. Such management flexibility can moreover be enhanced by companies “leaving the door open to former employees returning at some point in the future”, as Klutz noted that “a not insignificant percentage of leavers regret doing so”.

Graph 1: Job quits rate, selected industries, October 2017-December 2022

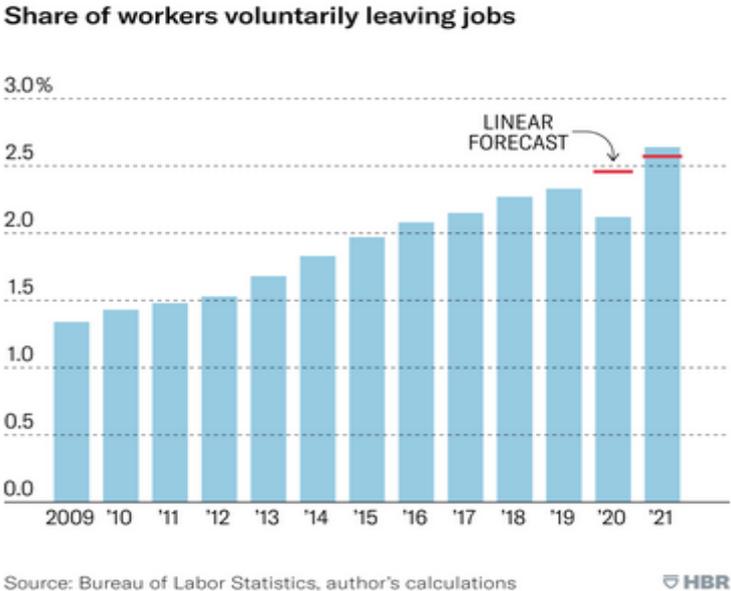


(P) provisional.

Source: US Bureau of Labor Statistics, data Job Openings and Labor Turnover Summary (JOLTS) various, with latest data for “[Table 4. Quits levels and rates by industry and region, seasonally adjusted](#)”, February 1, 2023; author’s presentation.

The figures in Graph 1 shed light on quit rates by main activity sectors in the US, using data through to December 2022. The overall quit rate was still 2.7% at the end of 2022, although there were strong variations across sectors. Perhaps not surprisingly given the generally poor pay in these jobs, by far the highest quit rates – before and after Covid – are to be found in the “leisure and hospitality” sector, where the quit rate peaked at 6.1% in July 2022, before falling to 5.1% by the end of the year. By contrast, the lowest and most stable quit rates were in government, where the preliminary rate edged up to 1.1% at the end of 2022. “Financial activities” have also demonstrated generally quite low and stable quit rates before and after the pandemic. This is also true for “information” activities, where quit rates remained below 2.0% most of the time. By contrast, the construction and manufacturing sectors both experienced a rise in quit rates after spring 2020, through until early 2022, at which point quit rates in both sectors began to fall.

**Graph 2: Increasing quit rates over time:
average monthly quit data**



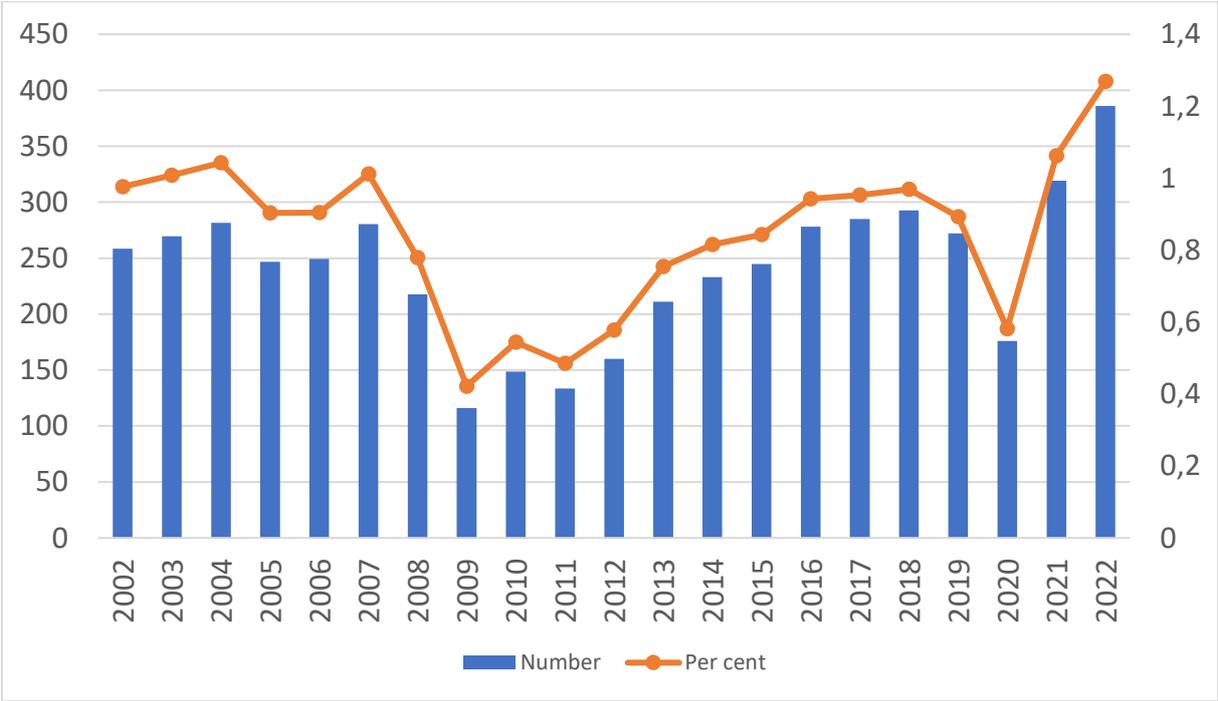
Source: Joseph Fuller and William Kerr, “[The Great Resignation Didn’t Start with the Pandemic](#)”, *Harvard Business Review*, March 23, 2022.

Having said all that, Joseph Fuller and William Kerr writing in the *Harvard Business Review* have pointed out that the Great Resignation actually follows a fairly stable, longer-term trend of increasing quits. Graph 2, taken from their article, indicates a pretty consistent, linear rise since 2009 of 0.10 percentage points each year – though with a clear dip during 2020. This pause, however, was “short-lived... as stimulus checks were sent out and some of the [Covid-related] uncertainty abated”. According to Fuller and Kerr, there are five factors – the “Five Rs” responsible for this secular movement, which are quite compatible with the considerations identified by Klutz. These include: i) *retirement*, as older workers quit jobs in greater numbers during the pandemic to spend time with family and follow other pursuits, although health concerns due to Covid also played a role; ii) *geographic relocation* was not as important as has sometimes been argued, with people tending mainly to move locally, rather than to other regions in the US; iii) *reconsideration* of work, as workers have seen friends and colleagues die

or be seriously ill, while burnout “has occurred notably among frontline workers, parents and caregivers and organisation leaders”, and has also affected white-collar industries, such as consulting and finance, where junior personnel “work[ed] extremely hard without benefitting from training, mentorship, and client interaction that previously made jobs rewarding”; iv) *reshuffling* in low-wage industries like “accommodation and food services and leisure and hospitality”, where quit rates have been highest, as well as in the retail trade and non-durable manufacturing where quit rates have grown most, as workers seek better pay and conditions; and v) *reluctance* as workers – in 2021 at least – were concerned about returning to work full-time due to fears of catching Covid.³¹

Turning to the United Kingdom, the situation may be more nuanced. Writing in early 2022, Jonathan Wadsworth of *Economics Observatory* noted that quit rates in the autumn of 2021 were rising, but that this was usually the case: in fact, they were even somewhat below the year-end quit rates found before the pandemic.³² And Graph 3, which shows *annual average* figures and percentages for *monthly* quit rates, does indeed confirm that job-to-job resignations in 2021 were not especially out of line with recent trends – either the increasing trend since the GFC, or the flatter trend since 2002. However, this story seems to change if 2022 is taken into account, a year when *average* monthly resignations rose to 386,000, or to nearly 1.3 percent of the workforce. It should be noted that UK quit rates are significantly lower – less than half – than US rates.

Graph 3: Year averages for *monthly* job-to-job resignations in the UK: left-hand axis thousands, right-hand axis per cent of workforce



Source: Office of National Statistics, “[XO2: Labour Force Survey Flows estimates](#)”, dataset released 14 February 2023; author’s presentation of the data.

³¹ Joseph Fuller and William Kerr, “[The Great Resignation Didn’t Start with the Pandemic](#)”, *Harvard Business Review*, 23 March 2022.

³² Jonathan Wadsworth, “[Are we really witnessing a ‘great resignation’?](#)”, Data stories, *Economics Observatory*, 8 February 2022.

Not surprisingly, analyses made later in 2022 support the idea of a Great Resignation in the UK more clearly. Thus a survey of 2,000 UK respondents by the consulting and audit giant PWC, published in May 2022, found that almost one in five workers in the UK (18%) were “very or extremely likely to switch to a new employer within the next twelve months”, and “a further 32% [said] they are moderately or slightly likely to switch”. According to the survey, the main motivator for making a job change was pay (72%), but “wanting a fulfilling job” (68%) and “wanting to truly be themselves at work” (63%) also scored highly. The survey also indicated that there has been a big shift to hybrid work, with 66% of UK respondents declaring themselves to be working “full time or mostly remotely” (compared to 51% in the global survey of 52,195 persons across 44 countries). Hybrid work was also the “preferred future way to work with 62% of respondents opting for a mix of in-office and remote working”.³³

Significantly, the PWC survey also identified a number of workforce polarisations. Not surprisingly, it found that “job dissatisfaction was highest among non-managers, with satisfaction scores increasing with office seniority up to CEO. 51% of respondents in top positions of leadership responded as being very satisfied, compared to only 19% of UK respondents from non-management backgrounds”. Income and work preferences also appear to act as polarising factors in changing working practices, as persons in “a higher income group were more likely to say their jobs could be done remotely or from home (66%) than respondents from lower income groups (44%)”. Skills and age also came across as polarising factors in the survey. Persons feeling their skills are in-demand are more likely “to feel satisfied with their job (67% v 50%), feel listened to by their managers (62% v 35%) and have money left over after they pay their bills (58% v 47%)”. Finally, the survey points out that (in the UK), the younger generation is less likely to feel satisfied at work: only “51% of Gen Z responded as very or moderately satisfied compared to 61% of Baby Boomers”. Also, 31% of Gen Z and 36% Millennials [were] most likely to ask for a wage increase over the next 12 months, given the cost-of-living crisis, compared to 20% of Gen X and 14% of Baby Boomers. Generally, Millennials and members of Gen Z were “the generations most concerned about being overlooked for development opportunities”. By way of conclusion to the survey, Sarah Moore (People and organisation leader and head of purpose at PwC UK), noted that:

The mindset of the workforce has changed drastically over the last few years. Temporary solutions to business problems, such as hybrid working, have turned into employee preferences and expectations. Gone is the time when there was uniform agreement on what ‘work’ means and looks like. Our workplace survey shows employer and employee expectations of work life, reward and progression are no longer aligned and the job package on offer is being questioned by employees as they weigh options and what matters to them. Realignment on these matters between employers and employees will be critical to bring stability back into the economy (ibid).

The impression of workers reassessing work and their place in the job market – or at least workers being able to do so - is similarly borne out by an international study conducted by the consultancy McKinsey. Between 15 February and 2 April 2022, it surveyed 13,382 employees working in 16 industries, in several countries including the United States and the United Kingdom.³⁴ Overall, the study finds that “the share of workers planning to leave their jobs remains unchanged from 2021, at 40 percent”... within the next three to six months. But there were “nuances” in the larger trend. Three broad phenomena appear to be at work, in what McKinsey calls the “Great Attrition”, namely:

³³ PWC, “[Workforce survey : Almost 20% of UK workers expect to quit in the next 12 months](#)”, Press releases, 24 May 2022.

³⁴ The numbers surveyed were: Australia (n = 593), Canada (n = 1,935), India (n = 766), Singapore (n = 652), the United Kingdom (n = 3,142), and the United States (n = 6,294).

i) *reshuffling*, as 48% of job leavers go into other sectors, so that some industries are struggling to attract talent; ii) *reinventing*, as employees leave traditional jobs to take on non-traditional work (temporary, gig, or part-time) or start their own business (though 47% do return to the workforce, but only 29% go back to traditional full-time employment); and iii) *reassessing*, involving employees quitting the workforce entirely because of demands of life (like caring for children, elders or themselves). Interestingly, the desire to leave their current posts was expressed most strongly by the Indian respondents to the McKinsey survey, with 66% saying they might leave their jobs, compared to 40% in the US and 33% in the UK (others being 41% in Australia, 38% in Canada and 49% in Singapore).³⁵

When taking all such factors together, the US Chamber of Commerce has highlighted the fact that the US economy is short of labour. In February 2023, it noted that the US had 10 million job openings, but only 5.7 million unemployed workers. Moreover, the Chamber of Commerce noted that labour force participation between February 2020 and January 2023 had fallen from 63.3% to 62.2%, meaning that there were 2.8 million “missing workers”.³⁶ Indeed, data from FRED of the Saint Louis Fed show only a limited rise in total nonfarm employees in the US from 152.371 million in February 2020, and to 155.350 million in February 2023.³⁷

The situation in the UK (at the start of 2023) is somewhat similar. The employment rate of persons aged 16-64 stood at 76.6% in early 2020, the highest-ever recorded (since 1971). From November 2022 to January 2023, it was down to 75.7%. In total numbers, there were 33.02 million people “economically active” in early 2020, and only 32.7 million in the three months from November 2022 to January 2023.³⁸ The Centre for Cities think tank has even gone so far as to estimate that three million people are missing from the labour force, due especially to older workers leaving the jobs market and a strong rise in long-term poor health among adults.³⁹

Indeed, often missing in reviews of the Great Resignation is the role of ill health. There are staggering figures for the number of people who have had long Covid in both the United States and the United Kingdom. A Brookings report published in August 2022 summarises surveys by the US Bureau of Health and the Federal Reserve Bank of Minneapolis, which suggest that 16.3 million working age Americans had had long Covid by the summer of 2022, of which 12.2 million were active in the labour force before contracting the illness. The Brookings paper goes on to note that various by the Minneapolis Fed and *The Lancet* have estimated respectively that there are 1.8m and 4.1m less full-time equivalent workers in the US workforce because of long Covid.⁴⁰ For the UK, it has been estimated that the number of economically inactive people in November 2022-January 2023 was 412,000 above pre-pandemic levels in January-March 2020.⁴¹

4. The Post-Covid Surge in Inflation, Wages and (Un)Employment in the US and UK

³⁵ Aaron De Smet, Bonnie Dowling, Bryan Hancock, and Bill Schaninger, “[The Great Attrition is making hiring harder. Are you searching the right talent pools?](#)”, *McKinsey Quarterly*, July 2022.

³⁶ Stephanie Ferguson, “[Understanding America’s Labor Shortage](#)”, US Chamber of Commerce, 22 February 2023.

³⁷ FRED, [All Employees, Total Nonfarm](#), Saint Louis Fed.

³⁸ Office of National Statistics, [A01: Summary of labour market statistics](#), Table 1: Labour Force Survey Summary, 14 March 2023.

³⁹ See Richard Partington, “[Official UK jobless figures may be missing 3m people study finds](#)”, *The Guardian*, 31 January 2023, and Valentine Quinio and Olivia Vera, “[Solving the UK’s inactivity crisis](#)”, Centre for Cities, Blog post, 31 January 2023.

⁴⁰ Katie Bach, “[New data shows long Covid is keeping as many as 4 million people out of work](#)”, *Report*, Brookings, 24 August 2022.

⁴¹ Andy Powell and Brigid Francis-Devine, [UK labour market statistics](#), House of Commons Library Brief, No 9366, 14 March 2023.

The studies and data examined above suggest that there have been significant changes in labour market behaviour brought on by the Covid pandemic... at least through to the end of 2022. Quit rates in the US in particular, but also in the UK in 2022 are above pre-pandemic trends, although it is obviously still too early to tell how permanent these will be. Thanks to absolutely massive fiscal and monetary intervention by the authorities across the globe – especially in the US, but also the UK – the global economy picked up strongly after the lockdowns of 2020, reaching pre-pandemic levels of output towards the end of 2021 and into early 2022. However, the relatively unexpected surge of inflation which began during the second quarter of 2021, as well as the war in Ukraine that started on 24 February 2022, mean that the macroeconomic outlook remains uncertain. At the time of writing (early March 2023), the global energy outlook again looks more stable with lower prices compared to the spikes experienced during 2022. Yet, there are also considerable concerns about the persistence of inflation and what this might mean for interest rates and hence also for financial market stability should interest rates continue to rise.

Graph 4: Difference between the inflation rate and growth of wages in the United States from 2020 to 2023 (monthly inflation at annulised rates)



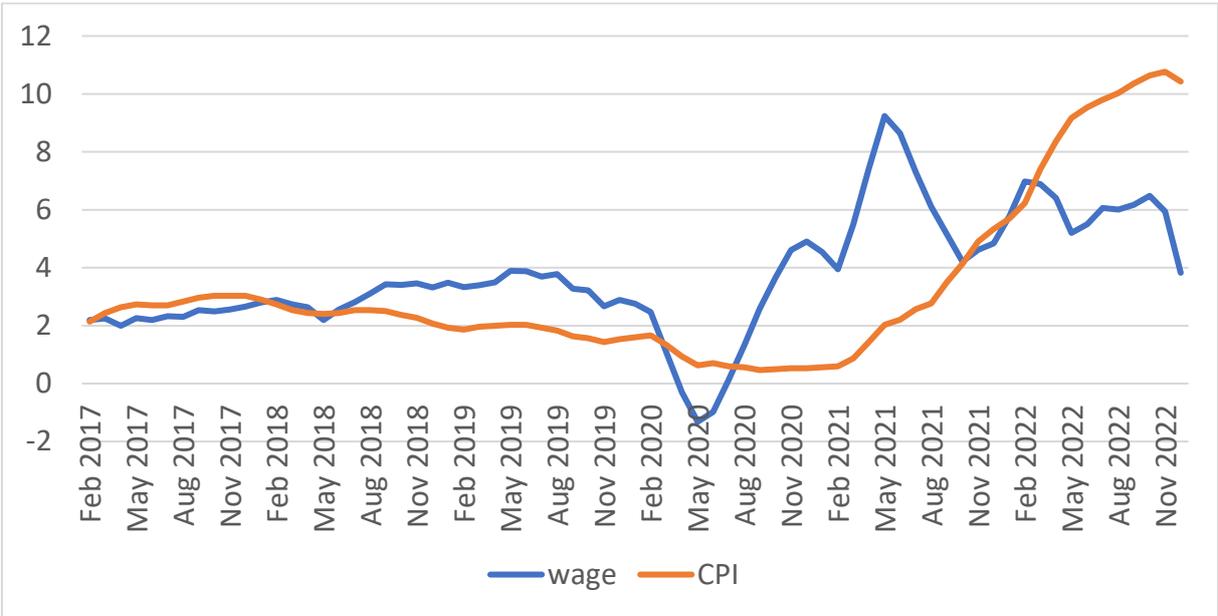
Source: [Statista](https://www.statista.com).

Indeed, the surge in consumer price inflation is not without connections to and consequences for labour markets. The preceding analysis of job market quits shows that the rise in quits is taking place for a variety of reasons. On the one hand, this is leading to labour market tightening in some sectors, and hence putting pressure on wages as companies compete to retain or attract staff. On the other hand, faster price inflation in the US, the UK (and elsewhere in the developed world) means that real wages fell in the US, following the surge in consumer price inflation as of spring 2021 (Graph 4), and more recently in the UK (after real wage growth from August 2020 to October 2021; see Graph5).

Other things being equal, falling real wages should help bring down unemployment as labour gets cheaper, although precise causality in the wage-job relationship is complex (and is an issue which is perennially sensitive). Yet this has been the story since the economic rebound in late 2020 and early

2021: despite the massive shock of the pandemic, both the United States and the United Kingdom had very low levels of unemployment by early 2023, as shown in Table 2 above. Indeed, in both countries, average unemployment in 2022 was lower than at any time since the start of the 21st century, including in the very low-unemployment year of 2019.

Graph 5: Difference between the inflation rate and growth of wages in the United Kingdom from 2017 to 2023 (monthly inflation at annualised rates)



Source: Author’s calculations based on Office of National Statistics data (three-month moving central average).

Again, other things being equal, the very low levels of unemployment going into 2023 should give workers more leverage in obtaining higher pay rises in the short to medium term, and could perhaps contribute to the continuation of higher quit rates, as workers seek better pay by changing jobs. Perhaps too, the longer-term picture is today more favourable to wage growth than it has been since the late 1970s. This would be the case if Charles Goodhart (one of Britain’s most seasoned monetary policy experts) and Manoj Pradhan’s hypothesis about the coming global labour shortage turns out to be true. In *The Great Demographic Reversal*, a book they published in 2000 (i.e. before the sharp, unexpected upturn of inflation), they argue that the era of low inflation is now coming to an end. This period, which stretches back to the mid-1980s, is often mainly associated with the shift away from Keynesianism and towards monetary policy as the primary component of macroeconomic policy, associated with market deregulation, trade liberalisation, and the weakening of labour. Significantly, however, Goodhart and Pradhan point out that this long period of low inflation was also a time when large quantities of labour were entering the global labour market: first, as women’s labour force participation rates were still rising at the beginning of the period in the developed world; then as South East Asian countries industrialised, and as the Eastern Europe transitioned to a market economy in the 1990s; and most notably as China shifted massively and quickly away from being rural society, as of the about 1980. Goodhart and Pradhan argue that these processes are now finished, especially as China is now experiencing demographic ageing. Given that they are sceptical about India and Africa

mobilising market labour in a similar way to China, the overall result is that the global labour market will henceforth tighten... helping to push up wages.⁴²

If this analysis turns out to be true, and given the reorganisation of work and labour markets in the US and UK coming out of the pandemic as we have seen above, then labour as a whole – workers viewed collectively – may well find themselves to be in a better market position than they have been, say, since the 1970s.

5. Signs of Renewed Union Strength but Little Broader Support for a New Compromise

The low unemployment levels in the US and the UK are being accompanied by some signs of renewed union strength, though at the time of writing, the broader political context in both countries scarcely suggests a significant shift in capital-labour relations, or in the wage-nexus.

On 1 April 2022, the independent Amazon Labor Union, initially formed by Chris Smalls who was sacked by Amazon for protesting against poor Covid measures by the giant distribution company, obtained recognition at the JFK8 Fulfilment Center on Staten Island, after a poll of the site's workers. On the same day, the Starbucks Workers United, affiliated to the Service Employees International Union, won another election at the chain's flagship store in New York City. These were both symbolic victories for local union branches' self-organisation.⁴³ Yet whether they constitute a turning point in the weakening of US labour unions, that dates back to Ronald Reagan's notorious sacking of air-traffic controllers in 1981, remains to be seen.

To be sure, US unions and labour in general currently have an ally in the White House. President Biden has been supportive of raising the US federal minimum wage to \$15, up from the current \$7.25 set in 2009, and which by the summer of 2022 had lost a quarter of its real value.⁴⁴ However, the Democrats were unable to get a wage increase through the Senate after the 2020 elections, given that they only had a majority thanks to the casting vote of Vice President Kamala Harris, and opposition from Republicans, as well as business groups like the US Chamber of Commerce and the National Restaurant Association, worried about the costs of higher wages for small businesses struggling to recover from the Covid pandemic.⁴⁵ With the Republicans retaking control of the House of Representatives in November 2022, the prospects for a rise in the federal minimum wage now look unlikely in the short to medium term.

Indeed, Republicans and Democrats are split on this issue, to quite some extent along typical red and blue state lines. As head of the federal government, Joe Biden was able to increase pay for federal workers and federal contractors to \$15 per hour, by executive order in January 2021, and it was expected that this would affect 70,000 federal workers and a further 300,000 employees of federal contractors by the end of the 2021.⁴⁶ Yet this increase too has faced several challenges in different courts, notably by eight states, including Texas, Arizona, Louisiana and Mississippi. As of January 2023,

⁴² Charles Goodhart and Manoj Pradhan, *The Great Demographic Reversal: Ageing Societies, Waning Inequality, and an Inflation Revival*, Springer, 2020.

⁴³ John Logan, "[Amazon, Starbucks and the sparking of a new American union movement](#)", *The Conversation*, 4 April 2022.

⁴⁴ Ashfaq Khan and Rose Khattar, "[It's Long Past Time To Increase the Federal Minimum Wage](#)", *Center for American Progress*, 7 July 2022.

⁴⁵ Shannon Meade, "[Decreasing Prospects for Increasing the Federal Minimum Wage to \\$15](#)", *News & Analysis*, Littler, 3 March 2022.

⁴⁶ White House, Briefing Room, "[Statement by President Joe Biden on \\$15 Minimum Wage for Federal Workers and Contractors Going into Effect](#)", *Statements and Releases*, 28 January 2022.

the executive order still stands, following a decision by the United States District Court for the District of Arizona to dismiss a lawsuit challenging the executive order.⁴⁷ Yet other lawsuits may still come.

That said, minimum wages have been raised at state, local and municipal level, across the US, as well as by some key private sector employers: for example, New York State has progressively phased in a minimum wage of \$15 since the end of 2018.⁴⁸ Some companies are also raising wages, such as McDonald's, which in May 2021 announced that it was raising the minimum wage of employees in its 650 company-owned outlets to \$15 – although not in the 95% of nearly 14,000 restaurants that are independently owned and managed.⁴⁹ The situation in the US is therefore varied, but some institutional progress is being made on minimum wages, albeit it in a piecemeal way.

The situation in the United Kingdom, by contrast, seems to be more difficult for unions and workers on low pay. Although there was real wage growth for more than a year after August 2020 (see Graph 5 above), and the Sunak government did increase the National Living Wage to £10.42 (a 9.7% rise from £9.50, announced in November 2022 and effective as of April 2023), the Conservative government is currently facing increasing pressure in various public services to raise pay. Since the summer of 2022, strikes have occurred in several sectors including by dockers, bus drivers, rail workers, call centre employees, as well as by postal and health workers, with employees protesting poor wage offers as inflation eats into their pay, and as companies – including many companies running privatised public services (like Royal Mail) – have been making healthy profits.⁵⁰

The authorities' response has been to seek to keep the lid on pay rises, to prevent higher wages from stoking inflation further and to control public spending as much as possible. Speaking in February 2022, Andrew Bailey, the Governor of the Bank of England, said he wanted to see "quite clear restraint" in annual wage increases, to prevent a wage-price spiral from developing. Not surprisingly, this caused fury from unions and even dissension from Boris Johnson's office, when he was still Prime Minister, reflecting his hype about "levelling up" the working-class heartlands of Brexit Britain. Significantly, however, the message from Downing Street was also that "it's not up for government to set wages or advise on the strategic direction of management".⁵¹ But as 2022 wore on and strike action proliferated, the responses of successive Conservative governments have become tougher. While running to replace Boris Johnson in the summer of 2022, Liz Truss made the headlines both for promising to bring in new legislation making strike action by unions even more difficult to organise, as well as guaranteeing minimum public services during transport strikes. She also stated that she rejected further government "handouts" to help tackle the cost of living crisis.⁵²

Most telling perhaps of the deteriorating labour relations between the Conservative government and employees working in public services have been the strikes and stoppages by nurses, launched in December 2022. For all the applause given to frontline workers during the pandemic – and no one was surely more frontline than the health workers – Britain's nurses started their largest ever strike for higher pay. At the time of writing, an initial modest pay increase has been conceded by the

⁴⁷ Marcia G. Madsen, Cameron R. Edlefsen and Luke Levasseur, "[US Government Defeats Multi-State Challenge to Federal Minimum Wage Increase](#)", Mayer|Brown, 30 January 2023.

⁴⁸ New York State, [New York State's Minimum Wage](#).

⁴⁹ Julie Creswell, "[McDonald's to Increase Wages as Job Market Tightens](#)", *The New York Times*, 13 May 2021.

⁵⁰ Eshe Nelson, "[Strikes Sweep Britain as Workers Demand Better Pay](#)", *The New York Times*, 2 September 2022.

⁵¹ Richard Partington, "[Bank of England boss criticised for asking workers not to demand pay rise](#)", *The Guardian*, 4 February 2022.

⁵² Sebastian Payne and Jim Pickard, "[Liz Truss pledges sweeping changes to UK trade union laws](#)", *The Financial Times*, 25 July 2022 and Geneva Abdul, "[Liz Truss rejects 'handouts' as way to tackle cost of living crisis](#)", *The Guardian*, 6 August 2022.

government, though commitments to further rises have also been made (while other health service staff were still planning further strikes).⁵³

Moreover, the Sunak government has pressed ahead with legislation to toughen the laws on unions and strike action. In contrast to its more pragmatic macroeconomic policy, which followed the disastrous attempt by the short-lived Truss government to dash for growth by implementing a neo-Reaganite budget based on tax cuts financed by borrowing (leading the pound and UK government bonds to crash ignominiously in September 2022 and Truss to resign in October), the Sunak government has moved ahead to weaken British unions further. Even though the British labour movement is a shadow of its former self, having been largely broken by successive Thatcher governments in the 1980s,⁵⁴ some of today's Conservatives and their supporters seem to be reliving the battles of the past.⁵⁵ Thus in January 2023, the Sunak government introduced new legislation into Parliament to toughen restrictions on unions' abilities to call strikes and to set out minimum service requirements which private contractors providing public services may apply, somewhat arbitrarily.⁵⁶

6. Discussion and Conclusion

The Covid pandemic that began in early 2020 was a truly global crisis – a massive health, social, economic and political shock. In many parts of the world, communities and families, it caused terrible distress as people everywhere lost loved-ones, lost jobs and lost livelihoods. In very many countries – including the United States and the United Kingdom – the pandemic led to unprecedented closures of public life. These were largely accepted – peacefully – surely reflecting the fear that the virus triggered. Writing only three years after the event, it is hard to recall how cataclysmic the spread of the disease in March 2020 seemed at the time, as health services were overwhelmed with fatalities and human suffering, as financial markets went into meltdown and as economies everywhere were collapsing. Writing only three years after the event, as the world has moved on to new preoccupations like the war in Ukraine, the escalating tensions between the United States and China, the brutal repression of women in Afghanistan and Iran, it is hard to recall how world-stopping, how life-threatening the coronavirus first seemed and how hard it was back then to imagine a world with the virus under control. It was a time in which, at least for a short while, it was possible to speculate about an alternative future, about “building back better”, about recognising the central importance of frontline workers to the functioning of complex market economies, and hence about revaluing their essential contributions to societies and economies.

This article has attempted to analyse to what extent changing patterns of behaviour in the US and UK labour markets, often associated the “Great Resignation” of workers, have indeed led to change in the wage-nexus and the relationship between capital and labour, perhaps reminiscent of the Fordist compromise which emerged out of the Great Depression and World War II. Put another way, did the Covid pandemic, which so totally upended daily life, lead to a rebalancing of the power equation between capital and labour, between employers and employees?

⁵³ Gemma Mitchell, “[Government makes U-turn on nurse pay for 2022-23](#)”, *Nursing Times*, 3 March 2023.

⁵⁴ For a short summary of the history of industrial protests in Britain see: Keith Laybourn, “[UK strikes: six milestones in the history of industrial action in Britain](#)”, *The Conversation*, 5 July 2022.

⁵⁵ See for example, Nigel Jones, “[The Tories need to get tough on the strikes](#)”, *The Spectator*, 7 December 2022; Nile Gardiner, “[Rishi Sunak Must Do a Maggie and Take On Militant Unions](#)”, *Commentary Europe*, The Heritage Foundation, 9 January, 2023.

⁵⁶ Steven Daniels, “[Rishi Sunak's new law could force workers to break strikes](#)”, *The Conversation*, 11 January 2023.

From the information reviewed here, the evidence is mixed at best. Across much of the world, especially in the rich countries of the Global North, central banks and governments acted decisively to prevent the collapse of financial markets and banking systems, as well as to support companies and households during the pandemic. In so doing, they paved the way to a rapid recovery, and prevented social breakdown: in the US in particular, but also in the UK (and in the world's other major economies) this resulted in a quick return to full employment, especially by 2022. *This is no small achievement.*

The bounce back in activity and jobs has also allowed many workers in the US and the UK (and elsewhere) to reassess their relationship to work, within their broader life objectives – but also for health considerations. The result has been a rise in quit rates, as workers have looked to change jobs, more in tune with their needs, or withdraw from the labour market altogether (for example, to retire). There has also been much discussion in the press (but not analysed here) of “quiet quitting” by employees, who have not left their jobs but have scaled back their commitments to work. In short, there is quite a lot of evidence to suggest that working practices in many activities are changing, with employers most notably accepting hybrid work patterns to accommodate their employees' aspirations and so retain them.

More generally, it is possible that workers in the US and the UK, and the developed countries more generally, will experience a demographic shift in their favour as China enters its own demographic transition. The large expansion of global labour which coincided with the shift to neoliberal economics since around 1980 may now be over, and other things being equal, this should strengthen labour in its bargaining position with capital.

All that said, the Covid pandemic is also remarkable for how little has changed. For all the talk during the height of the pandemic about recognising the vital contribution to society of frontline workers, the surge in inflation since the spring of 2021 means that real wages have been falling. Despite some efforts by the Biden administration to raise minimum wages in the US, wages remain a source of division along party lines, with numerous states in the south still implementing only the federal minimum of \$7.25. In Britain, the situation for workers on low pay is not much better. Although the National Living Wage will rise in April 2023 by 9.7% (still less than inflation), the Conservative government of Rishi Sunak is continuing with policies to further weaken the ability of unions to strike, and at the start of 2023 found itself in widespread pay disputes with public sector workers, including nurses and ambulance staff, etc.

Overall, the balance of power between labour and capital thus seems only to have changed marginally as a result of Covid. There is nothing to suggest that a new compromise is emerging from the pandemic in any way that would be analogous to the Fordist compromise that was forged during Great Depression and World War II. In the United States, despite some recent modest successes, unions are very far from regaining their position as a “countervailing power” in *American Capitalism*, to draw on words of John K. Galbraith, written in the 1950s.⁵⁷ In Britain, the compromises of the post-war Keynesian welfare state – the basis of what Kenneth Morgan aptly called *The People's Peace*⁵⁸ – remain as far away as they ever have been, since the advent of Thatcherism in the 1980s. In short, the world after Covid largely resembles the world before the pandemic.

⁵⁷ John K. Galbraith, *American Capitalism : The Concept of Countervailing Power*, Harmondsworth, Pelican Books, 1963, (first published in 1952), see in particular pp 122-148.

⁵⁸ Kenneth O. Morgan, *The People's Peace: British History 1945-1990*, Oxford, Oxford University Press, (1990), 1992.

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