



Global Wage Report

Wage policies in times of crisis

2010/11

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Structure of the report

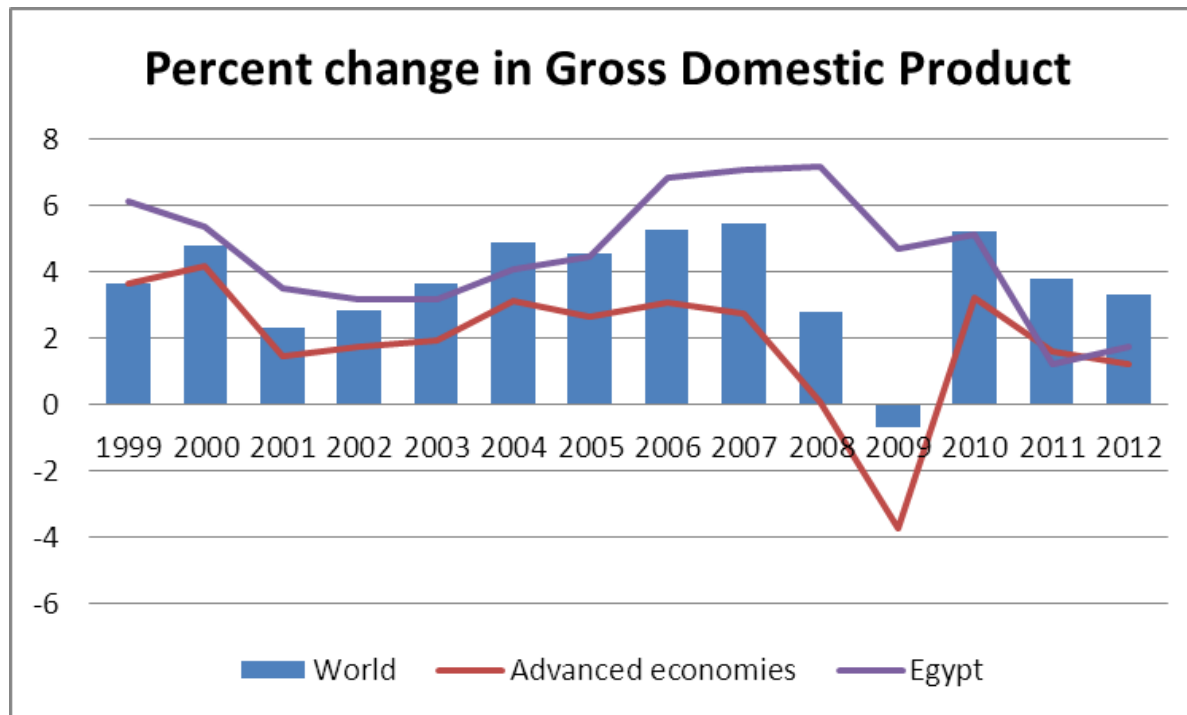
Part I: “Major trends in wages”: documents the regional and the global growth in average wages & documents some links between wages and productivity

Part II: “Wage policies in times of crisis”: discusses in some detail the role of collective bargaining and minimum wages in the context of difficult macroeconomic environments

Part III: Summarises the report and highlights some challenges for the future

Part I: The economic context

GDP growth has slowed dramatically,
with a highly uncertain outlook



Source: IMF, World Economic Outlook, 2012

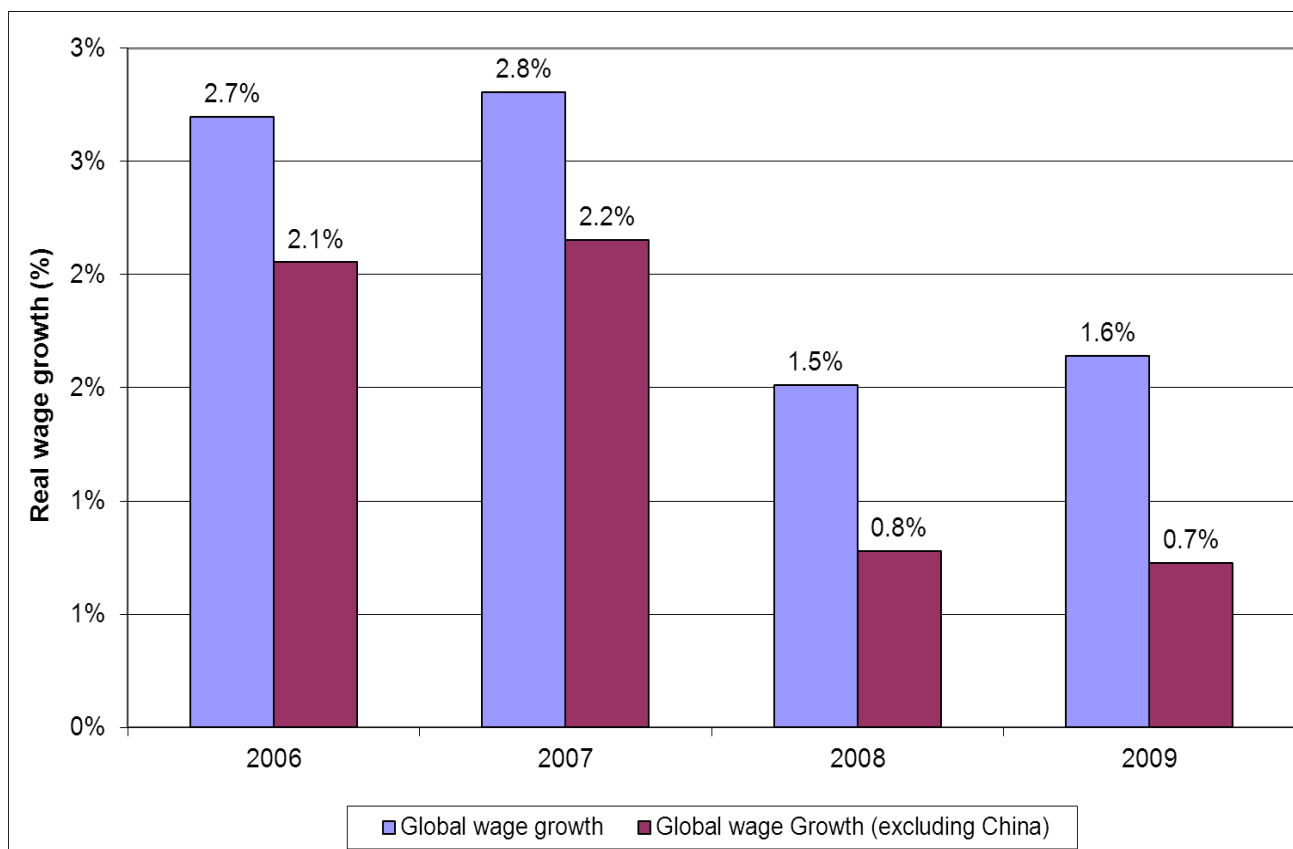
The economic context (2)

Labour productivity has sharply declined since 2007



Labour productivity (LP) growth is calculated as the real growth of GDP per employed worker.

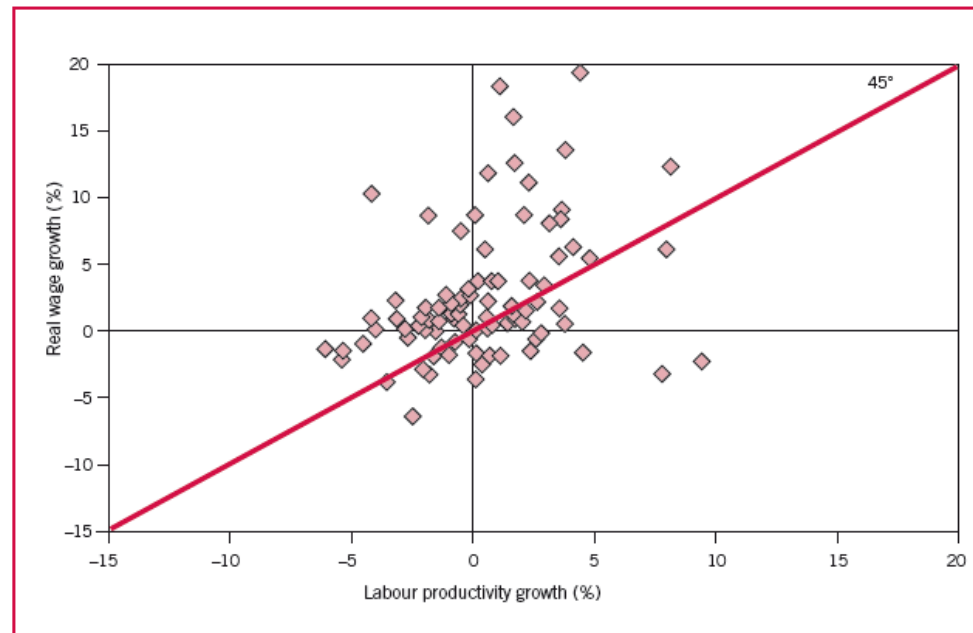
Global growth in monthly wages cut by half in 2008 and 2009



Weighted average based on data on average wages collected from 115 countries and territories covering approximately 94% of the world's wage earners.

The link between wages & productivity

Figure 14 Wages and productivity during the crisis, 2008–09 (in per cent)



Note: Figure refers to 94 countries and economies for which data are available.
Source: ILO Global Wage Database.

Longer term view: average wages

Table 1 Cumulative wage growth, by region since 1999 (1999 = 100)

	1999	2006	2007	2008	2009
Advanced countries	100	104.2	105.0	104.5	105.2
Central and Eastern Europe	100	144.8	154.4	161.4	161.3
Eastern Europe and Central Asia	100	264.1	308.9	341.6	334.1
Asia	100	168.8	180.9	193.8	209.3*
Latin America and the Caribbean	100	106.7	110.3	112.4	114.8
Africa	100	111.2*	112.8*	113.4**	116.1**
Middle East	100	101.9*	102.4*
Global	100	115.6	118.9	120.7	122.6

* Provisional estimate.

** Tentative estimate.

... No estimate available.

Note: For coverage and methodology, see Technical appendix 1.

Source: ILO Global Wage Database.

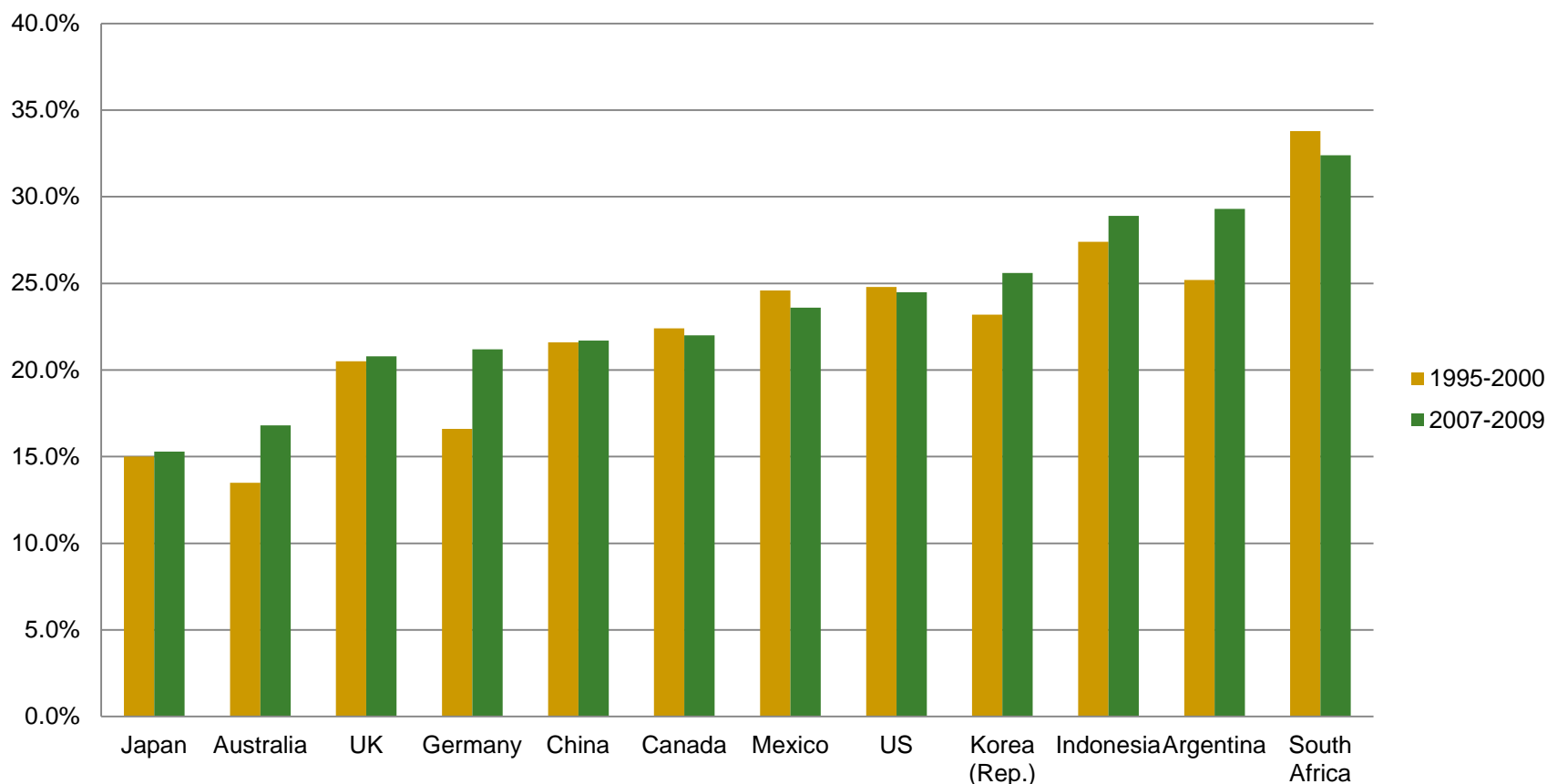
Data available to ILO for Egypt



Source: CAPMAS and ILO (KILM)

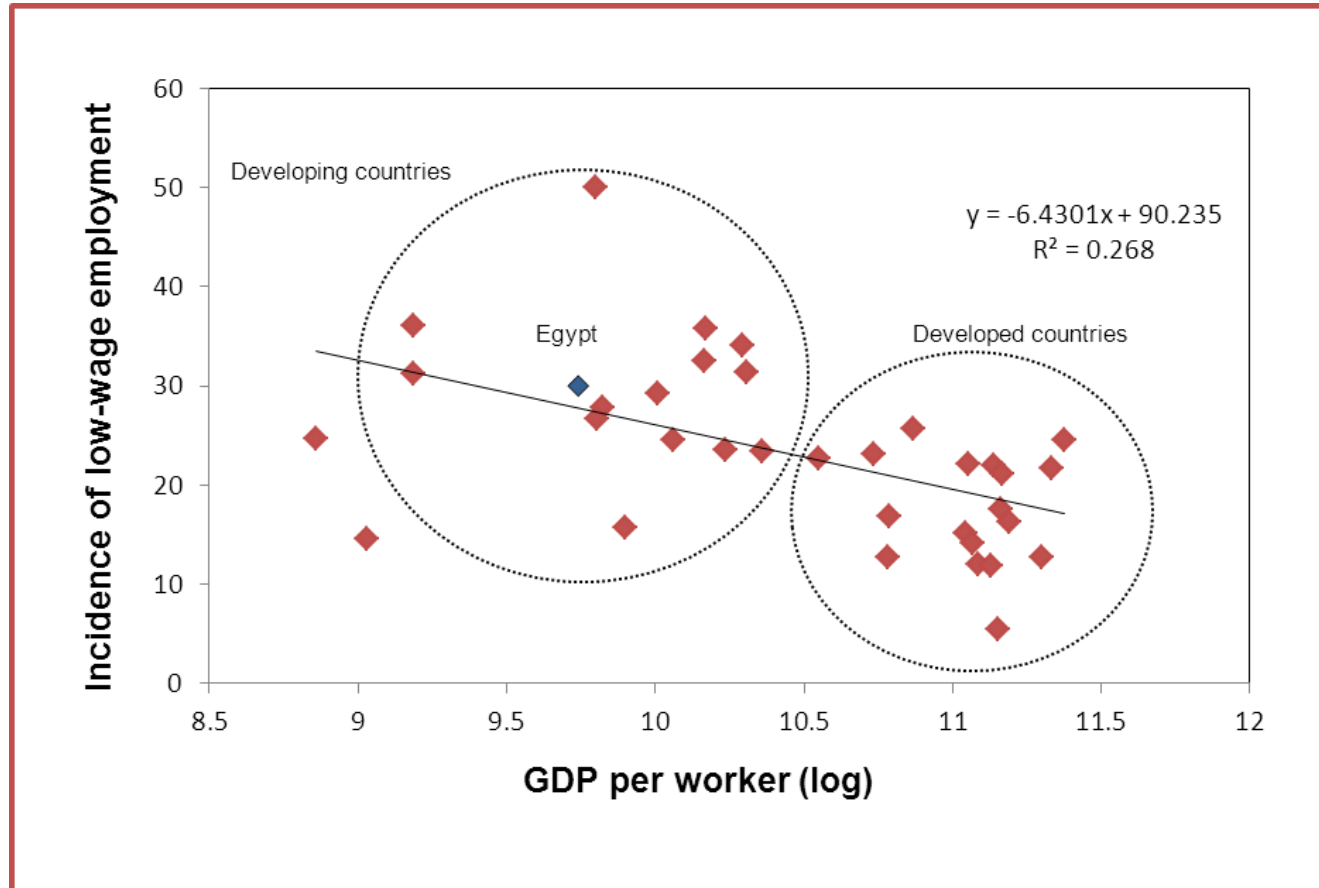
Longer term view (2): inequality

The share of low-pay in selected G20 countries



Note: Low pay is defined as less than 2/3rds of median wages

Longer term view (2): inequality



Data available to ILO for Egypt

Percentage of full-time workers paid less than 2/3rds of median

All	Male	Female	Private sector	Public sector	Cairo	Port Said (highest)	Qena (lowest)
29.8%	26.6%	47.1%	41.1%	14.0%	29.2%	57.6%	4.8%

Source: CAPMAS data for 2009; 150£ per week is used as low pay threshold

Characteristics of low-paid workers

Total	Manufacturing	Education	Accommodation and food service activities	Other
100%	48.5%	12.8%	10.9%	27.8%

Source: CAPMAS data for 2009; Low-pay is defined as less than 50% of median pay

Part II: The role of wage policies

- Promote social justice: “when a situation arises where a large proportion of people feel left behind, with little prospect of catching up, the risk of social and political tensions increases”.
- Protect vulnerable workers: many low-paid workers are “working poor”, i.e. they live in households with incomes below the poverty line.
- Ensure a stable macroeconomic environment, taking into account effects on aggregate demand, and trade-offs between wages and employment.

The role of wage policies (2)

- The 2008 *ILO Declaration on Social Justice for a Fair Globalization* committed ILO Members to implement, as part of the Decent Work Agenda, “policies in regards to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection”
- ILO 2009 Global Jobs Pact stresses that social dialogue, collective bargaining, and minimum wages should be a guide to “avoid deflationary wage spirals”, specifying that “narrowing the gender pay gap must be an integrated part of these efforts”.

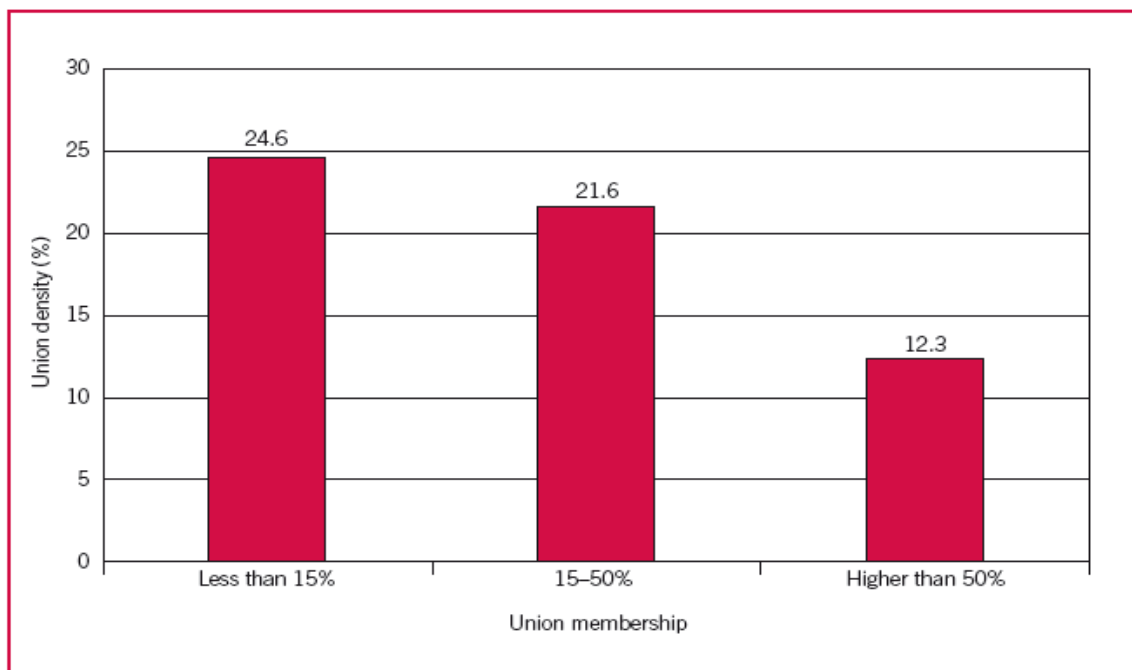
Promote inclusive collective bargaining

- In periods of economic growth, wage growth tends to lag behind the growth in labour productivity when collective agreements cover less than 30% of wage-earners. This usually results in a decline in the share of GDP going to workers.
- In crisis times, collective bargaining can facilitate adjustment, allowing workers and employers to negotiate a trade-off between wages, working time, and employment. In Germany, social partners negotiated short-time work: less hours and lower pay in exchange for an employment guarantee.

Promote inclusive collective bargaining

- Collective bargaining helps to reduce inequality but reaching low-paid workers remains a challenge.

Figure 29 The average incidence of low pay by trade union density in 33 countries, 2009 or latest year (in per cent)



Notes: The averages refer to the mean averages of national average incidences. For low-pay incidences, the latest available figures are used. For country coverage, see figure 21 (concerning global comparison of low pay).

Source: Hayter and Stoevska (2010) for union density data; ILO Global Wage Database.

ILO Data for Egypt:

Trade union density = 26.1% of wage-earners

Collective bargaining coverage = 3.4% of wage-earners

Source: Hayter and Stoevska, 2010

Minimum wages are needed too

- ILO Convention No.131 (ratified by Egypt in 1976) calls for an approach which balances: (a) the needs of workers and their families; and (b) economic factors, including productivity.
- The extent to which these factors are balanced can be approximated by some operational indicators, such as the level of the minimum wage relative to the median or the mean wage, or the proportion of workers whose wages are affected.
- This approach maximizes the benefits/costs ratio

Minimum wages are needed too

Other principles of good practice include:

- Involve representatives organisations of employers' and workers' as well as persons having recognized competence for representing the general interest
- Take appropriate measures to ensure effective application, such as labour inspections and others
- Regularly adjust the minimum wage to take account of changes in the cost of living and other economic conditions (productivity)

Ensure policy coherence

Minimum wage fixing should constitute one element in a policy designed to overcome poverty and to ensure the satisfaction of the needs of workers and their families.

The challenge is to ensure a coherent system in which both welfare institutions and wage policies are developed to secure a minimum level of income for poor households.

Other elements discussed in the report include “In-work benefits” (tax credits) for low paid workers or income transfer measures like “*Bolsa familia*” (Brazil)
