ATTACHMENT A

ILO says economic crisis cut global wage growth by half

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GENEVA (ILO News) – The financial and economic crisis has cut global wage growth by half in 2008 and 2009, says a new report by the International Labour Office (ILO).

Analyzing data from 115 countries and territories covering 94 per cent of the approximately 1.4 billion wage earners worldwide, the "Global Wage Report 2010/11 – Wage policies in times of crisis" says globally, growth in average monthly wages slowed from 2.8 per cent in 2007, on the eve of the crisis, to 1.5 per cent in 2008 and 1.6 per cent in 2009. Excluding China from the aggregate, the global average wage growth drops to 0.8 in 2008 and 0.7 in 2009.

The report cites considerable variations in wage growth rates across regions, saying that while wage growth slowed but remained consistently positive in Asia and Latin America, other regions such as Eastern Europe and Central Asia experienced a dramatic fall. Advanced economies experienced a drop in the level of real wages which fell in 12 of 28 countries in 2008 and in seven in 2009.

"This study shows another face of the lingering employment crisis", said ILO Director-General Juan Somavia. "The recession has not only been dramatic for the millions who lost their jobs, but has also affected those who remained in employment by severely reducing their purchasing power and their general well-being."

The report – the second issued by the ILO on the subject since 2008 – says the overall short-term impact of the crisis on wages should be looked at within the context of a long-term decline in the share of wages in total income, a growing disconnect between productivity growth and wages, as well as widespread and growing wage inequality.

In particular, it says that since the mid-1990s the proportion of people on low pay – defined as less than two-thirds of median wage – has increased in more than two-thirds of countries with available data.

Looking ahead, the report says the pace of the recovery will depend, at least partly, on the extent to which households are able to use their wage to increase consumption.

"Wage stagnation was an important trigger of the crisis and continues to weaken recovery in many economies", added Mr. Somavia. "We are facing a world of deficient aggregate demand amidst large unmet needs and continued high unemployment. Macroeconomic policy makers must turn their attention to employment and to wage determination to strengthen the tepid recovery and address longer term social and economic imbalances".

The report's main findings include:

- 50 per cent of countries have adjusted their minimum wages either as part of the regular minimum wage review process or with the aim of protecting the purchasing power of the most vulnerable workers. This is a departure from earlier crises during which minimum wage freezes were the pattern.
- For low paid workers, who are especially vulnerable to fall into poverty, there is need for a better articulation between minimum wages and social and labour market policies.
- Wages are better aligned with productivity in countries where collective bargaining covers more than 30 per cent of employees, and minimum wages reduce inequality in the bottom half of the wage distribution.
- Collective bargaining and minimum wages, along with well-designed income policies, can lift the incomes of workers in the recovery.

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Tag: low wages
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