

"RELEASE OF ILO GLOBAL WAGE REPORT 2010/2011"

The International Labour Office has released its [Global Wage Report 2010/11](#), subtitled “[Wage Policies in Times of Crisis](#)”. This detailed 122-page report on trends in wage and income levels throughout the world includes both regional and global data and commentary.

The report suggests that:

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).

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.](#)

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.](#)

[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 calculates that real wage growth declined from 2.2 per cent in 2007 to 0.8 per cent in 2008 and 0.7 per cent in 2009. While the rate of wage

growth slowed in virtually all countries, it turned negative in more than a quarter of the countries and territories included in our sample in 2008, and in one-fifth in 2009.

The report argues that:

Wage policies can make a positive contribution towards a more sustainable economic and social model. Both collective bargaining and minimum wages can help to achieve a more balanced and equitable recovery by ensuring that working families and households with low wages obtain a fair share of the fruits of every single percentage point of economic growth. The *Global Wage Report 2008/09* showed that the connection between wages and productivity is stronger in countries where collective bargaining covers more than 30 per cent of employees, and that minimum wages can reduce inequality in the bottom half of the wage distribution. ILO current report shows that collective bargaining and minimum wages can also contribute to reducing the share of workers earning low pay.

At the same time, however, there are considerable challenges still facing unions in trying to reach out to vulnerable workers and in the establishment of an effective system of minimum wages. Along with the improvement of the wage determination mechanism, this report highlights the need for policy measures which can help reduce the risk of low-wage earners falling into poverty. In-work benefits such as tax credits are certainly helpful, especially when accompanied by effective wage-floor regulations. In countries where in-work benefits are not a feasible option, due, for instance, to the presence of massive informal employment, more direct income support policies for poor families (such as cash transfers) need to be considered. Wage and income policies should therefore be developed within a broader regulatory framework where different policy elements are carefully articulated in a consistent and coherent manner. The importance of securing “minimum income” for vulnerable working families cannot be overestimated in times of crisis and recovery.

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.

Employer Position

Employers were concerned regarding the methodology used to compile the previous Global Wages Report, and subsequent updates. The Group was even more concerned regarding the commentary, observations and conclusions previously advanced by the International Labor Office on wages and wages policies.

A preliminary examination of the second Global Wage Report (2010/2011) indicates that, whilst the methodology has been revised and efforts have been made to take our previous concerns into account, considerable areas of concern remain. **Key concerns for employers include:**

1) A failure to consider the capacity of employers to absorb wage increases and to properly engage with the effect of labor cost increases on the sustainability of enterprises and on jobs.

2) A failure to consider the challenges to business following the financial crisis and the efforts of business to retain staff during the crisis. Criticizing real wage stagnation during the crisis pays insufficient regard to the efforts made to keep jobs open and maintain employment continuity at often great cost to enterprises.

3) Recommendations for greater centralization of wage determination, higher percentage returns for productivity gains and attempts to restore the percentage of GDP growth going to workers through wages. These prescriptions are advanced with no regard to the impact of such measures on jobs or on enterprises recovering from the economic crisis.

The new report (2010/11) will be further examined against employer expectations and understandings on wages, with a particular focus on the various summary and concluding points, and the emerging issues and ways forward suggested by the Office.

The Governing Body's Employment and Social Policy (ESP) Committee is due to examine the report in March 2011. This will provide the primary opportunity to present the employer response and critique of the material published on 15 December.

Any concerns regarding methodology, perspective or the analysis will be clearly communicated to the Committee and to the International Labor Office.