



# ILO Global Wage Report 2008/09

## Minimum Wages and Collective Bargaining: Towards Policy Coherence

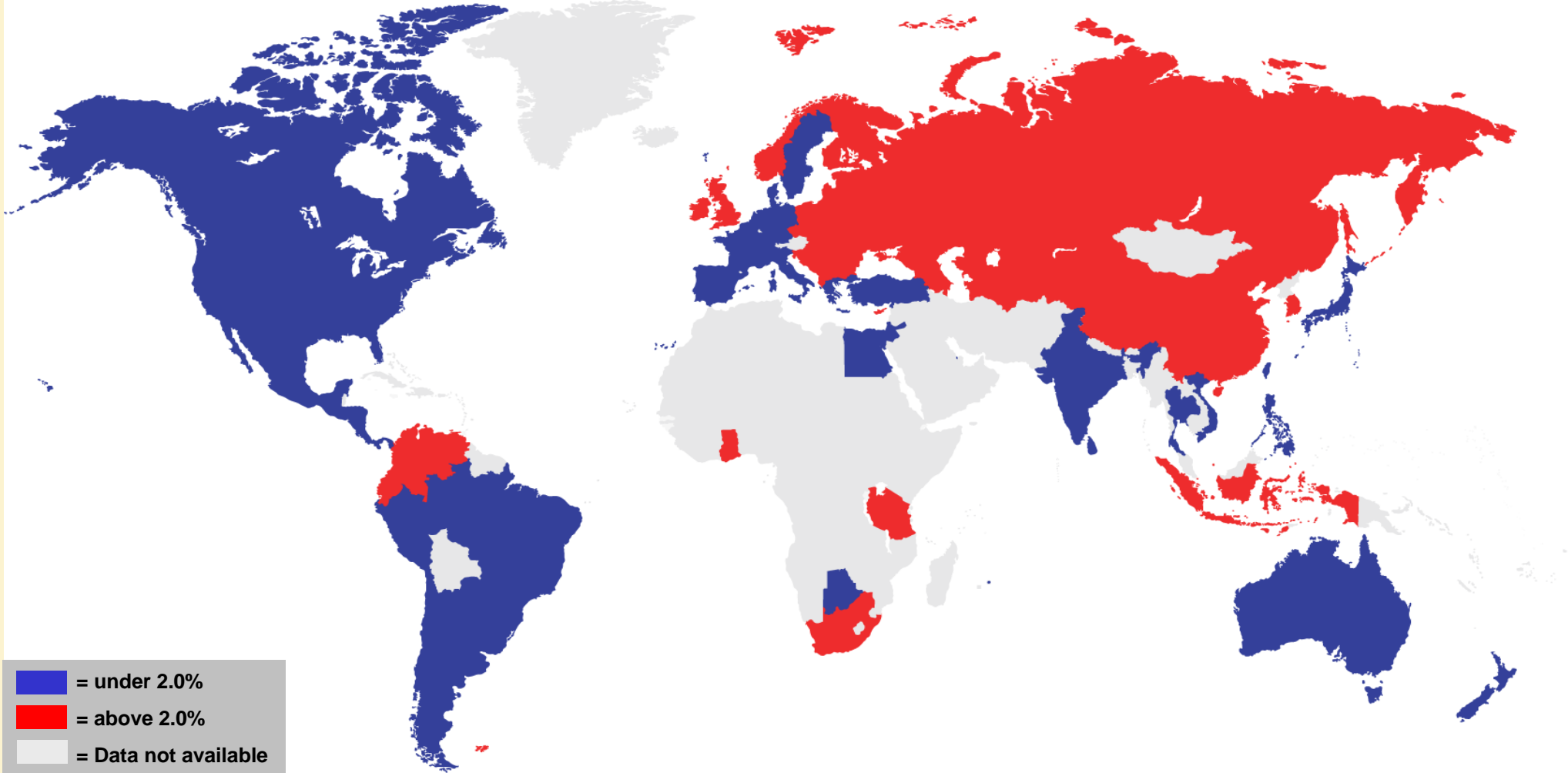
OECD, Paris, 26-27 November 2008

# Structure of the presentation



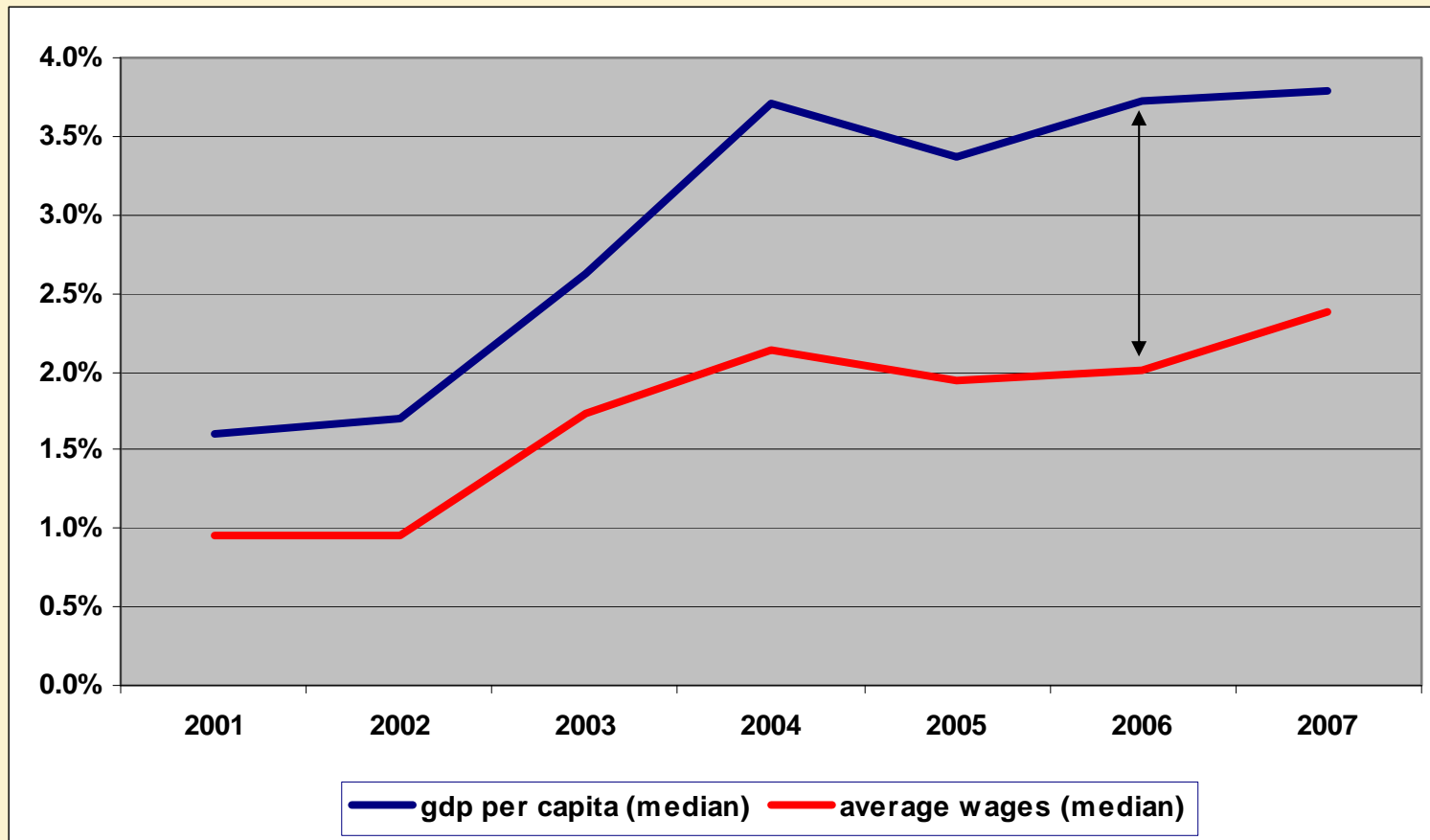
- Key wage trends over the last decade
- Wage Policy lessons
- Wages in the global economic crisis:  
for a ‘wage-led recovery’

# Real average wages grew by less than 2% per year in more than half of the countries (2001-2007)

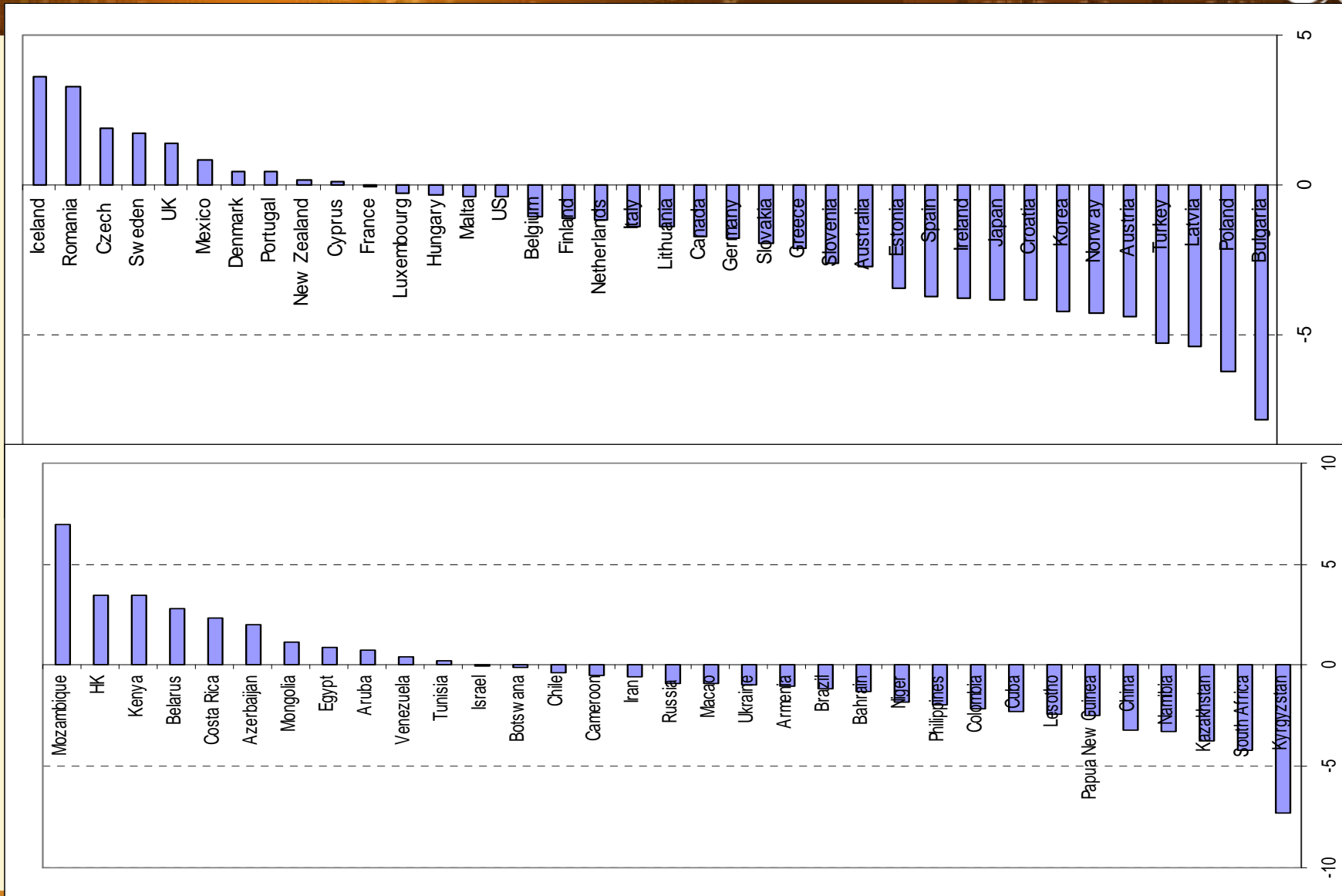


Source: Eurostat, ILO Labourstat, OECD, National Statistics, SIALC

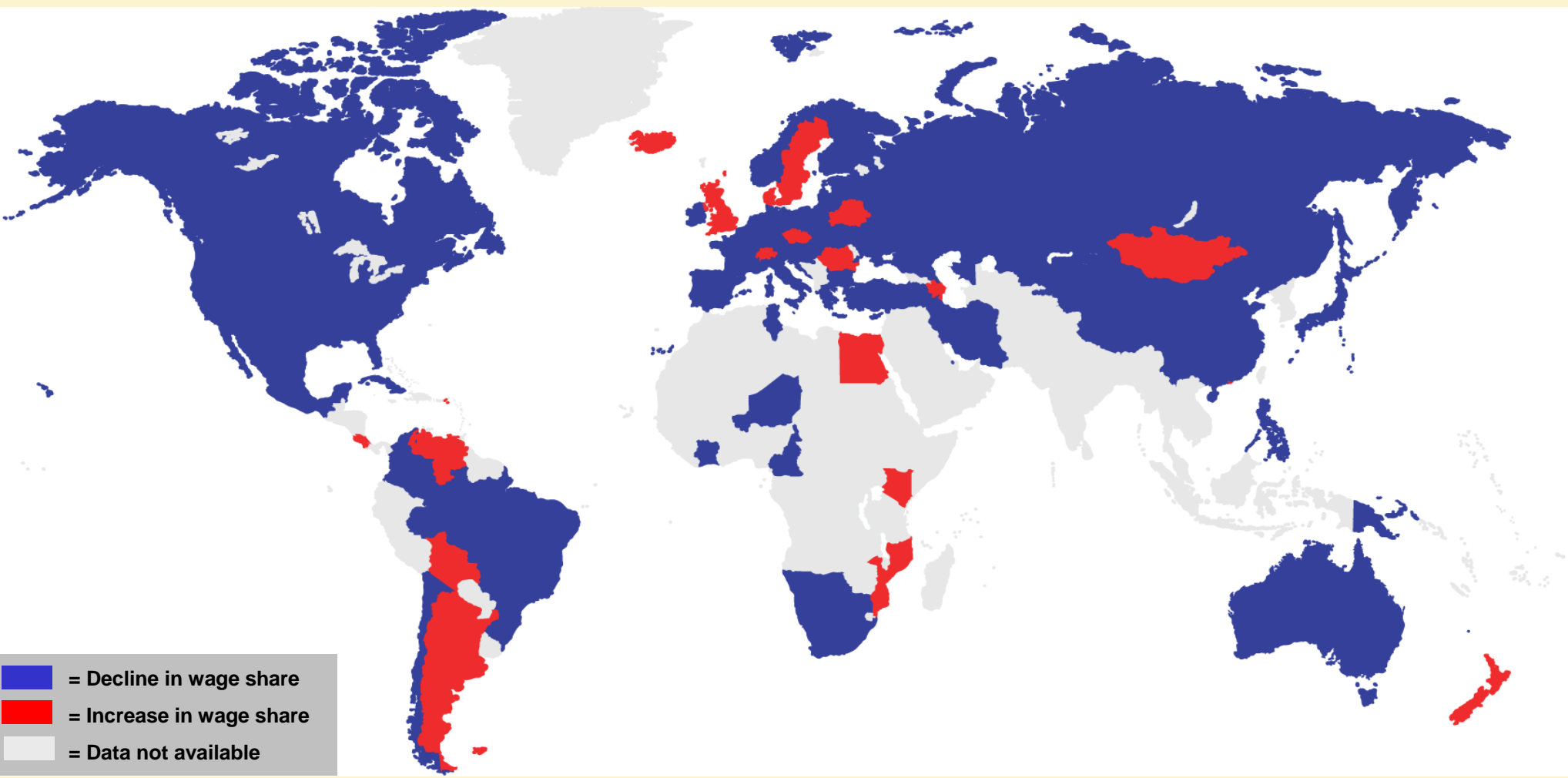
# Wage growth positively associated with GDP per capita growth, but with some gaps



# The wage share trends, 1995-2007



# The wage share declined in 70% of the countries since 1995



Source: AMECO (EC) UN National Account Systems

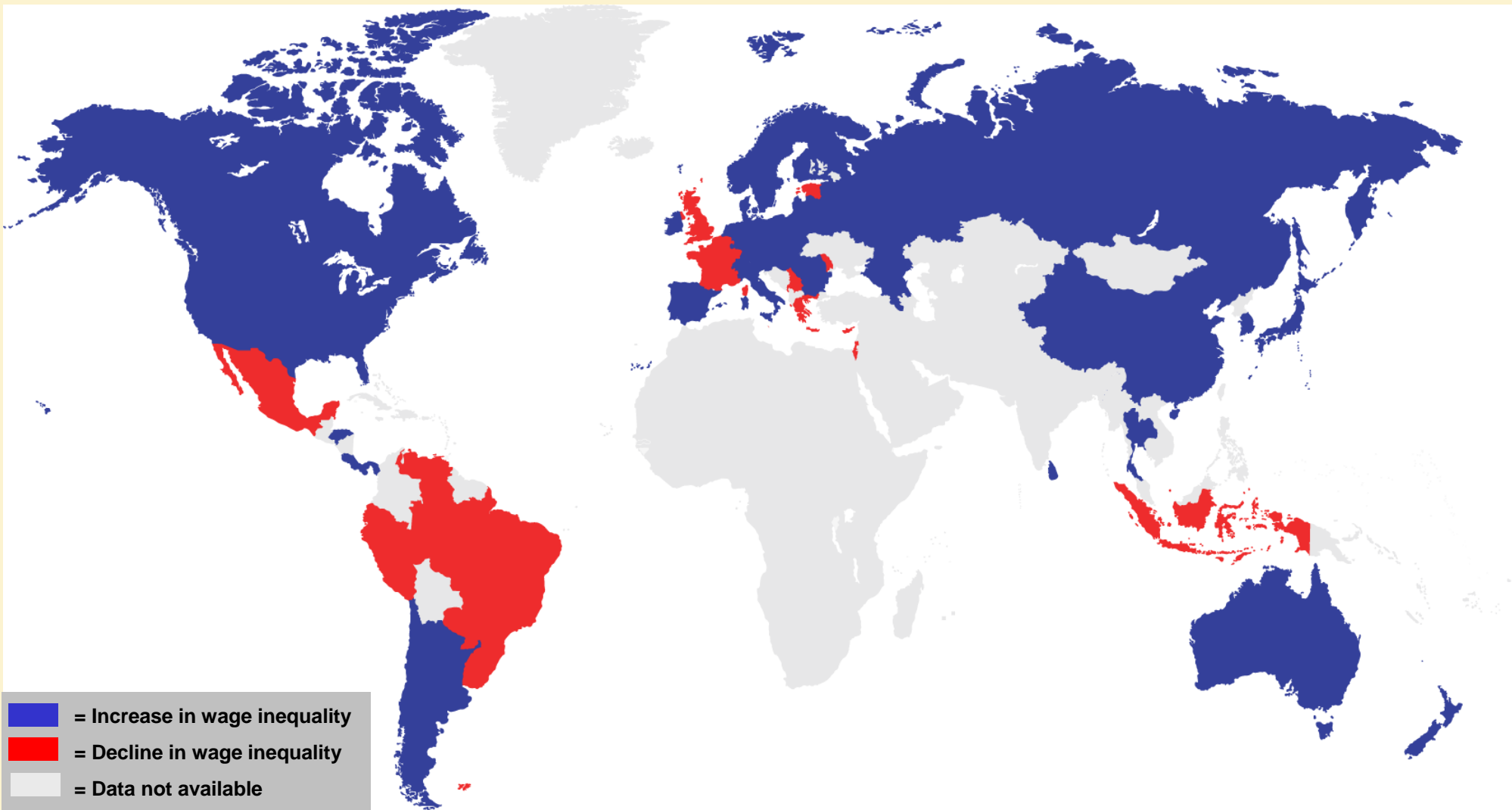
# The fall in the wage share, BRICs, 1995-07



	1995-2000	2001-07	Change (% points)
Brazil	38.19	37.03	- 1.17
China	55.15	51.95	- 3.20
India	45.99	45.10	- 0.90
South Africa	49.57	45.36	- 4.21



# Wage inequality increased in 70% of countries since 1995





# Wage policy lessons: Minimum wages



- “Reactivation” of statutory minimum wage policies (2001-07) through increases in:
  - real terms (by 5.7% globally)
  - the minimum wage/average wage ratio (by 3% globally)
- Increase in real minimum wages helped to:
  - reduce inequality in the bottom half of the wage distribution
  - reduce the proportion of low paid workers
  - reduce the gender pay gap
  - enhance purchasing power of MW earners

# Wage policy lessons: Collective bargaining



- Overall decline in the coverage of CB, due also to increase in non-standard work
- Overall, limited extent of CB and collective agreements
- Where CB coverage high, wages more responsive to economic growth and overall wage inequality narrows
- Other lesson: wages increase less than GDP in periods of growth and fall more in periods of eco. slowdown

# Wages in the Global Economic Crisis



Worsening wage situation expected, with risk of painful cuts in wages, leading to:

- Tensions and wage-related disputes
- Deepening the recession and delaying the recovery

Wage growth in 2008 and 2009

	2008	2009
World	1.7	1.1
Industrial countries	0.8	-0.5

# Wages in the Global Economic Crisis



- Governments all over the world are designing large fiscal stimulus packages to stimulate consumer spending
- But past trends in wages have limited the ability of workers to consume
- No much mention of wage policy in the current International debate (G20; plans to boost demand; etc.)

# For a 'wage-led recovery'



- The need for a social response to the crisis and for stimulating the real economy
- Wages' role on the social side (purchasing power; protection of vulnerable workers etc.)
- Wages' role on the economic side (to sustain consumption; to avoid social conflicts and poor productivity etc.)
- Need to recognize wages are key to recovery
- Need for an active and comprehensive wage policy (minimum wage; collective bargaining and social dialogue; monitoring wage trends etc.)