

# Global Wage Report 2012/13

Wages and equitable growth

### **International Labour Organization**

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## Preface

The global crisis has had significant negative repercussions for labour markets in many parts of the world, and recovery is proving uncertain and elusive. At the global level, average wages have grown but at lower rates than before the crisis. However this *Global Wage Report 2012/13* shows that the impact of the crisis on wages was far from uniform.

In developed economies, the crisis led to a “double dip” in wages: real average wages fell in 2008 and again in 2011, and the current outlook suggests that in many of these countries wages are growing marginally, if at all, in 2012.

In emerging regions, wage growth has generally been more resilient, with strong growth in Asia and more modest but still positive trends in Africa, Latin America and the Caribbean.

In Eastern Europe and Central Asia the crisis led to falling wages in 2009, with a return to positive but relatively lower wage growth since then.

Taking a longer view, the report estimates that real monthly average wages almost doubled in Asia between 2000 and 2011, and increased by 18 per cent in Africa, 15 per cent in Latin America and the Caribbean, and 5 per cent in developed economies. In Eastern Europe and Central Asia wages nearly tripled, but from a very low base following the economic collapse of the 1990s. In the Middle East, the availability of wage data is limited. What evidence is available indicates that low productivity and weak institutions have kept wages stagnant over the last decade.

This *Global Wage Report* presents data on trends in wages around the world and compares them with trends in labour productivity, analysing their complex effects on the global economy with a view to shedding some light on the current debates over distribution, competitiveness and labour costs. When wages rise in line with productivity increases they are both sustainable and create a stimulus for further economic growth by increasing households’ purchasing power. However for a decade or more before the crisis, the link between wages and labour productivity was broken in many countries and this contributed to the creation of global economic imbalances. The report shows that since the 1980s a majority of countries have experienced a downward trend in the “labour income share”, which means that a lower share of national income has gone into labour compensation and a higher share into capital incomes. This has happened most frequently where wages have stagnated but also in some countries where real wages have grown strongly. On a social and political level this trend risks creating perceptions that workers and their families are not receiving their fair share of the wealth they create. On an economic level, it could endanger the pace and sustainability of future economic growth by constraining wage-based household consumption. This is particularly true where the era of debt-based consumption has now led to an extended period in which households must pay off earlier debts.

At the global level, while some countries can run a trade surplus or export their way out of recession, this must come at the expense of deficits in importing countries

and relocation of jobs. To avoid beggar-thy-neighbour competition, the path to sustained and balanced economic growth must come through increased domestic consumption in surplus countries, based on wages that grow in line with productivity. International coordination can contribute to achieving equitable outcomes that benefit all countries.

Many countries in the world are trying to address these challenges, often by implementing innovative policies. I hope this *Global Wage Report* will help them and will stimulate fresh thinking on issues which today stand at the centre of international decision-making.

A handwritten signature in black ink, reading "Guy Ryder". The signature is written in a cursive, flowing style.

Guy Ryder  
ILO Director-General

# Contents

<b>Preface</b> .....	v
<b>Contents</b> .....	vii
<b>Acknowledgements</b> .....	xi
<b>Executive summary</b> .....	xiii

## Part I Major trends in wages

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<b>1 The global economic context: Crisis, recession and employment</b> .....	1
1.1 Economic growth rates vary widely by region .....	1
1.2 Global unemployment rates remain high .....	3
<b>2 Real average wages</b> .....	3
2.1 Slowing growth across a varied landscape .....	3
2.2 The gender pay gap .....	4
<b>3 Regional estimates</b> .....	7
3.1 Overall growth masks a complex picture .....	7
3.2 Developed economies .....	10
3.3 Eastern Europe and Central Asia .....	16
3.4 Asia and the Pacific .....	20
3.5 Latin America and the Caribbean .....	25
3.6 The Middle East .....	29
3.7 Africa .....	32
<b>4 Minimum wages and the working poor</b> .....	35
4.1 Developed economies .....	36
4.2 Developing and emerging economies .....	36

## Part II Falling labour shares and equitable growth

---

<b>5 The fall in the labour income share</b> .....	41
5.1 Trends in labour shares .....	41
5.2 The gap between wages and productivity .....	45
5.3 The role of financial markets and other factors .....	48
<b>6 The effects of labour income shares on economic growth</b> .....	53
6.1 Falling labour shares and aggregate demand: Ambiguous effects .....	53
6.2 In pursuit of the optimal labour share .....	56
6.3 The “Great Recession” and the opportunity for more balanced growth .....	59

### Part III Implications for equitable growth

<b>7</b>	<b>Internal and external imbalances</b> .....	61
7.1	Functional and personal income distribution .....	61
7.2	Wage-based consumption is down, affecting the recovery .....	61
<b>8</b>	<b>Reconnecting wages and productivity</b> .....	62
8.1	Coordinated policy action .....	62
8.2	Strengthening existing institutions .....	63
8.3	Beyond labour markets .....	63
8.4	Specificities of developing countries .....	64

### Appendices

Appendix I: Global wage trends: Methodological issues .....	67
Appendix II: How a divergence between labour productivity and wages influences unit labour costs and the labour income share .....	75
Appendix III: Determinants of labour shares .....	79
Appendix IV: The effect of labour share on aggregate demand .....	87

<b>Notes</b> .....	93
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<b>Bibliography</b> .....	101
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### Tables

<b>1.</b> Cumulative real wage growth by region since 2000 (index: 2000 = 100) .....	10
<b>2.</b> Direction of effects of a 1% decrease in labour income share on private consumption	

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