



International  
Labour  
Office  
Geneva

## Global Wage Report 2012/13

# Global Wage Report

# Global Wage Report 2012/13

Wages and equitable growth

### **International Labour Organization**

The International Labour Organization (ILO) was founded in 1919 to promote social justice and thereby contribute to universal and lasting peace. The ILO is responsible for drawing up and overseeing international labour standards. It is the only tripartite United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. This unique arrangement gives the ILO an edge in incorporating 'real world' knowledge about employment and work.

# Global Wage Report 2012/13

Wages and equitable growth

Copyright © International Labour Organization 2013

First published 2013

---

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

*Global Wage Report 2012/13: Wages and equitable growth*  
Geneva, International Labour Office, 2013

wages / minimum wage / employment / unemployment / household income / labour productivity / economic recession /  
developed countries / developing countries  
13.07

ISBN 978-92-2-126236-7 (print)  
ISBN 978-92-2-126237-4 (PDF)

Also available in PDF in Arabic: ISBN 978-92-2-626237-9; Chinese: ISBN 978-92-2-526237-0; French: ISBN 978-92-2-226237-3; Portuguese: ISBN 978-92-2-826237-7; Russian: ISBN 978-92-2-426237-1; Spanish: ISBN 978-92-2-326237-2.

Also available as EPUB in English: ISBN 978-92-2-126923-6; French: ISBN 978-92-2-226923-5; and Spanish: ISBN 978-92-2-326923-4. Also available in Kindle and iBook edition.

*ILO Cataloguing in Publication Data*

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org).

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns).

---

Digitally produced from DocBook XML files by Corbas Ltd.

Printed in Switzerland.

## 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 that reads "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**

---

<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



<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

### Part III Implications for equitable growth

---

<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
------------------------	----

<b>Bibliography</b> . . . . .	101
-------------------------------	-----

### Tables

---

1. Cumulative real wage growth by region since 2000 (index: 2000 = 100) . . . . .	10
2. Direction of effects of a 1% decrease in labour income share on private consumption of domestic goods and services, investment and net exports in 16 economies . . . . .	54

### Figures

---

1. Annual average economic growth, 1995–2012 (GDP in constant prices) . . . . .	1
2. Total unemployment rates in the world and in developed economies, 2005–11 . . . . .	2
3. Annual average global real wage growth, 2006–11 . . . . .	2
4. The gender pay gap (GPG), 1999–2007 and 2008–11 . . . . .	5
5. The gender pay gap in Estonia, 1993–2009 . . . . .	6
6. The gender pay gap in Norway by employment status, 2008–11 . . . . .	7

<b>7.</b>	Annual average real wage growth by region, 2006–11 .....	8
<b>8.</b>	International comparison of hourly direct pay for time worked in manufacturing, 2010 (US\$) .....	11
<b>9.</b>	Trends in nominal wage growth and inflation in advanced economies, 2006–11 (%)	12
<b>10.</b>	Growth in output and employment in developed economies, 1999–2007 and 2008–11 (%) .....	13
<b>11.</b>	Growth in real wages and labour productivity in developed economies, 1999–2007 and 2008–11 (%) .....	14
<b>12.</b>	Growth in output and employment in Eastern Europe and Central Asia, 1999–2007 and 2008–11 (%) .....	17
<b>13.</b>	Growth in wages and labour productivity in Eastern Europe and Central Asia, 1999–2007 and 2008–11 (%) .....	18
<b>14.</b>	Index of real wages in the Russian Federation since 1990 (1990 = 100).....	19
<b>15.</b>	Annual average real wage growth in Asia, 2006–11 .....	20
<b>16.</b>	Growth in output and employment in Asia, 1997–2007 and 2008–11 (%) .....	21
<b>17.</b>	Growth in output and in numbers of paid employees in Asia, 1997–2007 and 2008–11 (%) .....	22
<b>18.</b>	Growth in wages and labour productivity in Asia, 1997–2007 and 2008–11 (%) ..	24
<b>19.</b>	Growth in output and employment in Latin America and the Caribbean, 1997–2007 and 2008–11 (%) .....	26
<b>20.</b>	Economic growth and unemployment in Latin America and the Caribbean, 2004–11 (%)	27
<b>21.</b>	Annual average real wage growth in Brazil, 2006–11 .....	27
<b>22.</b>	Growth in wages and labour productivity in selected Latin American and Caribbean countries, 2004–11 (%) .....	28
<b>23.</b>	Growth in output and employment in the Middle East, 1999–2007 and 2008–11 (%)	30
<b>24.</b>	Growth in wages and labour productivity in the Middle East, 1999–2011 (%)....	31
<b>25.</b>	Growth in output and employment in Africa, 1999–2007 and 2008–11 (%) .....	33
<b>26.</b>	Growth in output and numbers of paid employees in Africa, 1999–2007 and 2008–11 (%) .....	34
<b>27.</b>	Growth in wages and labour productivity in selected African countries, 1999–2011 (%) .....	35
<b>28.</b>	Minimum wage levels in selected developed economies, in PPP\$ and as a share of median full-time wage, 2010 .....	37
<b>29.</b>	Minimum wage growth in developed economies, 2006–11 .....	37
<b>30.</b>	Employed working poor (earning below US\$1.25 and US\$2 a day), as % of total employees .....	40
<b>31.</b>	Adjusted labour income shares in developed economies, Germany, the USA and Japan, 1970–2010 .....	43
<b>32.</b>	Adjusted labour income shares in developing and emerging economies, 1970–2007	44
<b>33.</b>	Unadjusted labour income share in China, 1992–2008 .....	45
<b>34.</b>	Hourly productivity and compensation in the United States, Q1 1947–Q1 2012 ..	46
<b>35.</b>	Trends in labour productivity and wages in Germany, 1991–2011 .....	47

36. Trends in growth in average wages and labour productivity in developed economies (index: 1999 = 100) .....	48
37. Factors influencing the labour income share .....	49
38. Decomposing changes in the average adjusted labour income share between 1990/94 and 2000/04 .....	52
39. The macroeconomic effects of functional income shares .....	54
40. Unit labour costs in selected eurozone countries, 2000–10 (index: 2000 = 100)...	57
41. Changes in current account balance and household debt in selected countries, 2003–10 .....	59

### Box

1. Poverty among waged and salaried workers .....	39
---	----

### Appendix figure

A1. Effect of a 1% decrease in labour income share on private consumption of domestic goods and services, investment and net exports: (a) private consumption of goods and services; (b) investment; (c) net exports .....	91
--	----

### Appendix boxes

A1. Data selection and estimation procedure: An econometric methodology .....	79
A2. Data, estimation and simulations .....	87

### Appendix tables

A1. Regional groups .....	68
A2. Coverage of the Global Wage Database, 2010 (%) .....	69
A3. Coverage of the Global Wage Database, 2006–11 (%) .....	70
A4. The factors influencing the adjusted labour income shares .....	83
A5. The impact of external factors on adjusted labour income shares .....	84
A6. Description of countries included in the estimation of tables A4 and A5 and box A1	84



The ILO Global Wage Database is available at: [www.ilo.org/wage12](http://www.ilo.org/wage12).

Scan the QR code with your smartphone to access the ILO Global Wage Database website.

# Acknowledgements

## Main contributors

The report was prepared by staff of the Conditions of Work and Employment Branch (TRAVAIL) of the ILO with contributions from colleagues in other ILO departments in Geneva and field offices, under the responsibility of Philippe Marcadent, Director of TRAVAIL. The principal editor of the report was Patrick Belser. The report is the result of teamwork between Patrick Belser, Malte Luebker, Sangheon Lee, Andrés Marinakis, Kristen Sobeck, Daniel Vaughan-Whitehead, Jacobo Velasco and Rosalia Vazquez-Alvarez. Excellent research assistance was provided by Rengin Gunaydin and Mila Daskalova. Kristen Sobeck managed the Global Wage Database and created figures for Part I. Malte Luebker reviewed the global and regional estimates. Rosalia Vazquez-Alvarez provided inputs on wage policies in the Middle East and reviewed Part II of the report. Charlotte Beauchamp coordinated editing and publication. Christian Olsen designed the cover page.

## Specific contributions

Part II of the report is based on a research project on ‘The macroeconomic analysis of wages’ coordinated by Sangheon Lee (ILO, TRAVAIL). The project included contributions from Özlem Onaran (University of Westminster), Giorgos Galanis (University of Westminster and University of Warwick), Marc Lavoie (University of Ottawa), Engelbert Stockhammer (Kingston University), Eckhard Hein (Berlin School of Economics and Law), Matthias Mund (Berlin School of Economics and Law), Servaas Storm (Delft University of Technology), C.W.M. Naastepad (Delft University of Technology), Till Van Treeck (Macroeconomic Policy Institute Düsseldorf) and Simon Sturn (University of Massachusetts Amherst). The project also benefited from inputs from Massimiliano La Marca (ILO, Policy Integration).

## Special thanks

Our special thanks go to the whole team of the ILO/SIALC (Information System and Labour Analysis) in Panama, in particular Bolívar Pino, for providing wage data on Latin America and the Caribbean, as well as to Steven Kapsos, for providing the analysis on poverty among wage and salaried workers.

We also would like to thank the following people for their precious input and comments: Janine Berg, Fabio Bertranou, Evangelia Bourmpoula, Monica Castillo,

Juan Chacaltana, Matthieu Charpe, Miguel del Cid, Maria Crisetti, Mauricio Dierckx-sens, Chris Edgar, Philippe Egger, Lawrence Egulu, Ekkehard Ernst, Verónica Escudero, Regina Galhardi, Werner Garate, Najati Ghosheh, David Glejberman, Stefan Kühn, Sameer Khatiwada, David Kucera, Bob Kyloh, Chang-Hee Lee, Elva Lopez Mourelo, Moazam Mahmood, Anne Posthuma, Stephen Pursey, Uma Rani, John Ritchotte, Catherine Saget, Reynold Simons, Vincenzo Spiezia, Steven Tobin, Manuela Tomei, Raymond Torres, Geir Tonstol, Zafiris Tzannatos, María Elena Valenzuela, Sher Verick, and four anonymous peer reviewers.