

## Outline for National Experts

### Project on the ILO Global Wage Trends Report

#### The general context:

Last March a paper on wage developments and challenges around the world (prepared by TRAVAIL) was presented at the Employment and Social Policy Committee of the ILO Governing Body which provided a unique opportunity to discuss these issues with employers', trade unions' and governments' representatives. At the end of this discussion, ILO constituents gave a clear mandate to the ILO to develop a comprehensive programme on wages. Within this programme, they requested the ILO to start producing a regular report on global wage trends around the world.

#### The ILO global wage trends report:

This is a major first task for which TRAVAIL has begun mobilizing the concerned colleagues from different departments at Headquarters and in the field. In terms of **methodology**, the ILO is setting up networks of national wage experts in different regions of the world. A first wage experts group has been created in Latin America and others are expected to be established in Asia and Africa. TRAVAIL is also about to launch a huge project with the European Commission on minimum wage, and more generally, wage – fixing in 30 European countries that will respond to the renewed interest of EU member states for the minimum wage following EU enlargement. Germany for instance is envisaging the adoption of a statutory minimum wage, and discussions are underway on setting a minimum wage at EU level. All this should help the ILO to feed its report with insights from different regional perspectives. At the same time, TRAVAIL is collecting comparative data from Geneva, on which the national experts will be kept informed.

**The main aim** of the report is to provide a tool on wage issues to ILO constituents (governments generally ministry of labour; trade unions; employers) and, more generally, policy makers and all concerned economic and social actors. The first report should be completed by the end of 2008, and will then be produced every 1.5 year.

In terms of **structure**, this report will be divided into three main parts:

1) The first part will provide an *overview of wage developments*, supplying in a few pages a comprehensive picture of wage developments, in terms of wage levels and wage evolutions, wage policy tools (minimum wage, wages in the public sector, wage bargaining etc.), and wage practices (payment systems etc.). These developments will be examined within the corresponding economic and social contexts and in relation with other key trends such as economic growth, living standards and poverty, productivity, inflation, employment etc. This part will be factual and descriptive and help the ILO constituents to 1) position their country in the world wage developments map; and 2) capture at a glance global wage trends.

---

2) The second part will *focus on different topics* in each report. Possible themes include: wage bargaining, or the minimum wages, or wage disparity, payment systems, the wage share, wage determination in the informal sector. For our first report, our constituents selected two items as priority issues: **wage bargaining**, and **wage disparity**. The experts should thus specifically develop these two main items (see below). The evolution of the **wage share** was also considered as an important matter to be better studied.

3) The third part of the report will provide *statistical annexes on wage indicators* that will supply up-to date information on simple, but essential, wage data or wage information such as:

- statistics on average wage (AW), minimum wage (MW), MW/AW, MW/subsistence Minimum (SM), AW/SM, income differentials etc.
- ratification of ILO conventions on wages, main method of MW fixing, and of wage determination etc.

This third part aims to provide essential and up-to-date information on basic wage issues. The fact that the tables and information displayed will be the same in every single report will help the constituents to use them as a basic statistical tool for policy-making in this area.

The report will also contain a number of *boxes* that would serve as illustrations/highlights of particular issues raised in the report. They could be inserted either in part I or II of the text. Their aim is to provide quick highlights on a specific development, a country experience, or/and a best practice in wage policy.

### **The purpose of the wage experts' meeting:**

The first experts' meeting is aimed at discussing the outline of the national studies and agreeing on their contents. For this, it is essential to keep in mind that each national report will contain:

- a common part aimed at providing, as much as possible, comparative data and information on the same, selected issues.
- a section examining country-specific wage developments. A round table during the wage experts' meeting will give the opportunity to each expert to start highlighting issues particularly relevant to his/her country.

### **The contents to be covered by the experts:**

The experts will have to provide data on :

- a) a list of common indicators outlined below
- b) wage-fixing mechanisms and wage tools/policies that prevail in their country,
- c) three specific themes
- e) the current story of wage developments and wage policies in their country.

Below are specified the different variables and aspects to be covered under a) to c) *supra*.

#### ***1) Main Indicators of wage trends***

|                               |           |
|-------------------------------|-----------|
| Average wage (nominal ; real) | 1995-2007 |
| Minimum wage (nominal ; real) | 1995-2007 |
| Minimum wage/Average wage     | 1995-2007 |

---

|   |           |
|---|-----------|
| Minimum wage/poverty line   | 1995-2007 |
| Average wage/poverty line   | 1995-2007 |
| Percentage of workers below the minimum wage  |           |
| Percentage of workers between 1 and 1.5 minimum wage  |           |
| Percentage of workers between 1.5 and 2 minimum wage  |           |
| Percentage of workers above 2 minimum wages   | 1995-2007 |
| % of workers at low wage (below 50% the average wage)   | 1995-2007 |
| Average wage by sector of activity  | 1995-2007 |
| Average wage in public sector/private sector  | 1995-2007 |
| Income disparity (GINI coefficient)   | 1995-2007 |
| Wage differentials (last decile/first decile)   | 1995-2007 |
| Average wages by regions  | 1995-2007 |
| Average wages by gender (monthly and hourly)  | 1995-2007 |
| Average wages by skills (years of education)  | 1995-2007 |
| Average wages by type of work contracts<br>(permanent; fix-term; self-employed; part-time)                                | 1995-2007 |
| Average wage in the formal/informal sector  | 1995-2007 |
| Minimum wage in the formal/informal sector  | 1995-2007 |
| Wage share<br>(Total compensations per employee<br>-----<br>GDP*/employees+self-employed )                                | 1995-2007 |
| *Where GDP is income based; at market prices  |           |
| Evolution of poverty  | 1995-2007 |
| Composition of wages<br>(basic wage and other elements: bonuses<br>as 13 <sup>th</sup> month or bonus for presence; etc.) | 1995-2007 |
| Percentage of profit-sharing amounts or<br>participation in company's performance   | 1995-2007 |
| Economic indicators such as:<br>Employment<br>Growth<br>Productivity  | 1995-2007 |

---

Percentage of informal sector in employment 1995-2007

Percentage of informal sector in GDP 1995-2007

## ***2) Role and use of various instruments of wage policy***

*(How are wages determined?)*

Minimum wage

Collective bargaining

Tripartite social dialogue

Wage determination in the public sector

Promotion of decentralized pay systems

(for instance participation in profits/company results)

Other instruments/policies of redistribution

## ***3) Three specific focuses***

### **Social dialogue (collective bargaining + tripartism over wage policy)**

- Coverage of collective bargaining
- Number of collective agreements (national agreements/pacts; collective agreements at sector level; at enterprise level)
- Trade unionization
- Levels of wage bargaining and coordination between levels
- Number of strikes/major conflicts
- Identification of workers who are not covered by social dialogue

### **Wage disparity**

- Explanation of GINI coefficient
- Evolution of income differentials/wage differentials
- Major sources of disparity (by region; by skills; by gender; by origin; by employment status; by age; by company size; by sector)
- Identification of most vulnerable workers/categories of workers
- Public policies and policy actors

### **Changes in the wage share**

- Evolution of the wage share
- Explanatory factors
- Economic context (crisis; markets' openness; etc.)
- Redistributive policies
- Possible policy recommendations (for the government; trade unions; employers)

### **Main contact at ILO:**

Daniel Vaughan-Whitehead, TRAVAIL, (Vaughan-Whitehead@ilo.org)

\*\*\*\*\*

---