Wages in Asia and the Pacific and the Arab States

International Labour Organization

Introduction[1]

Over the past decade, wage growth in Asia and the Pacific has outperformed most of the world. Wage employment has also grown. For the region's 858 million wage workers and their families, dynamic growth brings higher income and better living standards. At the same time, rising inequality remains a concern; the benefits of growth have not been shared as widely and fairly as they might have been.

If countries want to promote shared prosperity with rising incomes for all, and to build inclusive societies, then there is a need to address distributional issues, aiming to ensure that a fair share of the gains of growth reaches all workers. This in turn can boost domestic demand, and support stronger, more balanced, and more inclusive growth – key ingredients of the 2030 Sustainable Development Goals (SDGs).

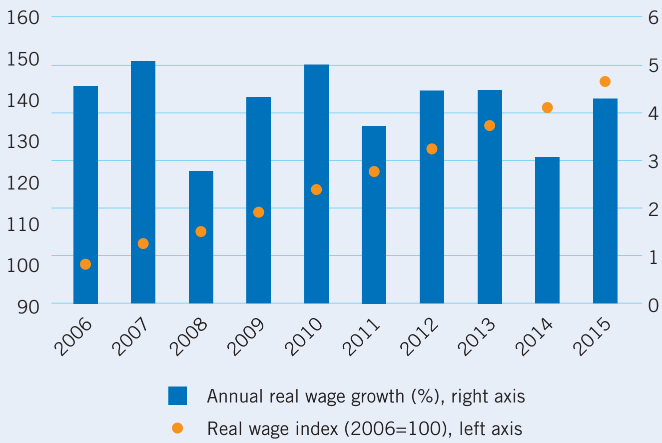
Sound wage-setting institutions can make important contributions to both economic success and equitable society. To this end, concerted efforts are needed to strengthen minimum wage-setting institutions and collective bargaining mechanisms. Such measures are crucial in advancing the sustainable development agenda and achieving SDG Goal 8 ("promote sustained, inclusive and sustainable economic growth") and Goal 10 ("reduce inequalities").

Trends

Wage growth in Asia and the Pacific, however uneven, outperforms the world

Between 2006 and 2015, real wages in the region grew by 44 per cent, at a compound annual growth rate of 4.2 per cent. In 2014, wage growth in Asia-Pacific slowed to 3.1 per cent, but in 2015, according to a preliminary ILO estimate, growth recovered to 4.3 per cent (figure 1).

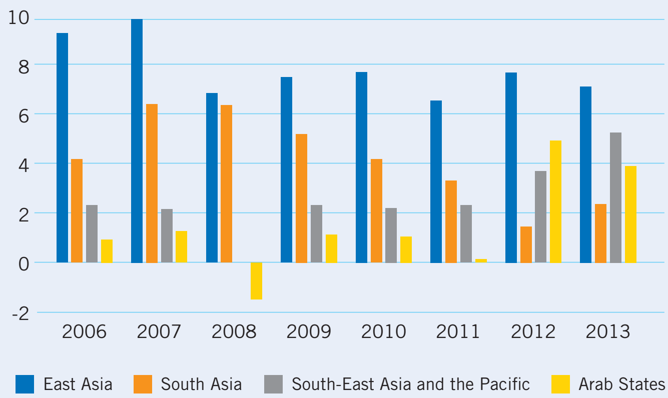
Figure 1. Real wage growth in Asia and the Pacific, 2006–15



Note: Estimation for 2015 is preliminary.

Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics.

Figure 2. Average real wage growth in Asia and the Pacific by sub-region, 2006–13 (%)



Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics.

However positive this development, the overall picture remains nuanced. First, the region's dynamic performance is largely driven by China, the largest economy in the Asia-Pacific region; wage growth elsewhere has been much more modest. Second, although there has been some catch-up with wages in many developing economies

[1] For the purposes of this note, 'Asia and the Pacific' refers to the region that includes 47 countries, plus the Occupied Palestinian Territory, across all income levels from East Asia, South-East Asia, South Asia, the Pacific Island countries and the Arab States of West Asia, unless explicitly stated otherwise.

growing faster than they have in industrialized economies, average wages across and within countries still vary considerably.

In East Asia, real wages grew between 6–9 per cent per year since 2006 (figure 2). As a result, real wages in 2013 were, on average, 67 per cent higher than in 2006. Given the large extent of China's wage employment, this country provided the engine for the sub-region's strong performance.[2] However, China's wage growth has slowed recently. Average urban real wages in China grew by 6.2 per cent in 2014, down from 11.3 per cent in 2009.[3] Mongolia also achieved high wage growth; the country's real wages more than doubled between 2006 and 2014.

South Asia experienced solid annual real wage growth of more than 6 per cent in both 2007 and 2008, but wage growth has since decelerated. Throughout the past decade, real wages have risen fast in rural India and remained flat in Pakistan.

Real wages in South-East Asia have grown at a slower rate than they have in East Asia and South Asia. This export-oriented sub-region was hard hit by the global financial crisis, and wage growth stalled in 2008. Following the sub-region's recovery, real wage growth resumed and, since 2012, has accelerated.

The Arab States lag behind the rest of Asia and the Pacific, with real wages stagnating until 2011 and increasing only in recent years. However, wage data in the sub-region have many constraints. For example, increases in wages in recent years were partly due to national interventions in response to social unrest during the Arab uprising.[4]

Despite recent growth, workers in many developing economies in Asia and the Pacific still earn very low wages. Information on wage levels for economies with broadly comparable data reveals large differences across the region (figure 3).

At the lower end, wage workers in Cambodia, the Lao People's Democratic Republic, and Pakistan earn a meagre amount (US$119–146 per month). Such low wage levels mean these countries are also among those with the highest incidence of working poverty. Wages are somewhat higher in lower middle-income countries such as India and Viet Nam. Upper middle-income countries such as Malaysia, Jordan, and China have substantial higher wages ($592–685), although they still fall short of those in high-income economies like New Zealand, Singapore, and Australia ($3,085–3,715).

Despite the recent minimum wage increases witnessed in the Arab region, available data on wage growth show a consistently uneven picture.

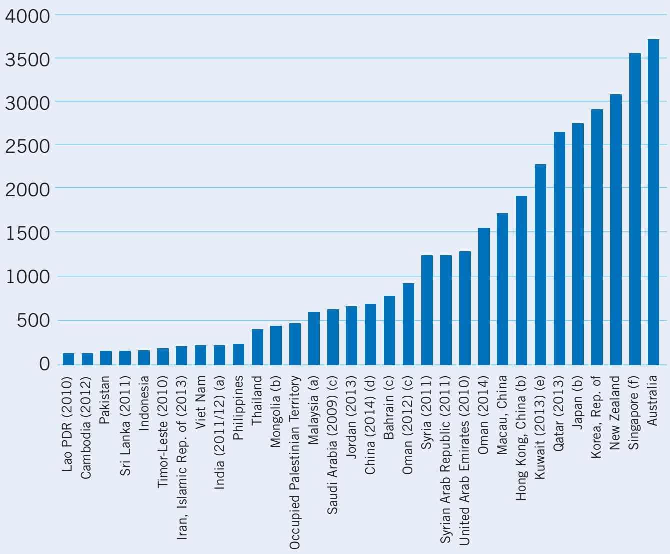
In the Pacific Island countries, wages are a major source of income for households although little reliable data is available.[5]

Wage employment rises, but many women are left behind

Asia and the Pacific is home to 858 million wage employees – accounting for more than half of the world's wage and salaried employees. The share of wage employment in the region's total employment stood at 44.6 per cent in 2015, up from 43.7 per cent in 2006. Wage workers generally have higher wages and better conditions than their counterparts in vulnerable employment (self-employed and contributing family workers), though not all wage employment jobs offer decent work.

By 2030, the share of wage workers is projected to reach 48.6 per cent. Wage employment will grow faster in South Asia and South-East Asia, where their share is still very small (figure 4). Elsewhere in the region, it will stay stable or slightly decline.

Figure 3. Average nominal monthly wages in selected countries in Asia and the Pacific, 2015 or latest available year ($)

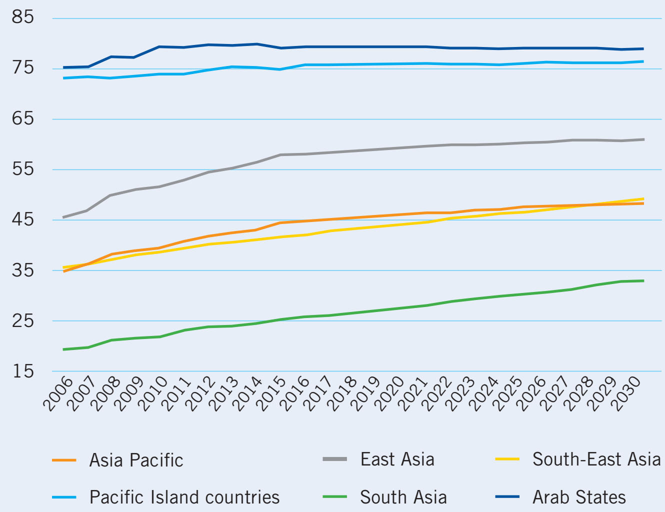


Note:
(a) Average daily wage or salary earnings of regular wage and salaried employees aged 15 to 59 years, multiplied by 313/12. The exchange rate is from the Ministry of Statistics and Programme Implementation: *India Statistical Yearbook, 2014* (New Delhi, 2014).
(b) Based on an establishment survey with broad coverage; Hong Kong (China) and Japan refer to full-time employees.
(c) Refers to private sector.
(d) Based on establishment surveys; calculated as employment-weighted average of urban units and private enterprises, See: ILO: *Wages, productivity and labour share in China*, op. cit.
(e) Refers to mining, quarrying and manufacturing only.
(f) Based on administrative records from the Central Provident Fund Board.

Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics. Exchange rates are from the World Bank, *World Development Indicators* (Washington, DC, 2016).

2 Chinese wage statistics refer to urban units and do not cover rural areas or private enterprises.
3 ILO: *Wages, productivity and labour share in China* (Bangkok, 2016).
4 ILO: *Global Wage Report 2014/15: Wages and income inequality* (Geneva, 2015).
5 See ILO: *Wages in Asia and the Pacific: Dynamic but uneven progress* (Bangkok, 2014), box 4.

Figure 4. Wage employment in Asia and the Pacific, 2006–30 (% of total employment)



Note: 2016–30 represent projections.

Source: ILO Research Department: Trends Econometric Models, Oct. 2015.

Women's participation in wage employment is fundamental to gender equality. However, women occupied only 36.8 per cent of wage employment jobs in 2015, and this share is expected to slip to 35.7 per cent by 2030. Although the proportion of women in wage employment is expected to increase slightly in South Asia and the Arab States (from very low shares at 20.3 per cent and 15 per cent, respectively in 2015), closing the gender gap in wage employment remains a challenge.

Wage inequality persists within countries

Inequality has taken centre stage in policy discussions in recent years. High and rising wage inequality can dampen the poverty reduction impact of economic growth, and even weaken the basis of growth. High inequality also threatens a country's political stability because more people are dissatisfied with their economic status, which makes it harder to reach political consensus among population groups with higher and lower incomes. Political instability increases the risk of investing in a country and thus significantly undermines its economic development.[6]

By one common measure of wage inequality – the ratio of the 90th wage percentile to the 10th percentile, often called the "P90/P10" ratio – inequality varies considerably across countries (figure 5). The ratio in Singapore, for example, stands at 9.8; in other words, the highest 10 per cent of wage earners in the country earn roughly 10 times more than the lowest 10 per cent of the wage earners. This is a high level of inequality, relatively higher than those in other Asia-Pacific countries.

Figure 5. Wage inequality (P90/P10 ratio), latest available year

Note: Data refer to 2013 (Indonesia, Malaysia, and Sri Lanka), 2012 (Cambodia, India, Singapore, and Viet Nam), 2011 (Japan and New Zealand), and 2010 (Australia, Korea, Rep. of, Lao PDR, Maldives, and Thailand).

Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics; ILO and Asian Development Bank (ADB): *ASEAN Community 2015: Managing integration for better jobs and shared prosperity* (Bangkok, 2014).

Indonesia is another country with high wage inequality in South-East Asia, with a P90/P10 ratio of 9.7. Real wages at the bottom percentile in these two countries have increased very little in the past two decades, whereas those at the top have seen substantial growth.[7] In South Asia, the P90/P10 ratio is 7.2 in India, 6.5 in Sri Lanka, and 4.3 in the Maldives.

In East Asia, the wage dispersion is relatively compressed, namely in Japan and the Republic of Korea. As for China, the disposable income per capita in the high income households (top 20 per cent) was 10.7 times that of the low income households (bottom 20 per cent) in 2014.[8]

Women often earn less

Gender inequality in the labour market is evident not only in the low participation of women in wage employment (representing inequality of opportunity for productive employment) but also in wages (representing inequality of outcome). Women often earn less than men, and this wage inequality has contributed to rising inequality in income. These two forms of inequality can lead to a vicious circle as unequal opportunities create income disparities, which in turn lead to differences in opportunities for women compared with men.

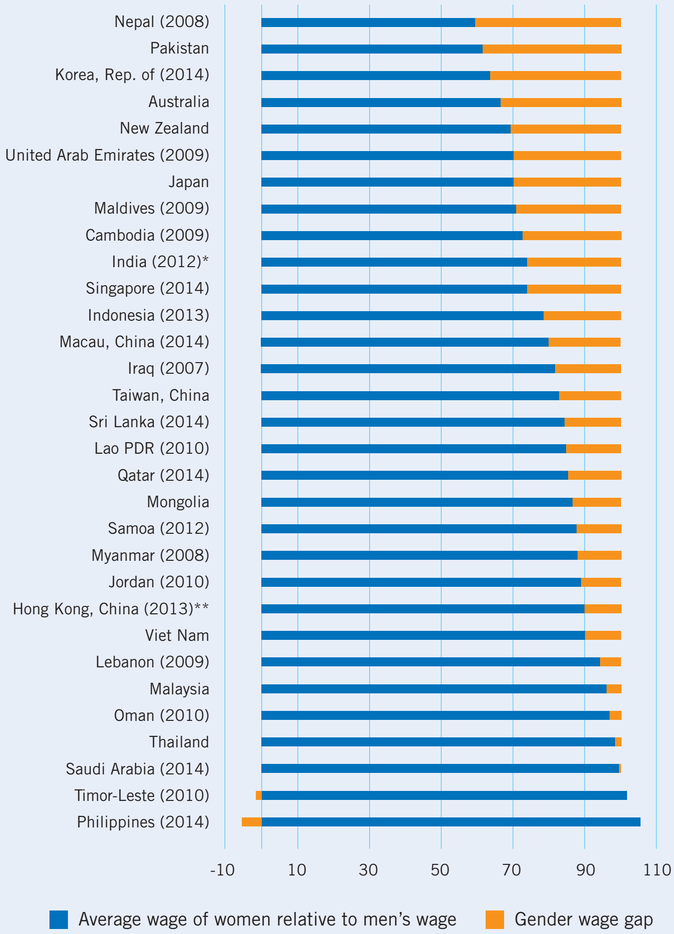
6 T. P. Soubbotina and K. A. Sheram: *Beyond economic growth, meeting the challenges of global development* (Washington, DC, World Bank, 2000), p. 30.

7 H.W. Tat and R. Toh: *Growth with equity in Singapore: Challenges and prospects*, Conditions of Work and Employment Series No. 48 (Geneva, ILO, 2014).

8 Calculation based on national statistics from the National Bureau of Statistics (NBS): *China Statistical Yearbook, 2015* (Beijing, 2016).

Gender wage gaps may be a combined result of occupational segregation and gender discrimination. Women in Asia and the Pacific more often work in lower-paid jobs such as domestic work. With the exception of Timor-Leste and the Philippines, women earn less than men in all Asia-Pacific economies for which data is available (figure 6).

Figure 6. Gender wage gap in Asia and the Pacific, 2015 or latest available year (%)



Note: * Based on average daily wage or salary earnings received by regular wage and salaried employees (activity status codes: 31, 71, 72) aged 15 to 59 years, multiplied by 313/12.
** Based on an establishment survey with broad coverage; refers to full-time employees.

Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics.

Gender wage gaps are wide in South Asia, especially in Nepal (women earning 40.5 per cent of men) and Pakistan (38.6 per cent). Countries in South-East Asia have smaller gaps, except for Cambodia, Indonesia, and Singapore. Women's average wages lag far behind those of men in Australia and New Zealand, where many women work in part-time jobs.[9]

In the Arab States, gender wage gaps range between 0.4–30 per cent. Gender pay gaps are also marked in East Asia, exceeding 20 per cent in Macau (China), Japan and the Republic of Korea. Although there are no national statistics data available for China, one estimate suggested that the gender earnings differential in China was about 23 per cent in 2009.[10]

Wages lag productivity growth and labour income shares declines

Linking wages to productivity ensures that while enterprises can increase their operating surplus in line with productivity growth, workers benefit from economic growth in the form of rising real wages (box 1). Over the past decade, however, wages have lagged behind productivity growth across all Asia and the Pacific, with the exception of the Arab States.[11] In the Arab States region, following a period of economic stagnation up until 2011, wage increases have been slightly stronger than productivity growth.

In addition to wages and productivity, another way of looking at the distribution of economic gains between workers and businesses concerns labour income share. The labour income share shows how much of the national income accrues to workers. As an indicator in Goal 10 of the 2030 SDGs, giving labour a fairer share in economic gains is an important step to fighting poverty and reducing inequality.

Of the 16 Asia-Pacific economies for which data is available between 1995 and 2009,[12] the share of labour income (total compensation of employees as per cent of total value added) has declined in nine economies. In China, the labour share fell from 60 per cent in 1995 to 48 percent in 2008 (figure 7). For Chinese wage workers, this means that their wage growth lagged behind productivity growth, with reduced benefits from the expanding economy since 2003.

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9 ILO: *Wages in Asia and the Pacific: Dynamic but uneven progress* (Bangkok, 2014).

10 X. Meng: "Labor market outcomes and reforms in China", in *Journal of Economic Perspectives* (2012, Vol. 26, No. 4), pp. 75–102.

11 ILO Research Department: Trends Econometric Models, Oct. 2015; ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics; ILO: *Key Indicators of the Labour Market*, 9th edition (Geneva).

12 ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics.

Box 1. Labour productivity and wage growth in China, India, Indonesia and the Republic of Korea

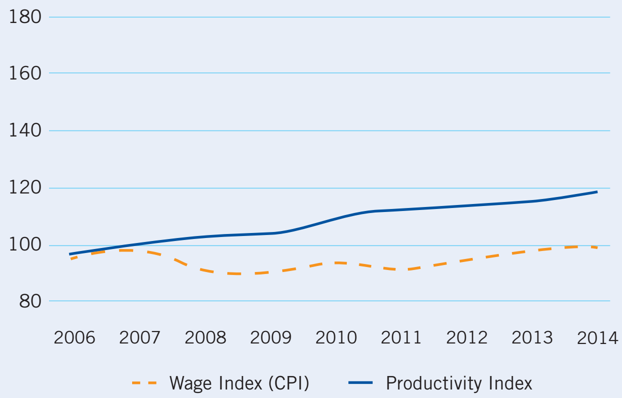
In the Republic of Korea, while productivity has been rapidly rising, wages have been stagnating or even falling since 2006. As a result, the wage-productivity gap has widened, especially since 2009. This is true not only for the Republic of Korea (Panel A) but for other high-income economies in East and South-East Asia such as Macau (China), Hong Kong (China), Japan, and Singapore.

The trend is similar in many developing economies, including the Philippines and Sri Lanka. In India, productivity has been increasing since 2006, while wages remained stagnant until 2010, and they have increased only slightly since then (Panel B). In Bangladesh and Indonesia (Panel C), wages have been rising fast, but productivity growth has been even higher.

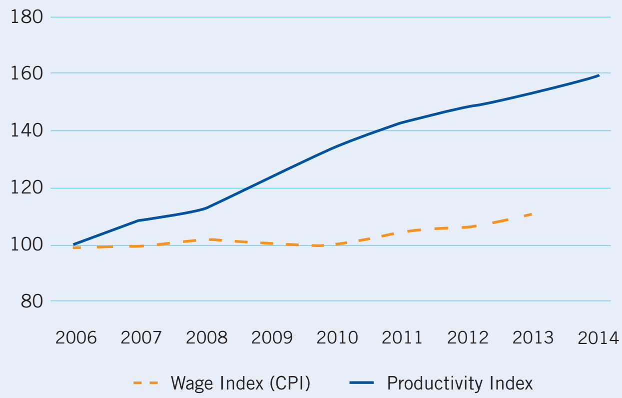
As the most dynamic economy of the region, China has experienced strong growth in both wages and productivity. Given the lack of wage data from national statistics,[1] the ILO estimated the average compensation per employee and found that productivity growth outstripped real compensation growth during the past decade (Panel D).[2]

Figure B1-1. Cumulative labour productivity and real wage growth (2006=100)

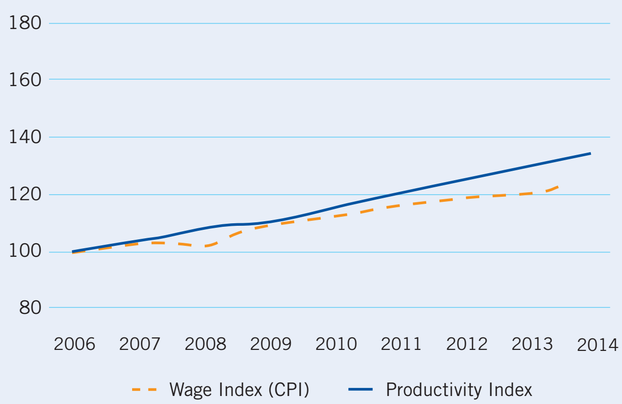
Panel A: Republic of Korea



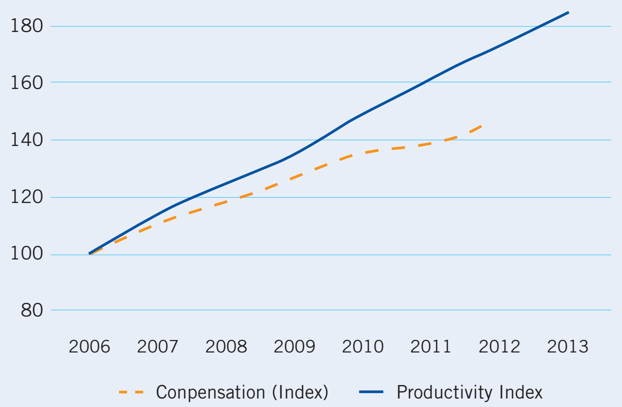
Panel B: India



Panel C: Indonesia



Panel D: China

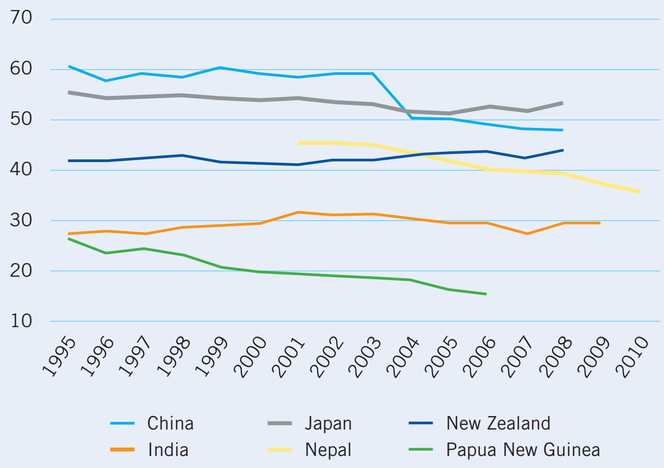


Source: ILO/ILOSTAT: *Global Wage Database 2014/15*; China: ILO: *Wages, productivity and labour share in China*, op. cit.

[1] The National Statistical Bureau of China (NBS) only releases wage data for employees in the urban sector. No relevant data are available from the NBS for average wages for the entire economy.

[2] ILO: *Wages, productivity and labour share in China*, op. cit.

Figure 7. Labour income share in selected Asia-Pacific countries, 1995–2010 (%)



Source: ILO/ILOSTAT: *Global Wage Database 2014/15*, based on national statistics.

In Papua New Guinea, the steep decline in the labour share and its very low level indicate that the windfall of profits generated by the country's capital-intensive oil and mining sector is tending not to reach workers. The labour income share has also shrunk in Japan and even more in Nepal, but has remained stable in India since the early 2000s. At the same time, the labour share has risen since the early 2000s in New Zealand.

The reasons for the declining labour share in developing Asia are many, including (a) downward pressure on wages as many underemployed workers enter wage employment; (b) shifts to more capital-intensive production; (c) increased international competition; and (d) weak labour institutions. Most studies, however, have found that international competition, poor compliance with labour laws, and weak labour institutions are the major factors inhibiting worker bargaining power in the region.[13]

Recent policy developments

The two main wage policy tools are minimum wage setting and collective bargaining. They have different purposes, and complement one another in a market economy, together creating conditions for sharing gains between capital and labour.

Minimum wage setting plays an active role

The purpose of minimum wages is to protect workers against unduly low pay. Minimum wages can also comprise an important element of a policy that aims to "progressively achieve and sustain income growth of the bottom 40 per cent of the population by 2030" (target 10 of SDG Goal 8), and thereby reduce inequality.

Most economies in Asia-Pacific have already established minimum wage fixing systems (90 per cent of ILO member States in Asia and over 70 per cent in the Arab States).[14] Minimum wage adjustments have helped address low pay and working poverty as well as contributing to the expansion of domestic demand and structural change.

With the export-oriented East Asian economies such as China and the Republic of Korea, this policy stalled with the onset of the global financial crisis in 2007–08. In China, minimum wage growth moderated during the global crisis, but picked up again from 2009. In recent years, however, as the economy slows, minimum wage growth has sharply decelerated. In 2015, the southern province of Guangdong – China's most populous province, a manufacturing hub with 107 million people and a $1.1 trillion economy – announced a two-year minimum wage freeze. Other provinces and municipalities also decided to leave the minimum wage unchanged or introduced only a small increase for 2016.[15]

In the Republic of Korea, minimum wage growth also moderated during the global financial crisis, but has outstripped inflation in the post-crisis period. The 8.1 per cent increase in 2016 was the greatest rise since 2008, boosting domestic demand. According to the country's Minimum Wage Commission, this rise will affect an estimated 3.42 million people in the nation.[16]

Minimum wages also played a major role in reviving wage growth in South-East Asia in recent years. In 2011–12, Thailand increased the minimum wage to 300 Thai Baht (THB) per day ($9.80), a rise of nearly 40 per cent.[17] This represented a catch-up after more than a decade and has played a role in reviving wage growth. Minimum wage growth was also strong in Viet Nam, where the National Minimum Wage Council sought to gradually lift minimum wages up to the level of minimum living wage. Minimum wage adjustments ranged between 12.5–17.5 per cent a year between 2013–16. Minimum wages also went up in the Lao People's Democratic Republic, Indonesia, and the Philippines.

Malaysia implemented a new national minimum wage in 2013 – a policy that explicitly supported the country's transition to high-income status by eliminating poverty, increasing domestic demand and encouraging enterprises to move up the value chain.[18] By ratifying the Minimum Wage Fixing Convention, 1970 (No. 131) in 2016, Malaysia has become the first ASEAN member State that has formally adopted this Convention.

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13 S. Bentolila and G. Saint-Paul: "Explaining movements in the labor share", in *The B.E. Journal of Macroeconomics* (2003, Vol. 3, No.1), pp. 1-33; S. Engelbert: *Why have wage shares fallen? A panel analysis of the determinants of functional income distribution*, Conditions of Work and Employment Series No. 35 (Geneva, ILO, 2013).

14 ILO: *Minimum wage policy guide*, http://www.ilo.org/global/topics/wages/minimum-wages/lang--en/index.htm [accessed 15 Sep. 2016].

15 "China's great wage boom is starting to fade", in *Bloomberg News*, 22 Mar. 2016.

16 Minimum Wage Commission, Republic of Korea: *Minimum Wage System*, http://www.minimumwage.go.kr/eng/sub04.html [accessed 16 Sep. 2016].

17 Exchange rate is for 2013, from World Bank, op. cit.

18 Ministry of Human Resources (Malaysia): *Minimum Wages Portal*, http://minimumwages.mohr.gov.my/employers/about-minimum-wages-policy/ [accessed 27 May 2016].

In Bangladesh, India, and Sri Lanka, minimum wages have been rising in recent years, though the frequency of adjustment varies and, with more than 1,600 different rates by sector, locality and occupation, the Indian minimum wage system remains complex. Improving minimum wage setting is on the agenda however. In India, for example, the Government is working to amend the Minimum Wage Act of 1948. The aim is to establish a standard minimum wage rate for all occupations, to introduce a new formula for calculating minimum wages, and to make it mandatory that salaries are paid through bank transfer. The latter provision can help to ensure that contractors and intermediaries do not take a cut of the workers' wages.

Among the Pacific Island countries, Fiji introduced a national minimum wage in 2014, which, rather than replacing existing occupational or sectoral rates, fills the coverage gap for workers in previously uncovered sectors. Vanuatu already has a minimum wage in place, while Kiribati and Tuvalu are considering similar steps.

Successful minimum wage-setting institutions require involvement from workers and employers. Countries such as Jordan, the Republic of Korea, Lebanon, Malaysia, the Occupied Palestinian Territory and Viet Nam have established tripartite bodies for minimum wage fixing. Regular adjustments are another characteristic of successful minimum wage systems. Long delays hurt low-wage workers, whereas large increases in minimum wages to catch up can damage the economy. Equally important are the availability and use of relevant data in line with an agreed set of criteria that reflect the needs of workers and their families as well as economic factors. Timely data allows decision-makers to monitor impacts, decide on adjustments, and consider the extension of minimum wages to workers who are vulnerable to unduly low wages.

Role of collective bargaining remains limited

Collective bargaining is a key mechanism through which employers and their organizations and trade unions can establish fair wages and working conditions above the minimum floor. It also provides the basis for sound labour relations. Collective agreements may address the rights and responsibilities of the parties, thus ensuring harmonious and productive industries and workplaces.

As of 2016, 164 out of 187 ILO member States had ratified the Right to Organize and Collective Bargaining Convention, 1949 (No. 98). However, 20 out of the 23 countries without ratification were in Asia and the Pacific, including China, India, and the Republic of Korea.

As a result, collective bargaining coverage – defined as the proportion of employees whose pay and conditions are determined by collective agreements – remains low in the region. In developing Asia, collective bargaining coverage ranges from just 1–2 per cent in Malaysia and the Philippines, through 5–6 per cent in Bangladesh and India, to 10 per cent in Indonesia (table 1). China is an exception, with a coverage rate of close to 40 per cent.

Table 1. Collective bargaining coverage rate (CBC) in selected Asia-Pacific countries, latest available year (per cent)

	CBC	Year
Australia	61.0	2013
Bangladesh	5.0	2006
China	39.3	2012
India	6.0	2012
Indonesia	10.0	2008
Japan	17.1	2013
Korea, Rep. of	11.1	2012
Malaysia	1.2	2013
New Zealand	15.0	2013
Philippines	1.4	2013
Singapore	17.3	2012
Thailand	3.2	2007

Source: Amsterdam Institute for Advanced Labour Studies (AIAS): *Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) Database, Version 5* (Amsterdam, 2015).

China's high and rising coverage rate reflects rapid changes in the country's industrial relations landscape. According to a recent study, China has made major advances, although crucial challenges remain.[19] On the one hand, there has been clear progress in such areas as (a) improvement in the technical capacity and representative role of the All-China Federation of Trade Unions (ACFTU); (b) promotion of industrial relations, to help provide space for unions and collective bargaining; and (c) quantitative increases both in union density and collective bargaining coverage. A number of local experimental approaches to more genuine collective bargaining also operate, (e.g. the election of union chairs in some provinces and municipalities), and there is a growing willingness among workers to express their voice. On the other hand, collective bargaining can only take place in the context of "appropriate representation", and most agreements remain "formalistic, inauthentic and poorly enforced".

Compared to developing Asia (except China), industrialized economies have higher collective bargaining coverage: 11–18 per cent in the Republic of Korea, Japan, Singapore and New Zealand, and 60 per cent in Australia. The main reason for the high rate in Australia is the extension of agreements to all employers and workers in a given occupation or industry.

One reason for the limited role of collective bargaining in developing Asia is dwindling union membership. Although wage employment is growing in half of the countries for which data are available, union density (defined as the proportion of union members among wage and salaried workers) has declined, currently standing below 10 per cent.[20]

[19] S. Kuruvilla and M. Liu: *The state, the unions and collective bargaining in China* (Feb. 2016), http://www.fondazionegiuseppepera.it/wp-content/uploads/2016/02/Kuruvilla-Liu.pdf [accessed 15 Sep. 2016].

[20] ILO/ILOSTAT: *Global Wage Database 2014/15*.

The other, and more important reason, relates to national legal frameworks that still too often constrain representation and the expression of worker voices. To function effectively, collective bargaining must be grounded in a legal and institutional framework that encourages and facilitates the bargaining process. These protections are laid out in the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

Ultimately, sound collective bargaining must be based on the freedom of workers and employees to join and form representative organizations of their own choice, as laid out in the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). These two fundamental Conventions, already ratified by more than 150 ILO member States, now constitute the global benchmark.

Still more ratifications in Asia and the Pacific would send a signal that the region is committed to the principles of the Conventions, which is critical to the development of collective bargaining mechanisms in line with national circumstances.

Recommendations

If countries want to create shared prosperity, with rising incomes for all, and to build inclusive societies, they must address the twin challenges of laying the foundation for sustainable wage rises in the future and ensuring that all workers get a fair share of the fruits of growth.

An innovative, dynamic, and competitive business sector can provide the foundation for a sustainable wage growth that creates decent jobs, generates profits, and drives growth. Rising wage levels mean that businesses cannot rest on yesterday's achievements if they want to stay competitive. To succeed, enterprises need government support in the form of high-quality education and vocational training, public investment in infrastructure, business-friendly regulations, and other measures that support innovation, technological upgrading and productivity growth. Thus a challenge for governments is promoting conditions that help enterprises to succeed and to lay the foundation for sustainable wage growth in the future.

Promoting dialogue and guaranteeing rights at work are the pillars of effective wage-setting institutions that can help ensure the benefits of growth are shared as fairly and widely as possible. If workers and employers are involved, with both having a stake in ensuring appropriate wages, minimum wage fixing can produce better outcomes for all.

Recommended policy actions include the following:

Improve wage-setting institutions. Minimum wages provide an important policy tool to protect workers against unduly low pay. However, they can also be sources of conflict and controversy. Governments therefore need to strengthen minimum wage-setting institutions and to base decisions on evidence and dialogue with trade unions and employers. Better compliance, impact assessment, and regular adjustments are all important. Extending coverage to all wage and salaried workers at risk of low pay, including migrants, needs to be considered.

Strengthen collective bargaining. Collective bargaining provides a mechanism for both employers and their organizations and trade unions to establish fair wages and working conditions, and to build sound labour relations. Governments need to create enabling environments for effective collective bargaining, based on the principles set out in the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convection, 1948 (No. 87). Trade unions and employers' organizations need to improve their technical and representative capacity to play effective roles in collective negotiations.

Investment in wage statistics. The availability of timely and reliable data is critical for evidence-based wage policy. National statistical offices are encouraged to conduct regular surveys, employing international concepts, definitions, and methodologies to collect current, comprehensive information on wages. This can facilitate both minimum wage fixing and collective bargaining, and can help in monitoring and impact assessment.

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