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This new edition of the *Global Wage Report* is being issued in a context marked by three important developments that are likely to shape social and economic policies in the near to medium term: the gradual recovery from the COVID-19 crisis; the global rise in inflation that began in 2021 and seems to be accelerating rapidly in 2022; and, since February 2022, the war in Ukraine, which has created additional economic uncertainty for many countries.
After the second quarter of 2022, the health crisis began to show signs of abating worldwide. According to the World Health Organization (WHO), global estimates indicate that the numbers of COVID-19 cases confirmed per week and new weekly deaths have each fallen steadily since then at the rate of about 10 per cent and 15 per cent, respectively, on a week-to-week basis. It is therefore reasonable to conclude that, despite the profound socio-economic consequences of the pandemic in the past three calendar years, the direct impact of COVID-19 on the economy is diminishing in most countries. As the measures taken by governments to curb transmission of the coronavirus were relaxed, the devastating economic effect of the pandemic subsided to some extent during 2021. Global growth bounced back to 6 per cent in 2021, having dropped to a negative rate of −3.0 per cent in 2020; total government debt across the world as a share of gross domestic product (GDP) stabilized at around 76 per cent, having jumped from 63 to 76 per cent during 2020 as a result of the fiscal measures implemented during the pandemic; and trade volumes returned to positive values in 2021.

Labour markets also bounced back during 2021, though the recovery has not been the same for all groups of workers or all regions. Thus, by the end of 2021, high-income countries had returned to the employment levels observed in the fourth quarter of 2019, whereas in low- and middle-income countries they remained about 2 per cent below pre-pandemic levels, with employment deficits concentrated among low-paid workers, the group that suffered the greatest job losses during the pandemic (ILO 2022b). However, concerns about rapidly rising inflation have clouded the economic horizon for countries worldwide. The outbreak of the war in Ukraine has contributed to increasing rates of inflation, which was already on the rise during 2021. After a period of relatively low inflation rates from 2008 to 2020, global inflation increased sharply to 4.7 per cent in 2021 and is expected to reach 8.8 per cent by the end of 2022 (IMF 2022b). In particular, food and energy are the items most susceptible to price inflation, with the rise in food prices hitting the purchasing power of vulnerable populations in low-income countries hardest. In view of higher-than-expected inflation worldwide, the negative spillover effects of the war in Ukraine, continued supply bottlenecks and tightening financial conditions, the International Monetary Fund (IMF) has revised downward the expected global growth rates for 2022, from an initial projection of 3.6 per cent in April 2022 (IMF 2022c) to a new forecast of 3.2 per cent in July 2022 (IMF 2022a), a forecast that has remained identical in October 2022 (IMF 2022b).

This report explores how wages and their purchasing power have evolved in the circumstances described above, presenting the latest global, regional and country-specific wage trends. It focuses, in particular, on the effect of accelerating price inflation on the real value of wages, and discusses how and why inflation has a greater impact on households at the bottom of the income distribution, which spend most of their income on essential items, such as food and energy. The report also offers an empirical analysis of inflation expected in the near future, highlighting its possible effects on wages. This is complemented by quarterly estimates of the total wage bill from 2019 to 2022, which reveal the extent of the impact of job losses on total wages, and by a detailed analysis of how wage inequality, including gender pay gaps, may have changed in recent years. The report’s ultimate aim is to provide sound empirical evidence that can be used by policymakers as they search for strategies to enable their countries to weather the multiple ongoing crises. A discussion of policy options therefore rounds off the report.