GLOBAL WAGE REPORT 2016/17

WAGE INEQUALITY IN THE WORKPLACE

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Outline

Part I: Major Trends in Wages

- Global trends
- Wages, productivity and labour shares

Part II: Wage Inequality in the Workplace

- The extent of wage inequality
- Within & between enterprises
- Gender pay gaps

Part III: Summary & Conclusion

There is growing recognition that wage trends have been problematic in many countries …

In many countries, wage trends have become a social and political issue, changing the **“nature of political discussion”.**

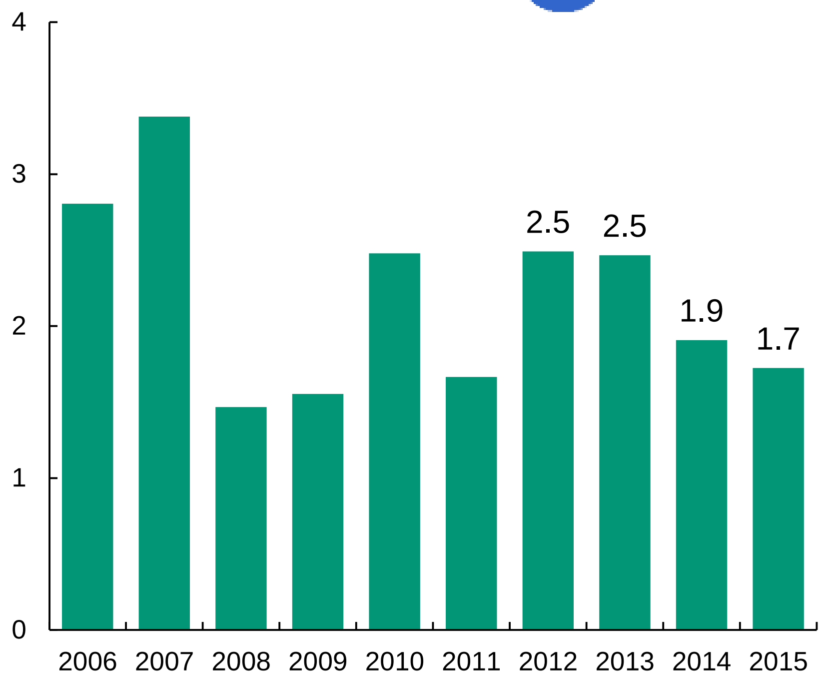
There are some unresolved debates on the economic dimensions of wages, particularly their impact on **competitiveness and aggregate demand**.

Global wage growth has decelerated since 2012

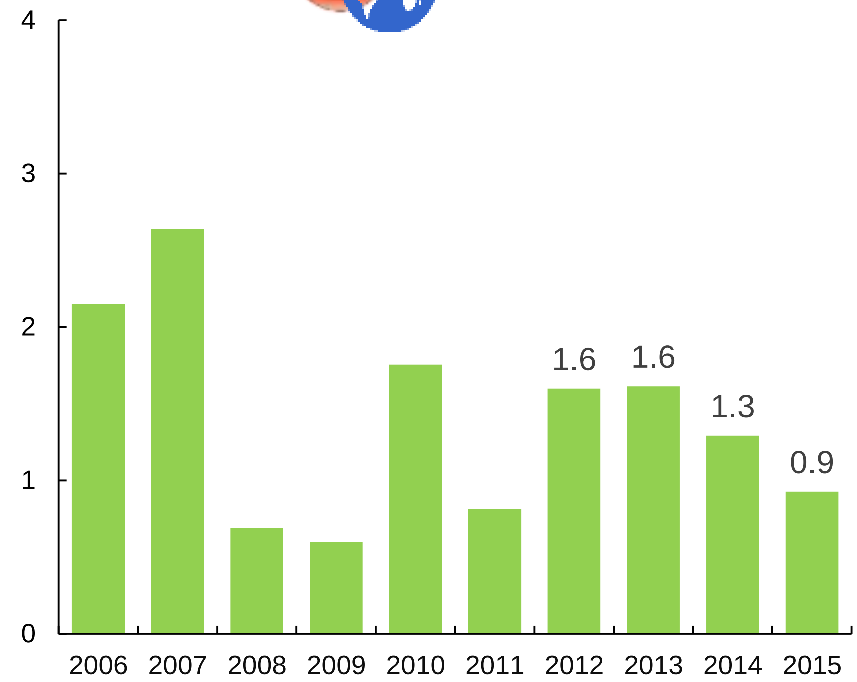
Annual average global real wage growth (2006-15)

Weighted average; data from ILO global wage database, %

Global



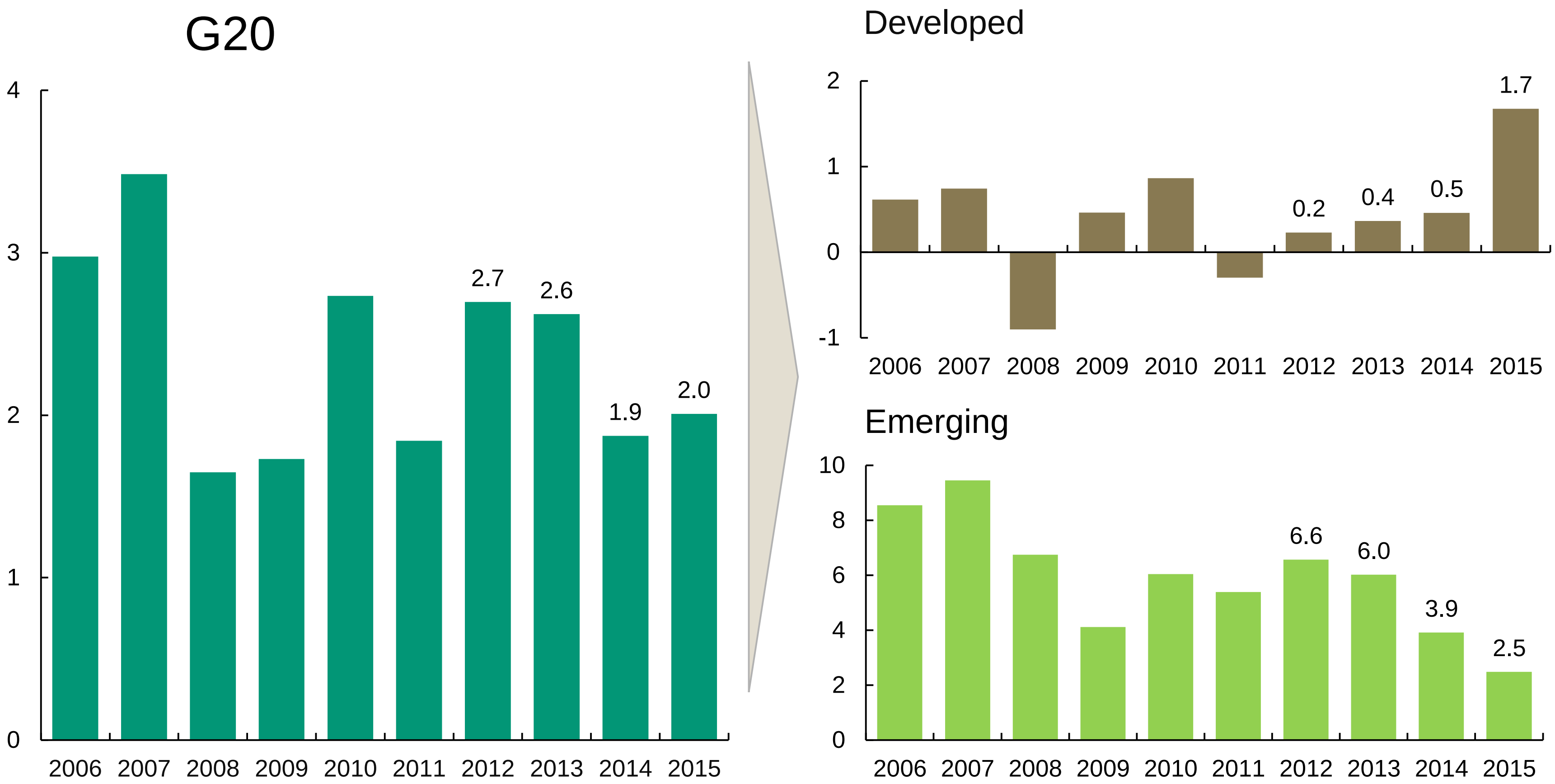
Global (without China)



Wage growth has increased in developed countries; but declined in emerging economies

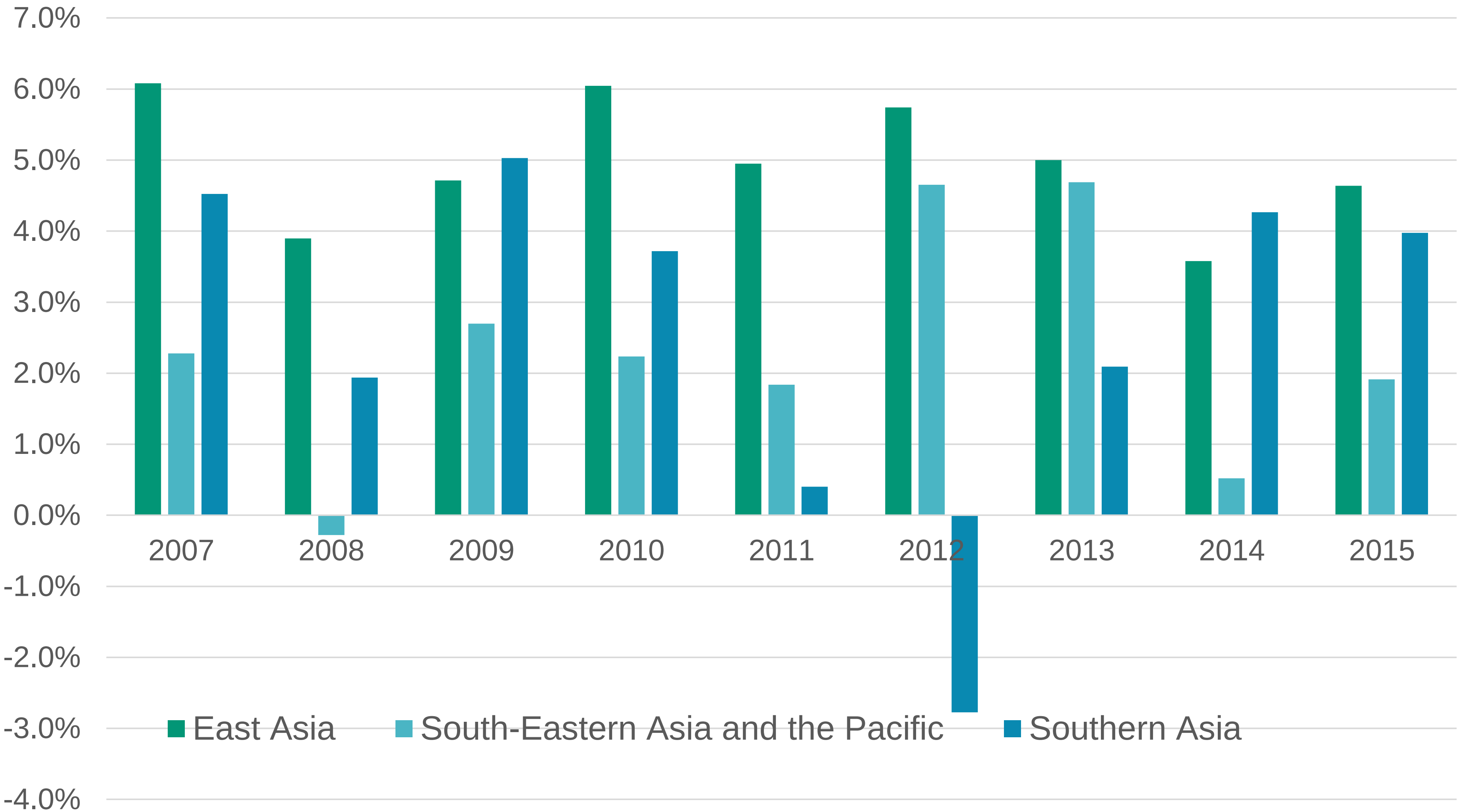
Annual average real wage growth in the G20 (2006-15)

Weighted average; data from ILO global wage database, %

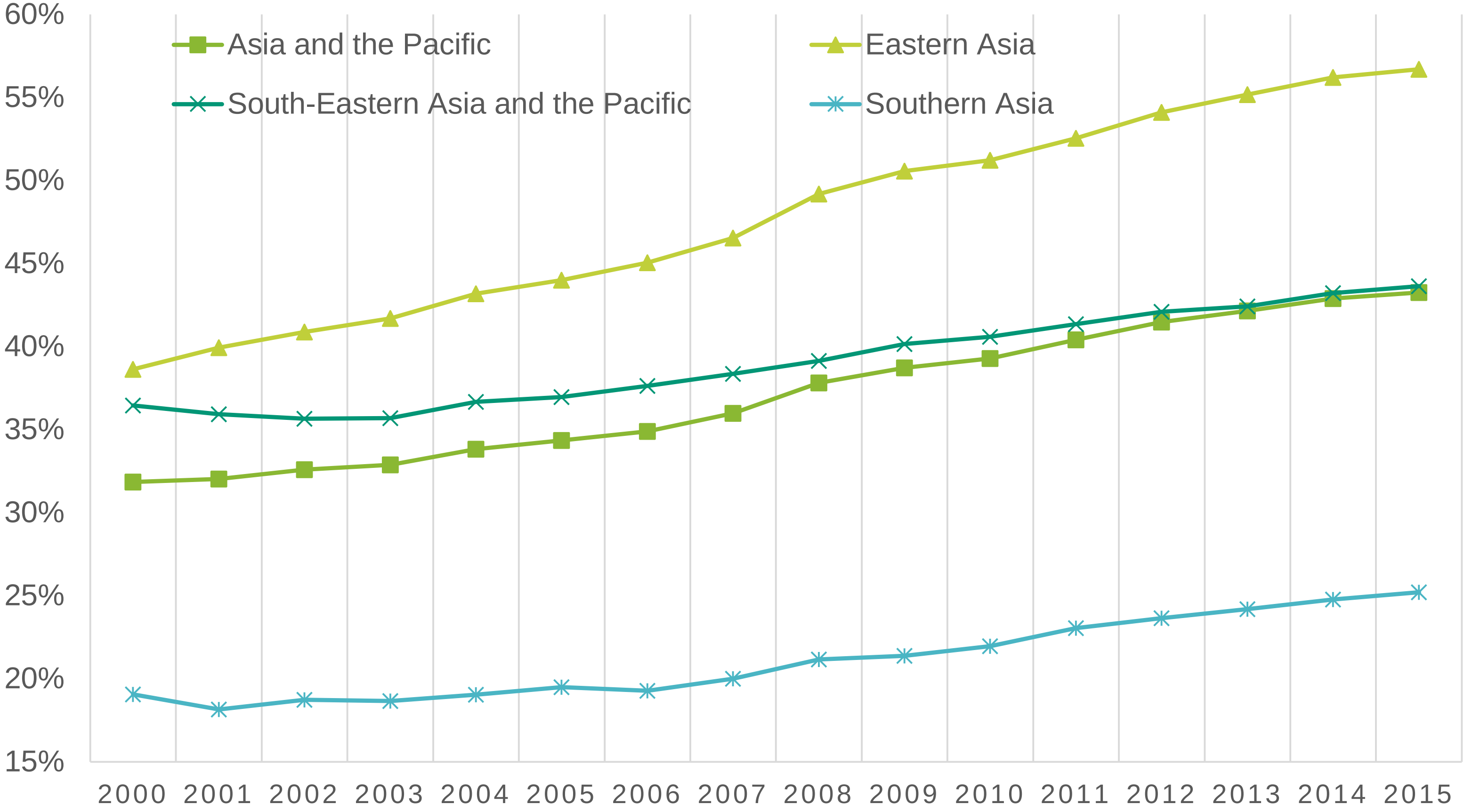


Comparing Asia and the Pacific with the rest of the world, the differences are important

However the performance of the regions in Asia was uneven

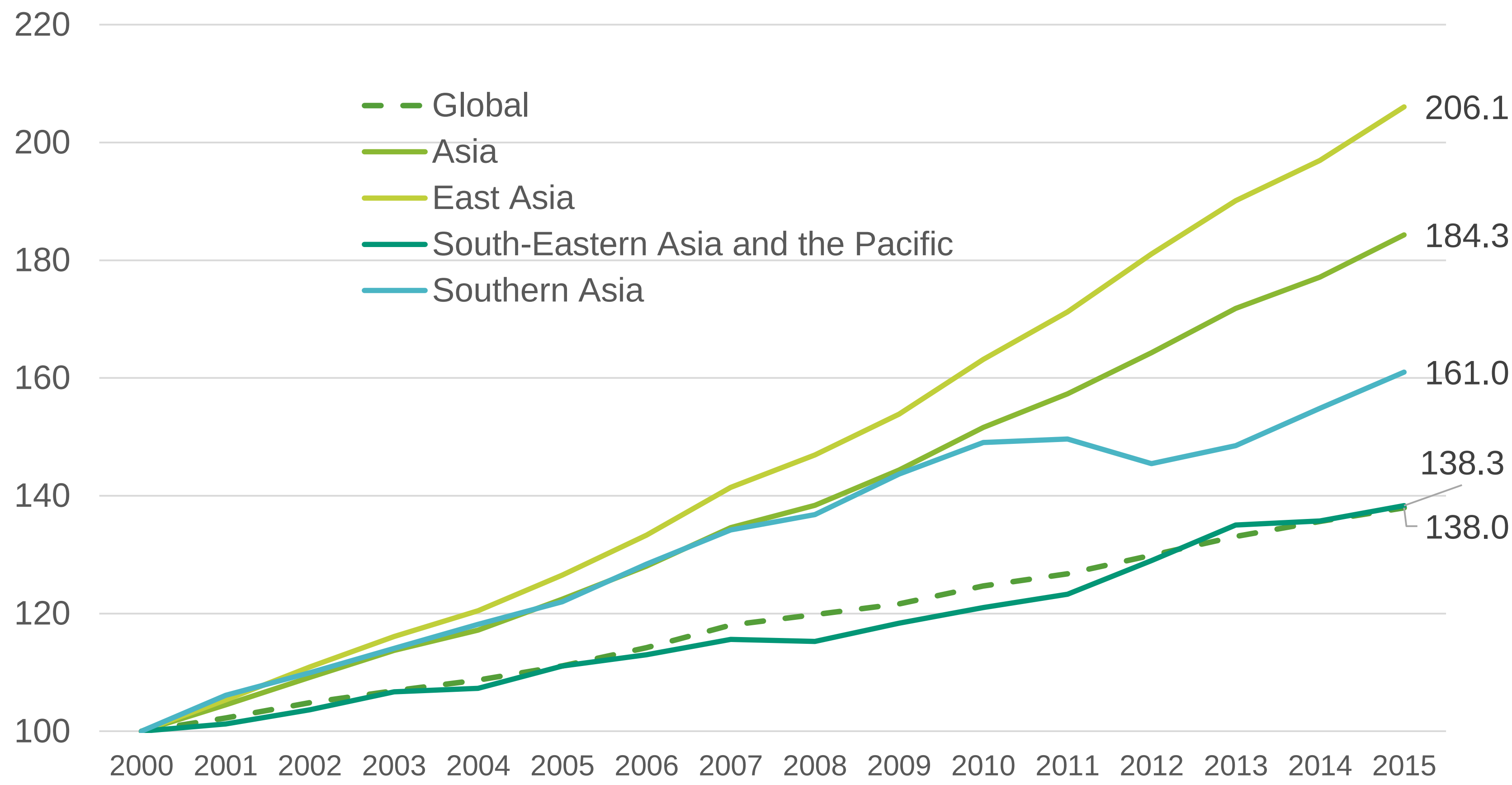


Wage employment continues a growing trend.
Trends in wage employment as share of total



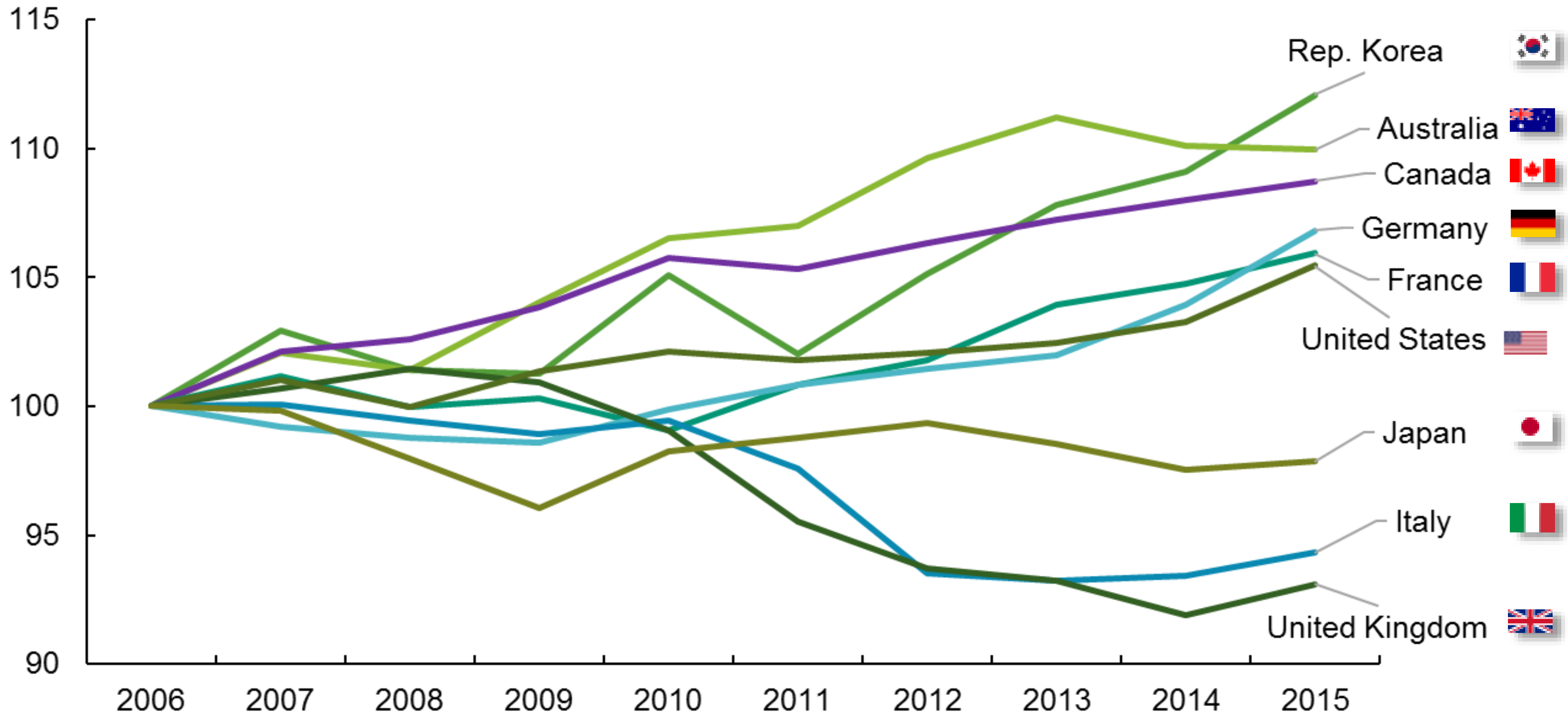
The differences in growth of wages becomes dramatic in the long run…

Wage growth base year 2000=100

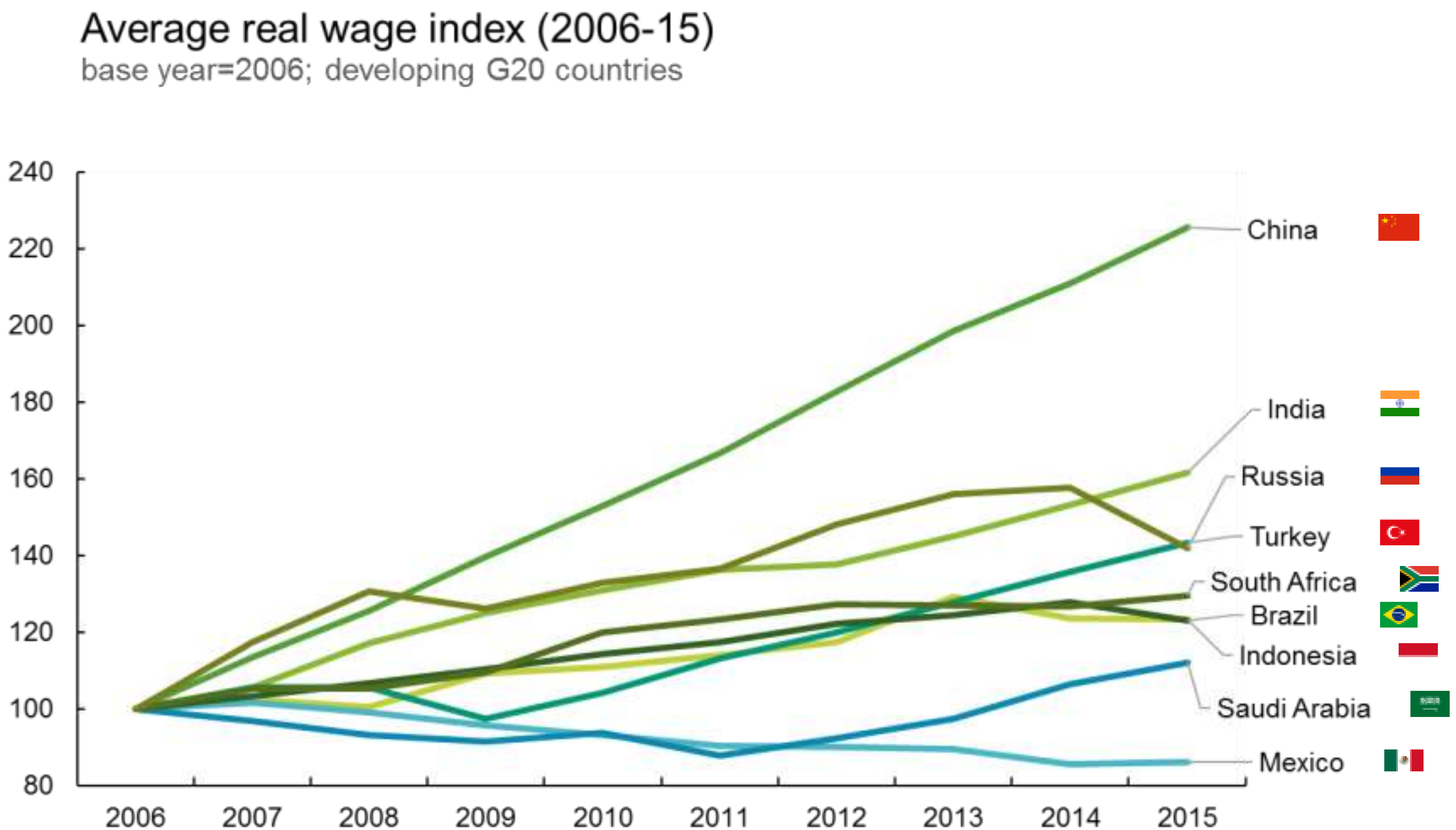


In the last 10 years, real wage gaps have opened up between developed countries

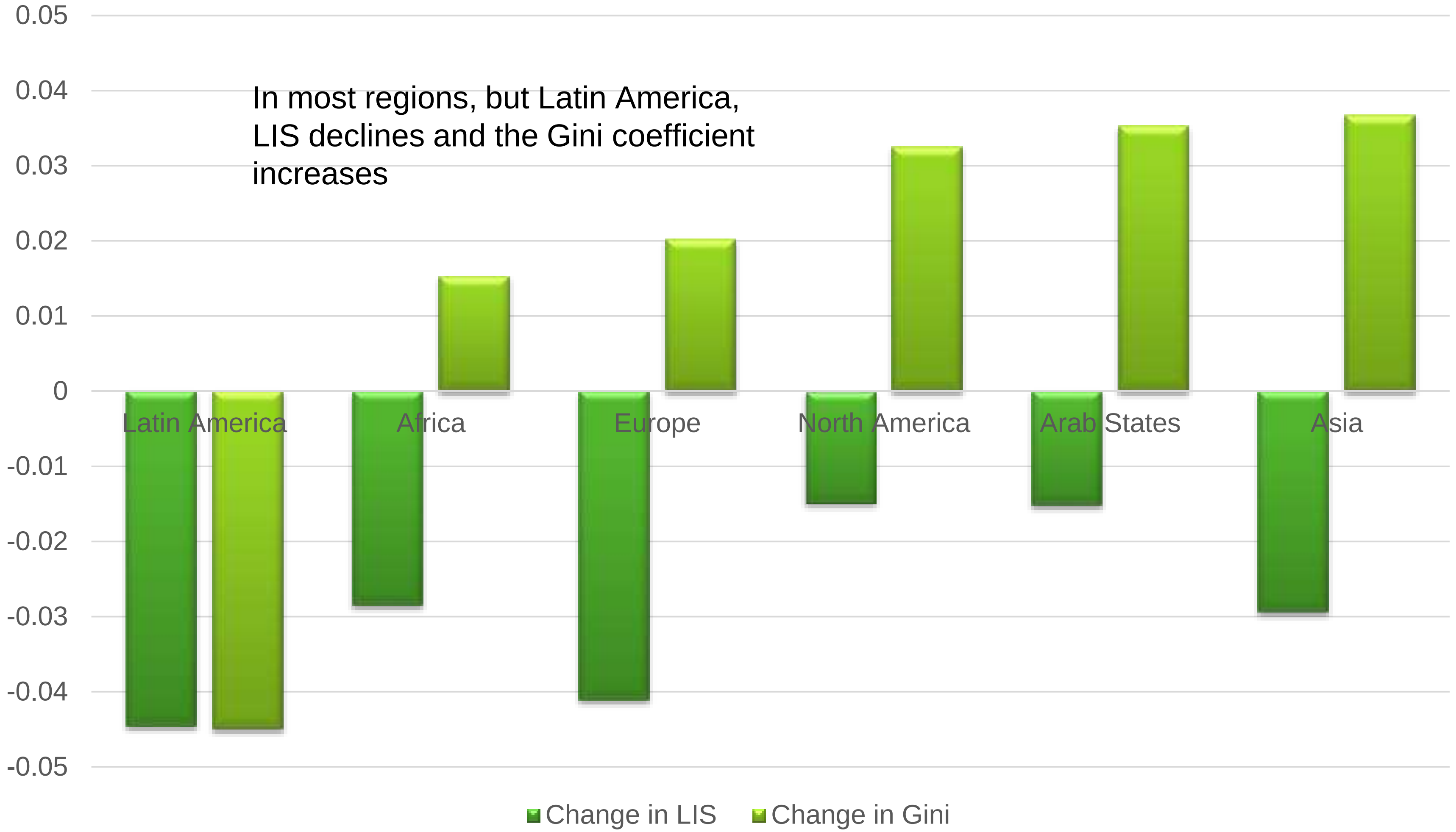
Average real wage index (2006-15)
base year=2006; developed G20 countries



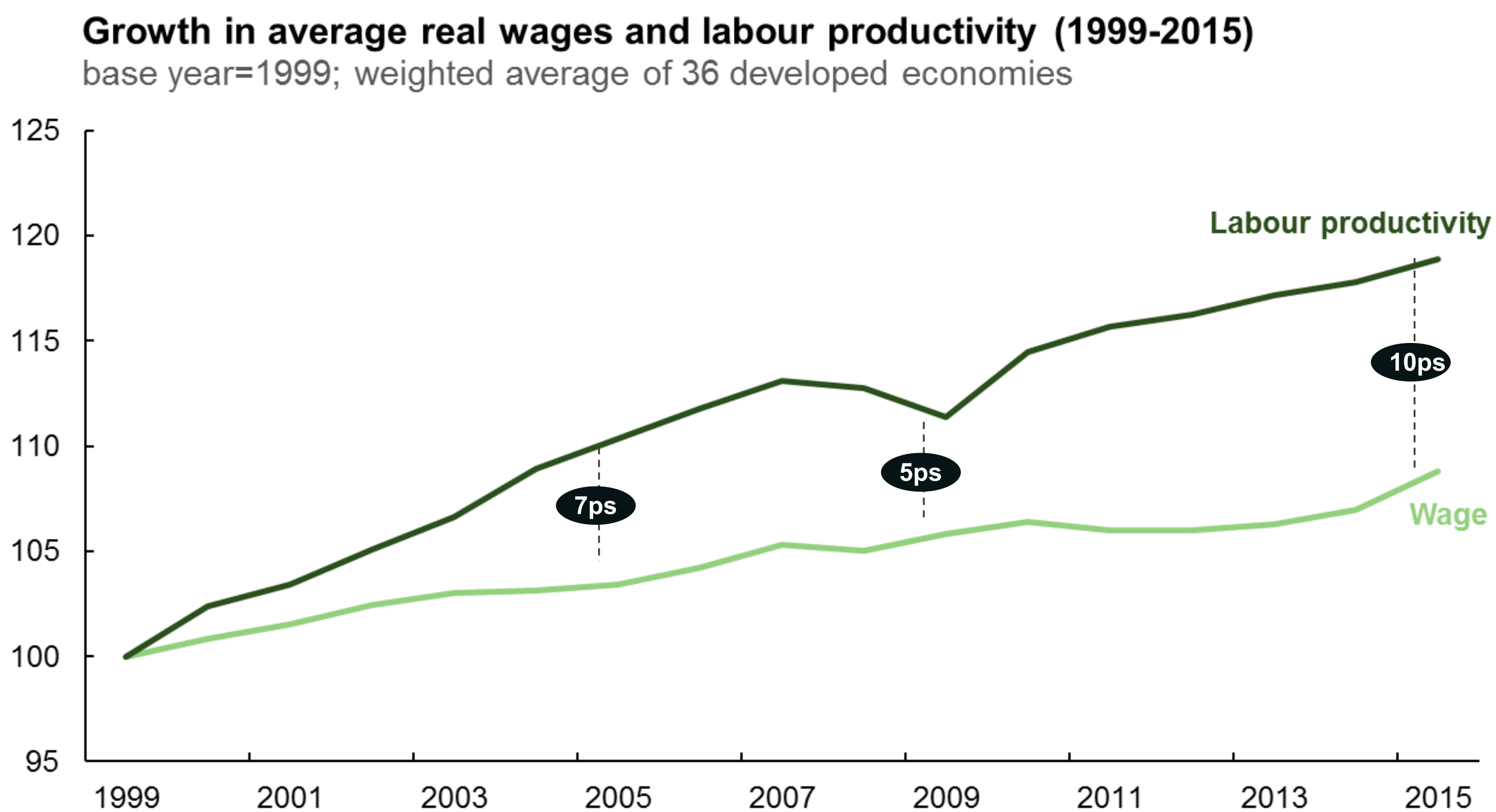
… and also between emerging economies



There is a strong inverse relationship between the Labour income share (LIS) and the income distribution



In developed countries, real wages growth has lagged behind the growth of labour productivity



Groups of wages in the region

High of wages in US$ dollars (above US$ 2000)

- Australia
- Japan
- Singapore

Korea, Republic of
New Zealand

Medium high wages in US$ (Between US$ 1000 and US$ 2000)

- Hong Kong (China)
- Taiwan (China)

Macau (China)

Medium wages in US$ (Between US$ 500 and US$ 1000)

- China (urban unites)
- Malaysia

China (Private enterprises)

Medium Low wages in US$ (Between US$ 200 and US$ 500)

- Mongolia
- Thailand

Philippines
Viet Nam

Low wages in US$ (Under US$ 200)

- Cambodia
- Myanmar

Indonesia
Pakistan

In conclusion …

Emerging economies

Some emerging economies have performed well in terms of average wage growth, but the pace of convergence is slowing down

Developed economies

Wage growth has been slow in many developed economies, lagging overall behind productivity growth

Coordination

Coordination of wage policies should take into account the relationship between wages & productivity, and labour income shares.

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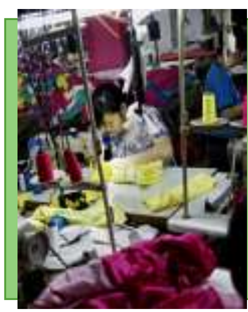
Motivation and Data Sources

Motivation for Part II

Excessive inequality is bad for economic growth; It reduces social mobility and creates divisions within society.



Debate has mostly focused on the characteristics of workers, and the effects of technology and globalization. A new literature looks at the role of the workplace.

Data sources for Part II

For Europe, we use EMPLOYER-EMPLOYEE matched data (Structure of Earnings Survey, Eurostat).

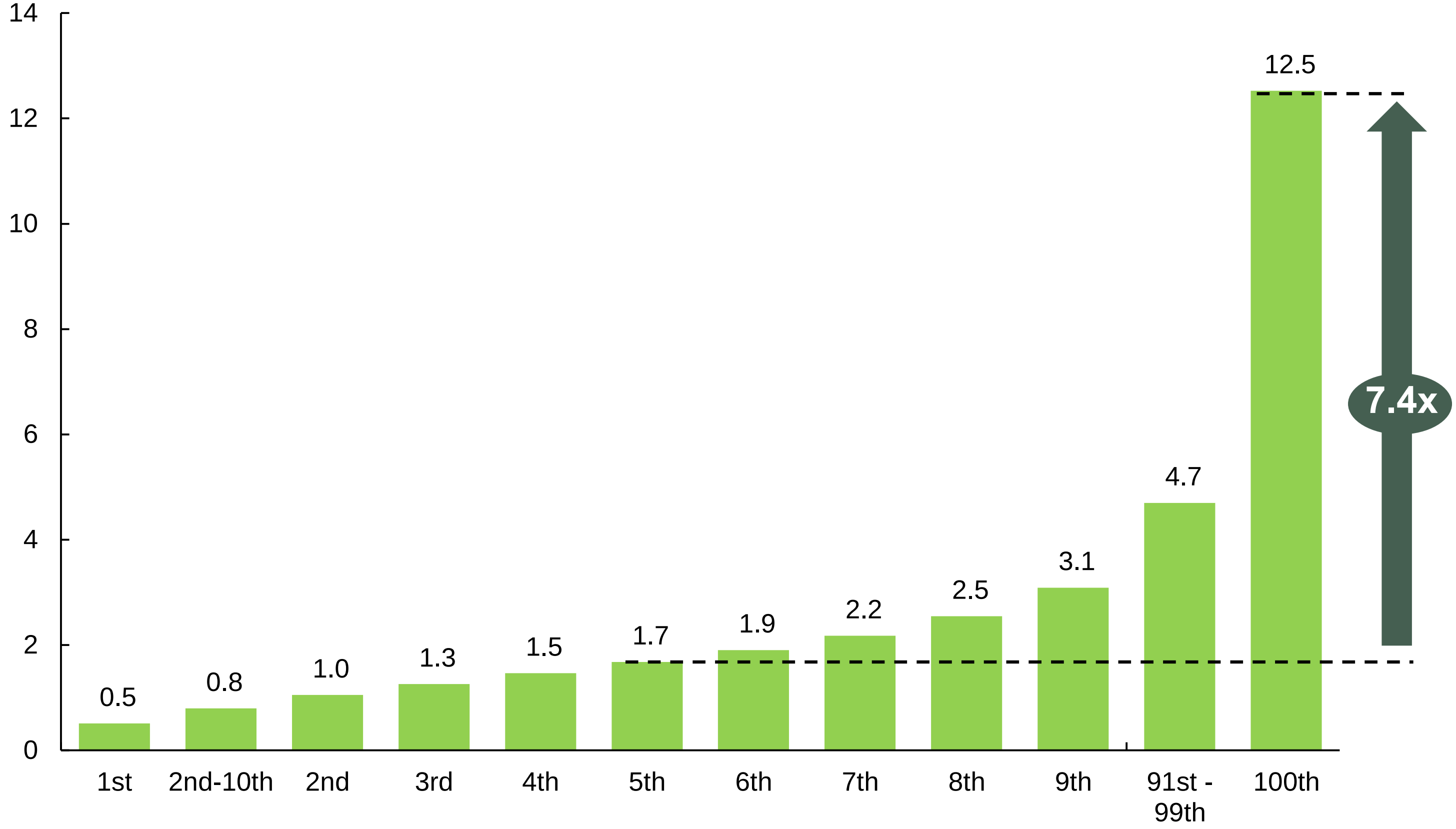
22 Countries, 2002 to 2010, 22 million wage employees from about 1.1 million enterprises

For Emerging & Low income Economies, such data is not available. Instead, we used labour & household surveys & enterprise level surveys

Wage inequality increases sharply at the top

Gross monthly wage of employee (2010)

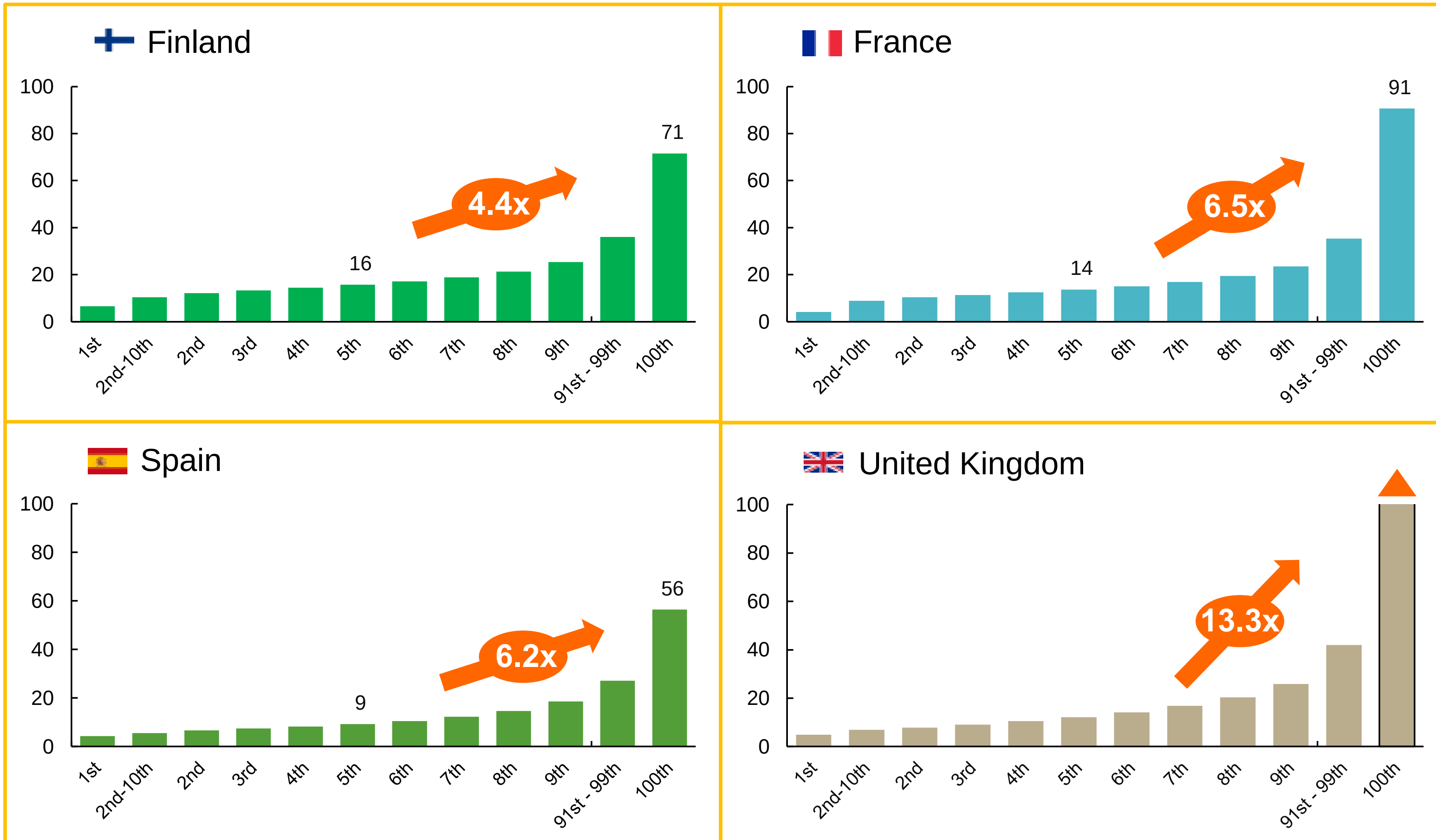
Weighted average by centile; data from 22 European economies, Euro (thousand)



There are differences across countries; some have much lower wages inequality

Gross hourly wage of employee (2010)

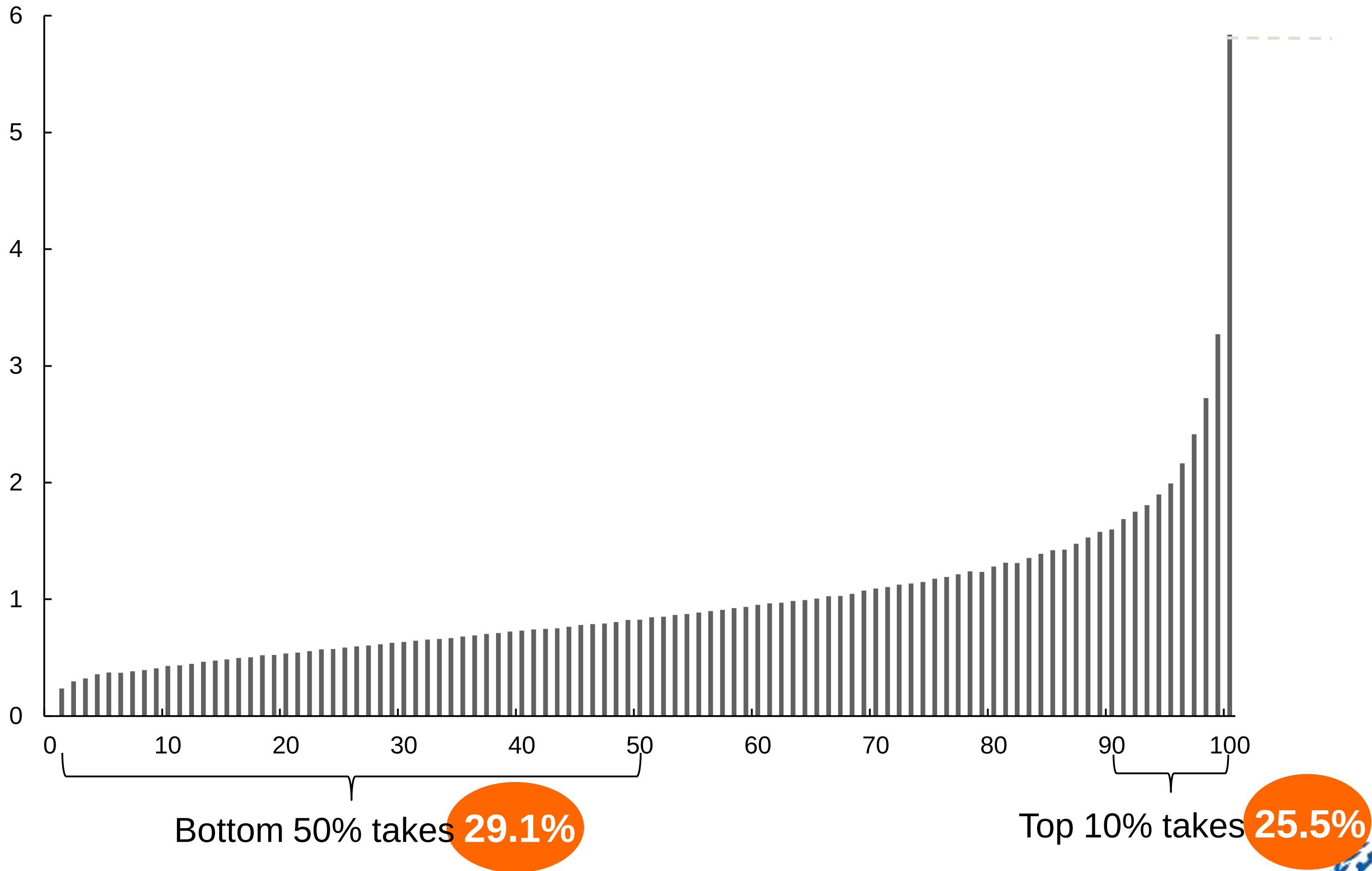
Weighted average by centile; data from 22 European economies, Euro



Top decile of highest-paid employees earns as much as the bottom 50% of the population

Real gross monthly wage share of employee (2010)

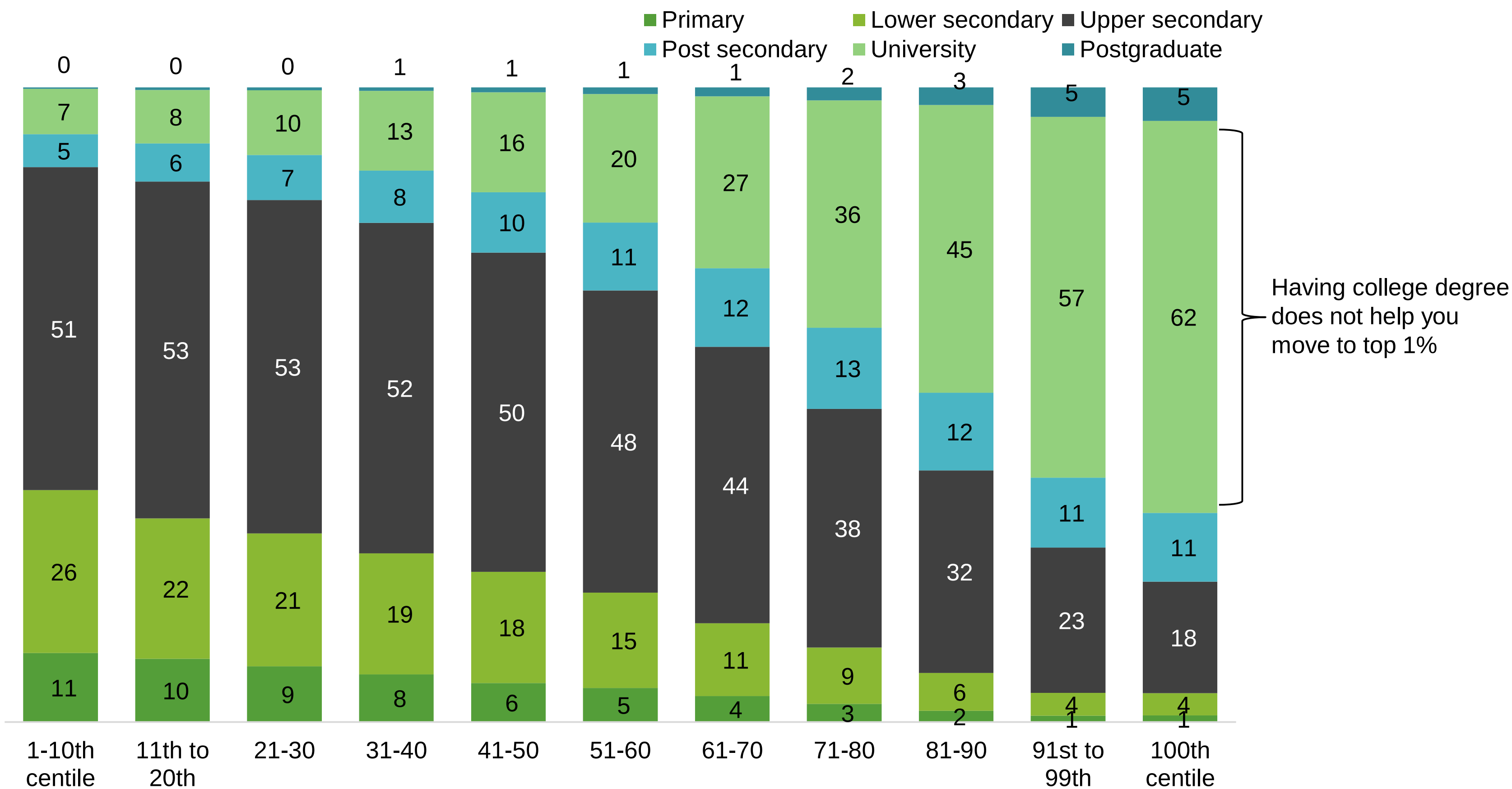
Weighted average; data from 22 European economies, %



Education is correlated with wage levels

Education of wage employee (2010)

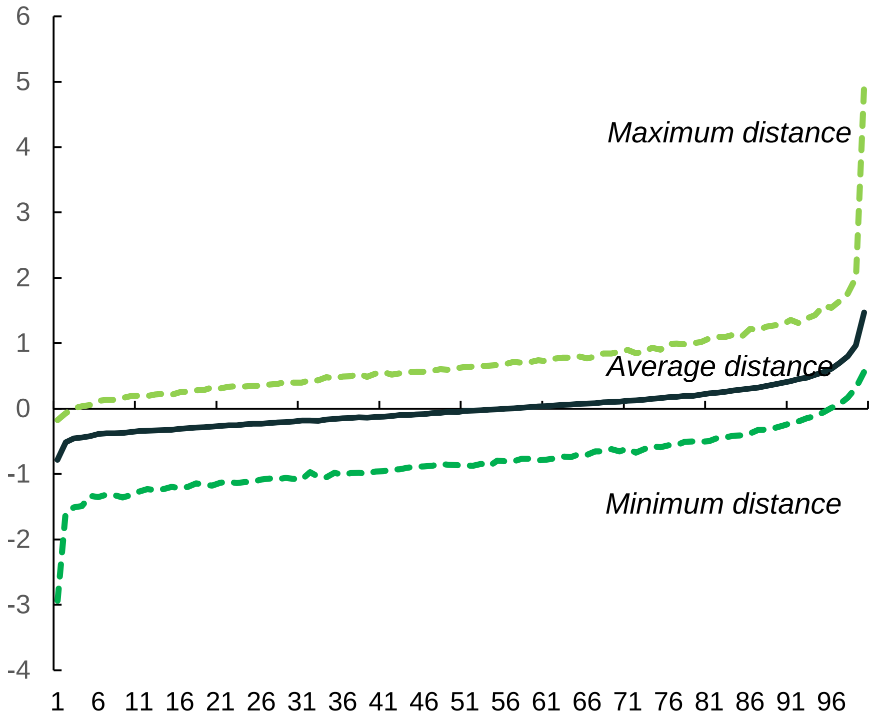
Weighted average by centile; data from 22 European economies, %



Can such wage distributions be justified by differences in worker characteristics?

Predicted & actual wages using a classic human capital model (age, education, tenure) (2010)

Individual ranked by average hourly wage; 22 EU economies data, Euro (ln)



Methodologies & Findings

1. We run a model which tries to explain the wages of individuals to the observed skills-related characteristics of workers, including age, education and tenure.

2. The result shows that these factors are important, but that there are enormous differences between individuals' actual wages and those predicted by the model.

3. This is particularly striking at the top (where people's actual wages exceed predictions) and at the bottom (where wages are below predictions).

Next, we therefore bring enterprises into the analysis

Between enterprises

According to recent research, increases in inequality in the U.S. are due to mainly to growing difference in productivity and average wages between enterprises

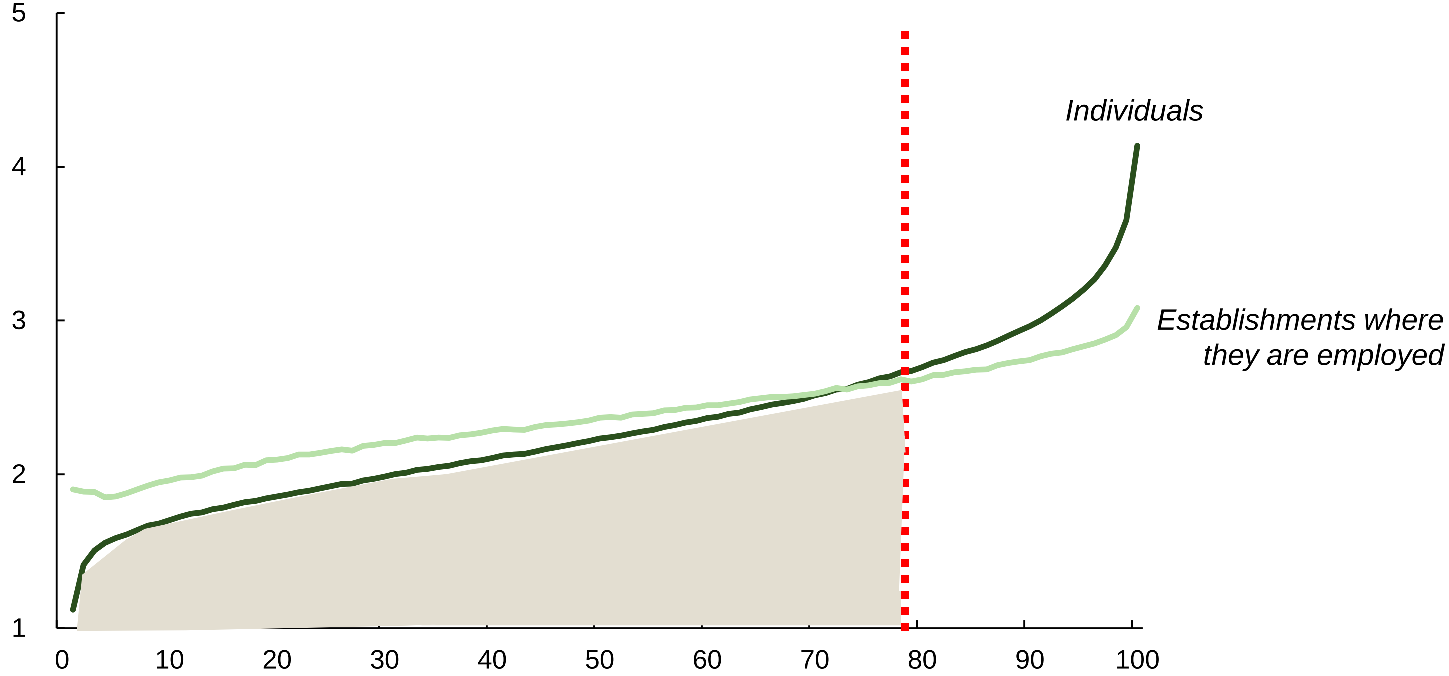
Within enterprises

But what about inequality within enterprises? Let us also distinguish changes over time, and the part of total inequality due to *between* and *within* inequality at one point in time

About 80% of employees earn less than the average wage in their enterprises

Average hourly wages of individuals & enterprises (2010)

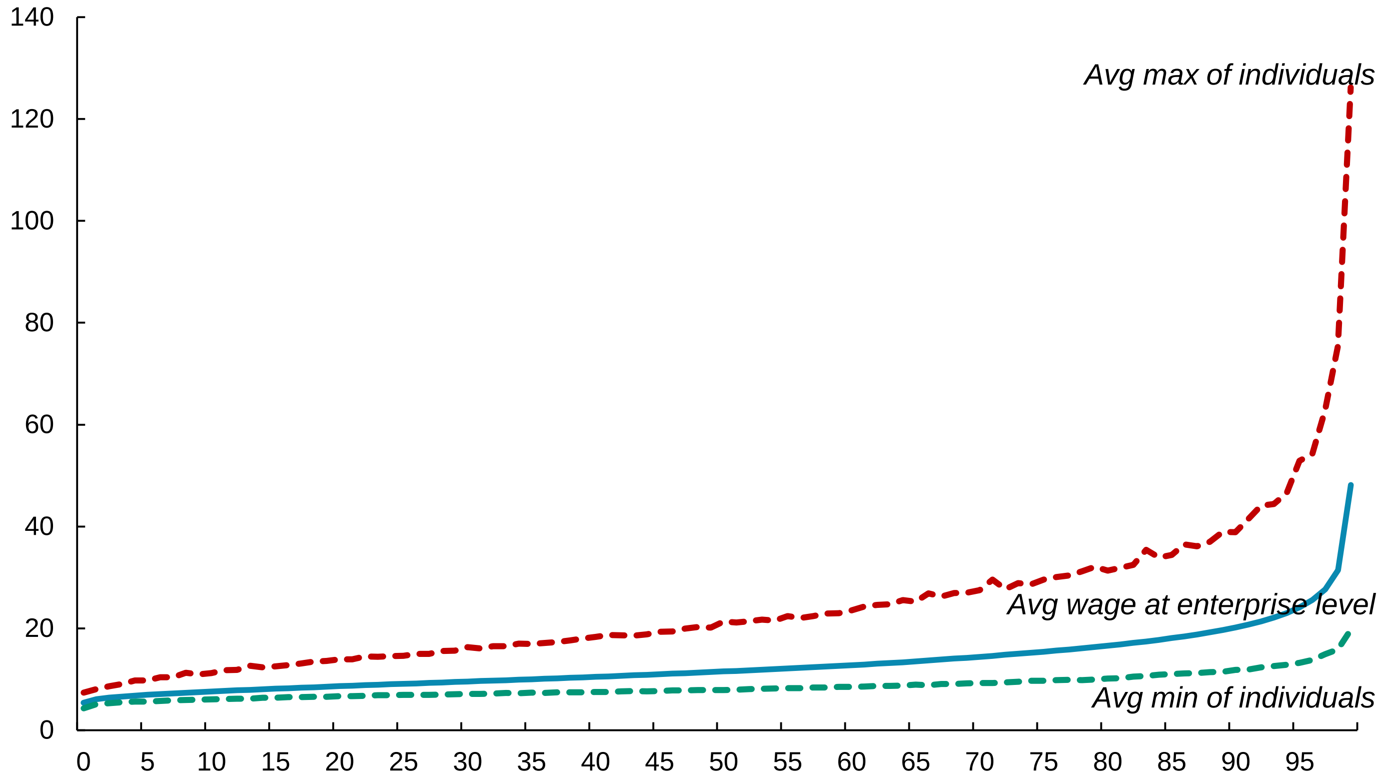
By centile ranking of individual wages; data from 22 European economies, Euro (ln)



Wage inequality is much higher among enterprises that pay high average wages

Average minimum & maximum wages of individuals (2010)

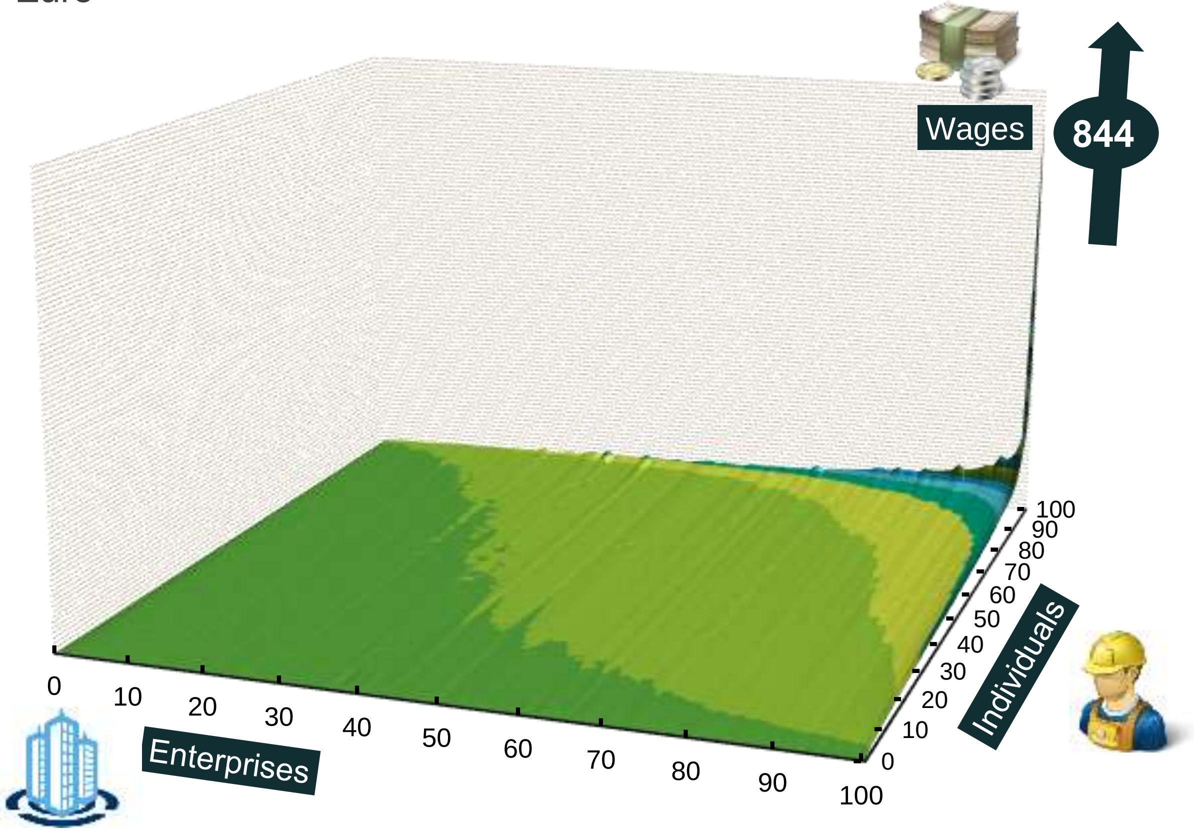
By centile of establishments ranked by average hourly wage; data from 22 European economies,
Euro



A few workers in a few enterprises earn extremely high wages

Mountain of wage inequality in Europe (2010)

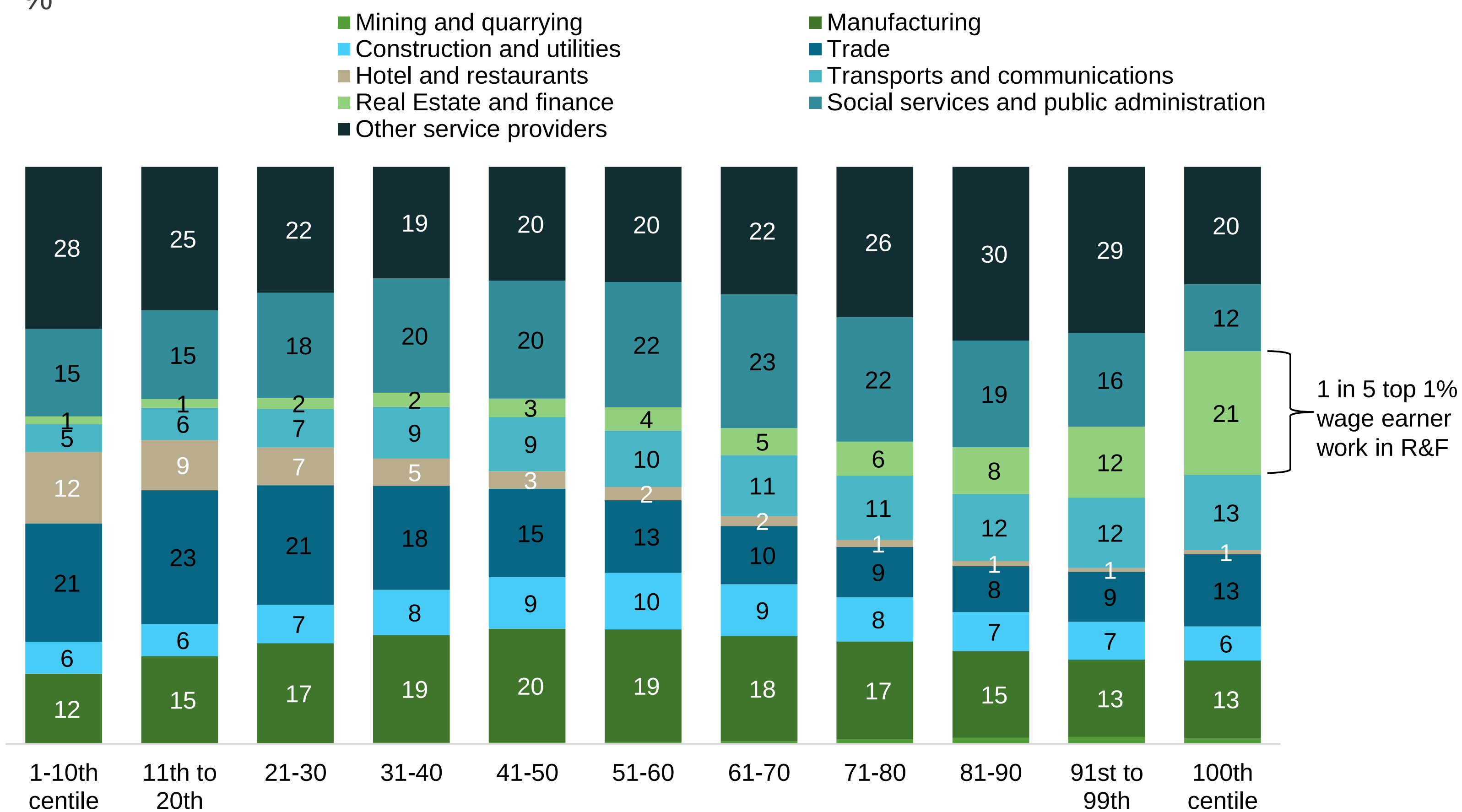
Hourly wage; enterprises and individuals ranked by their average wages in centiles; data from 22 European economies, Euro



Real-estates & finance and transportation & communication sector provide high wage jobs

Economic sector of wage employee (2010)

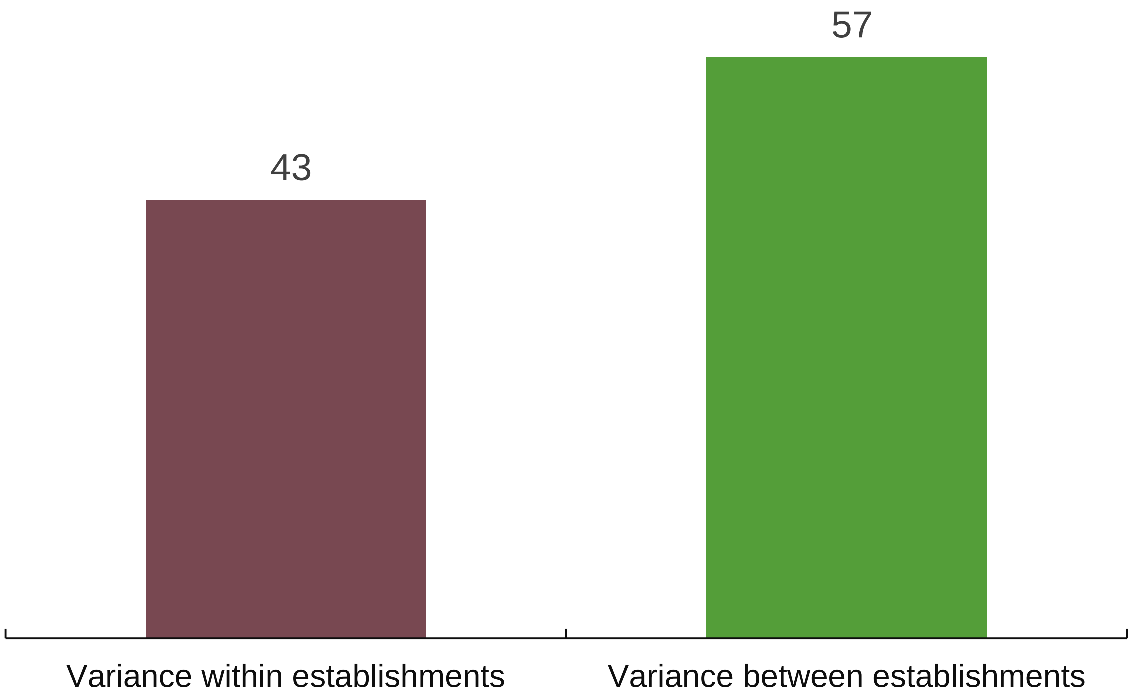
Weighted average by centile; data from 22 European economies, %



Decompose total variance in wages as the sum of the “within” and “between”

Average hourly wages of individuals & enterprises (2010)

Wage variance; data from 22 European economies,
% of total



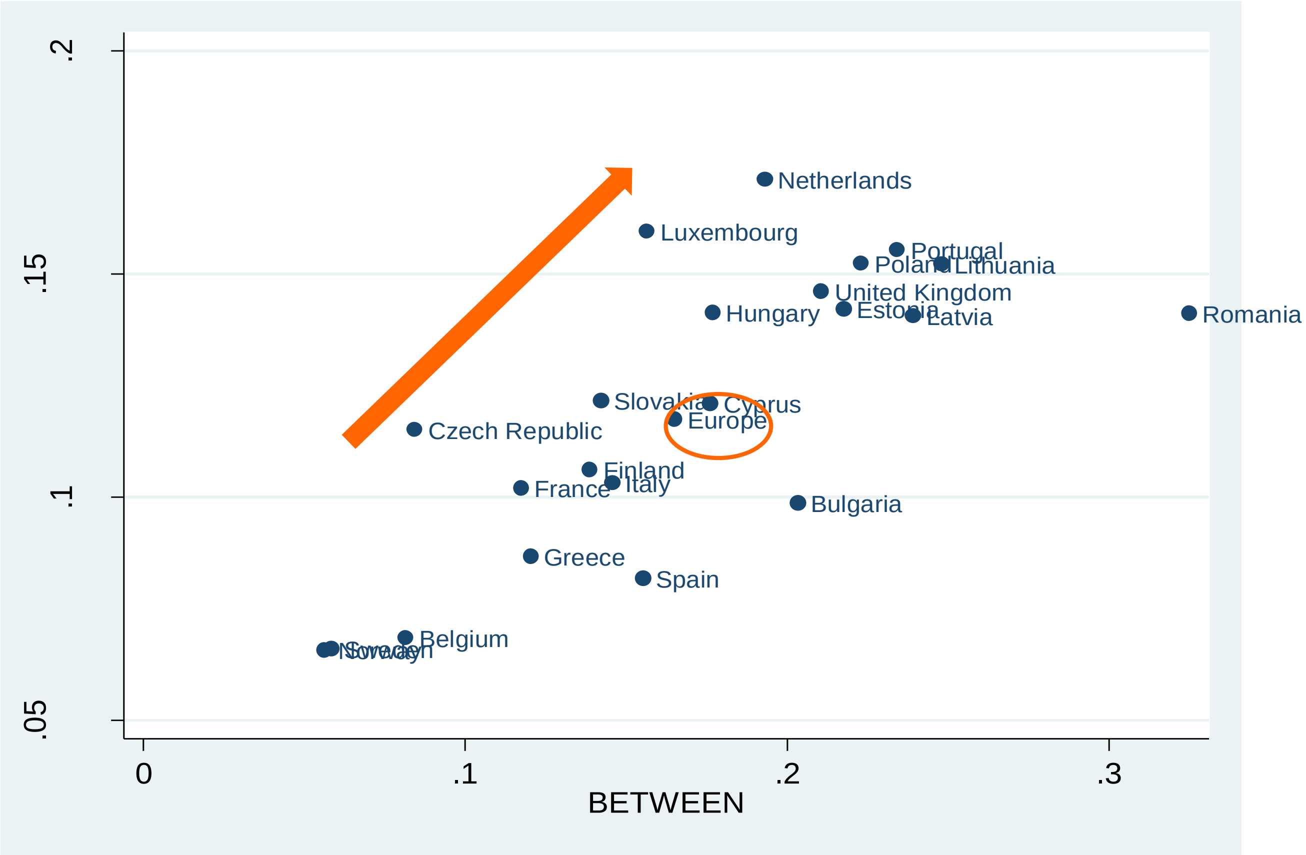
Within-enterprise inequality is as nearly important as between- establishments inequality

Countries with more “between” inequality also have more “within” inequality

Decomposition of variance (2010)

Average hourly wage; data from 22 European economies

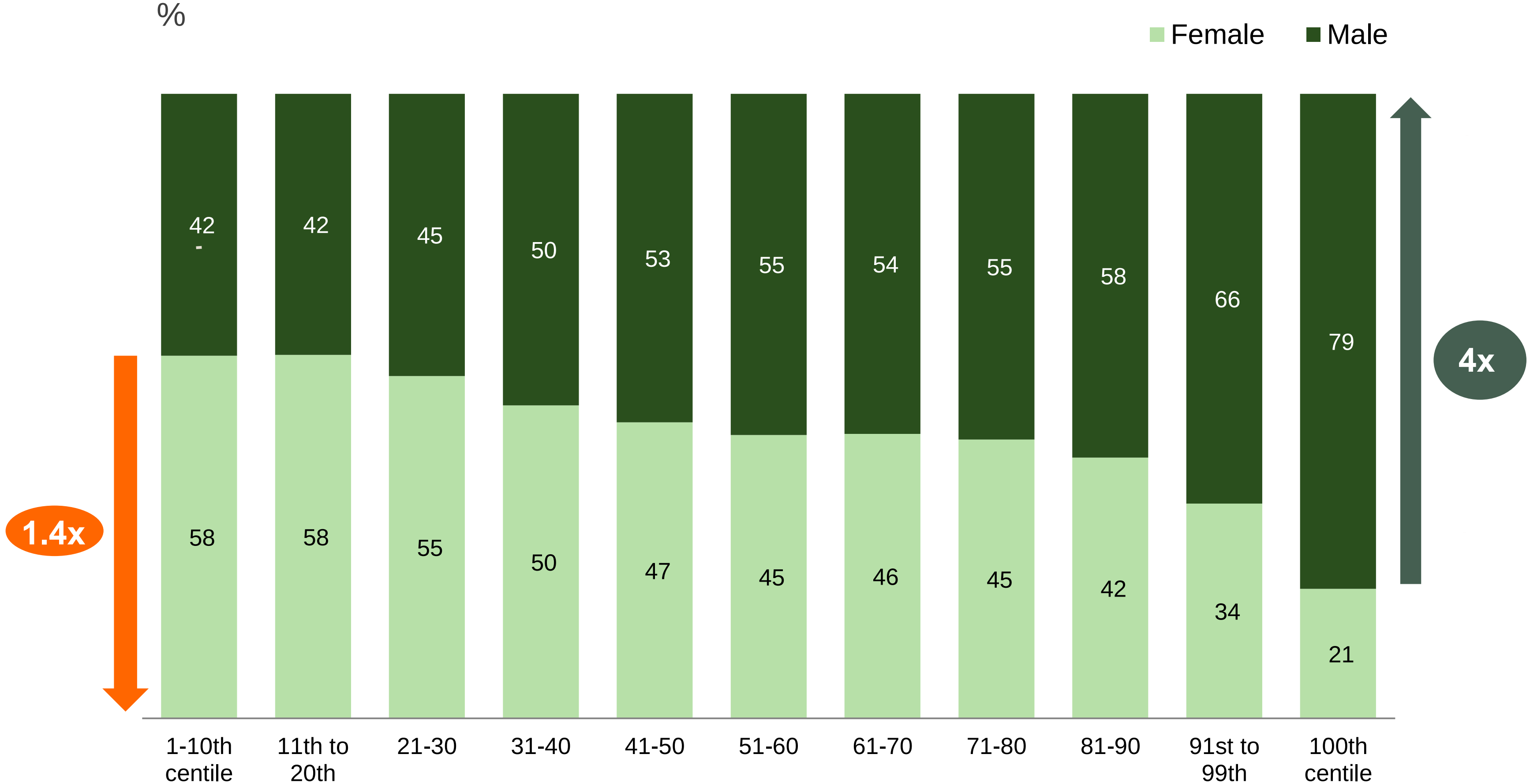
s^2 (ln)



Fewer women in top deciles; more woman in low-pay

Gender of wage employee (2010)

Weighted average by centile; data from 22 European economies, %



Gender wage gap is even wider among top 1% of wage employees

Gender of wage employee (2010)

Ratio of female to male hourly earnings among total population; data from 22 European economies, %

Gender pay gap among the highest-paid occupational categories

By occupational category & within top 1 per cent

The gender pay gap is not just larger among the highest-paid occupational categories but actually increases at the top end of the wage distribution.

- The gender gap among CEOs in the population is about 40 per cent – twice as high as the overall gender pay gap**.**

Within the top 1 per cent, male earn almost twice as much as their female counterparts

- The gender pay gap reaches about 45 per cent overall, and among CEO top 1 per cent amounts to more than 50 per cent.

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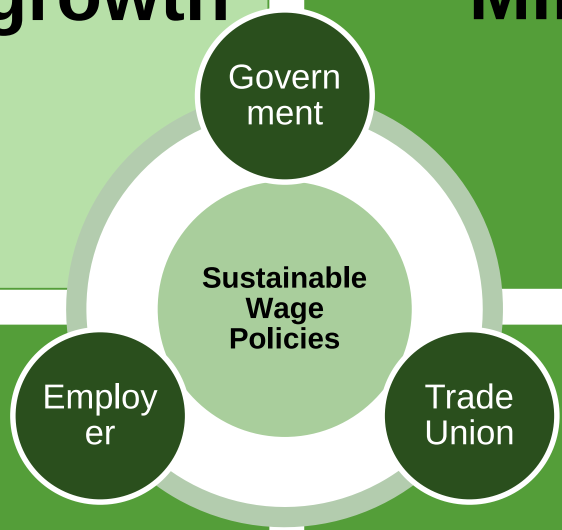
Proposing country-specific measures to reduce excessive wage inequality

Productivity growth

Minimum wages & collective bargaining



Top salaries: regulation or self-regulation?

Gender & other pay gaps

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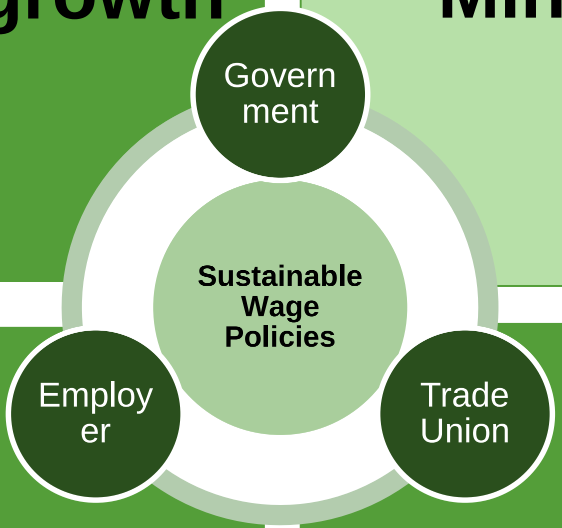

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THANK YOU FOR YOUR ATTENTION!

For further information on Global Wage Report or research conducted by the ILO wage group, please refer to:

Global Wage Report 2016/17
http://www.ilo.org/global/research/global-reports/global-wage-report/2016/WCMS_537846/lang--en/index.htm

Minimum Wage Guide & Other Publications
http://www.ilo.org/global/topics/wages/publications/lang--en/index.htm