



<Inequalities and vulnerabilities: what possible indicators and why?>

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Global issues for the turbulent world of work: Inequalities and vulnerabilities

«In the wake of the current crisis there is an emerging view about the importance of growing inequality as one of the causes of global crises past and present.....it is vital to ensure that exit strategies are linked to a progressive recovery of the real economy and jobs and are fair in the shaping of the benefits and burdens of adjustment, especially in the protection of the most vulnerable »

IMF (2010) «The human costs of recession» in ILO-IMF
The challenges of growth, employment and social cohesion



Focussing on wage inequalities

- Inequalities are more than income and wage inequalities, but the latter are important determinants of individual well-being, labour productivity, social cohesion and growth
- Inequalities in returns to profits and other forms of income relative to wages (i.e. labour income share)
- Wage Inequalities between workers:
 - Low pay (proxy for poor-quality jobs)
 - The pay gap between men and women

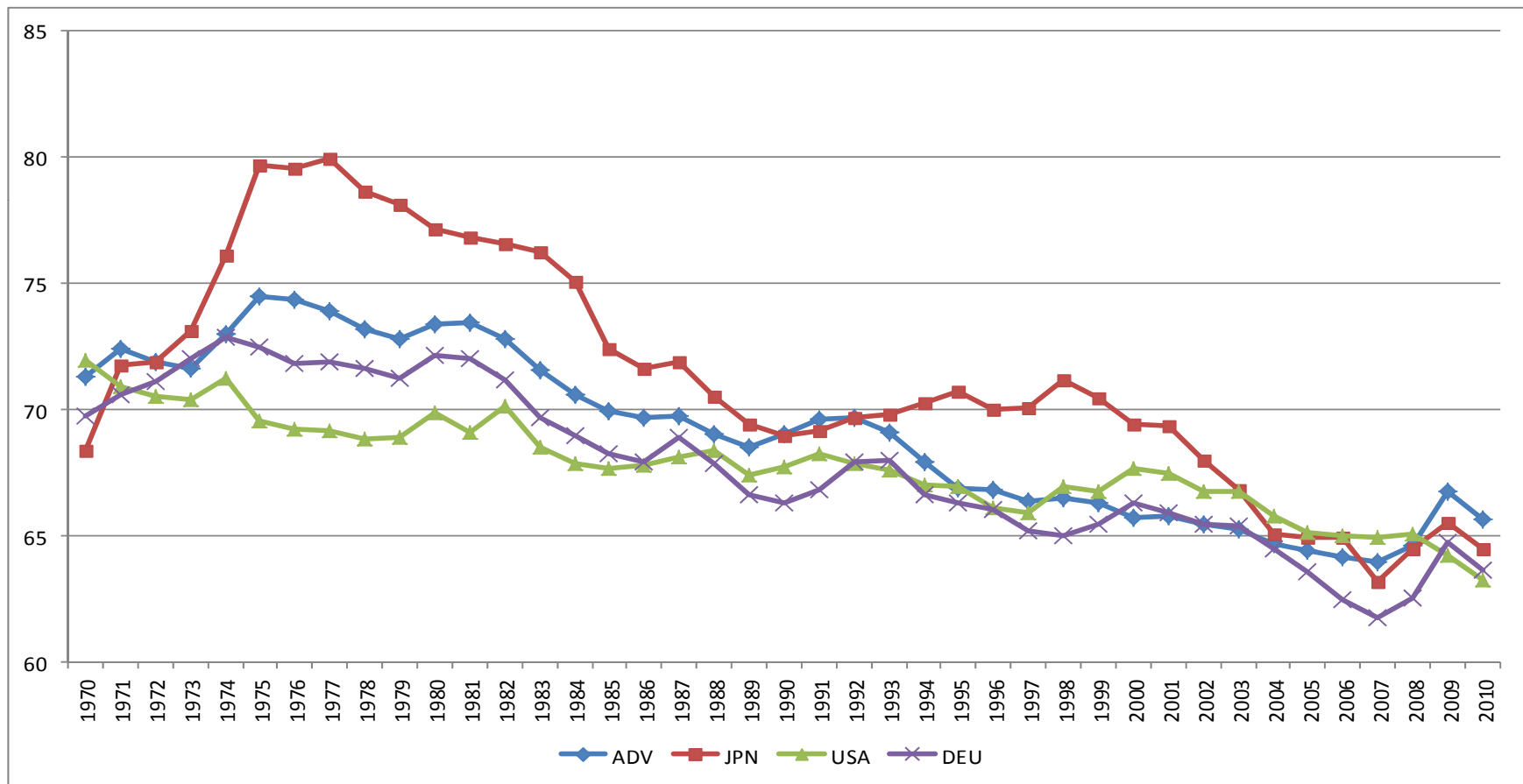


The labour income share

The labour income share: What happened?

Labour income share (adjusted) continues to fall...

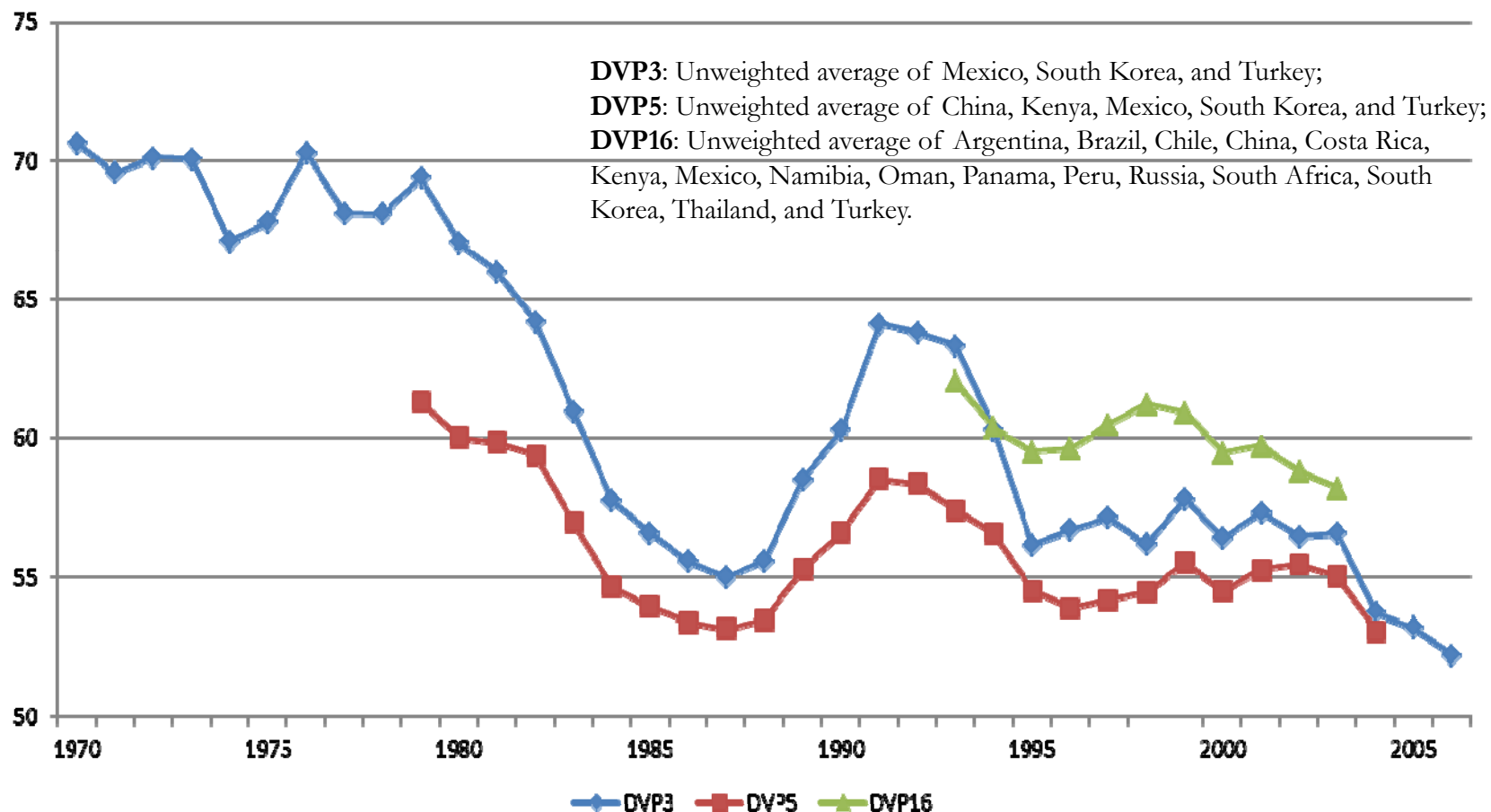
*Labour income share = (total employee compensation)/national income,
adjusted for the relative size of non-wage earners*



The labour income share: What happened?

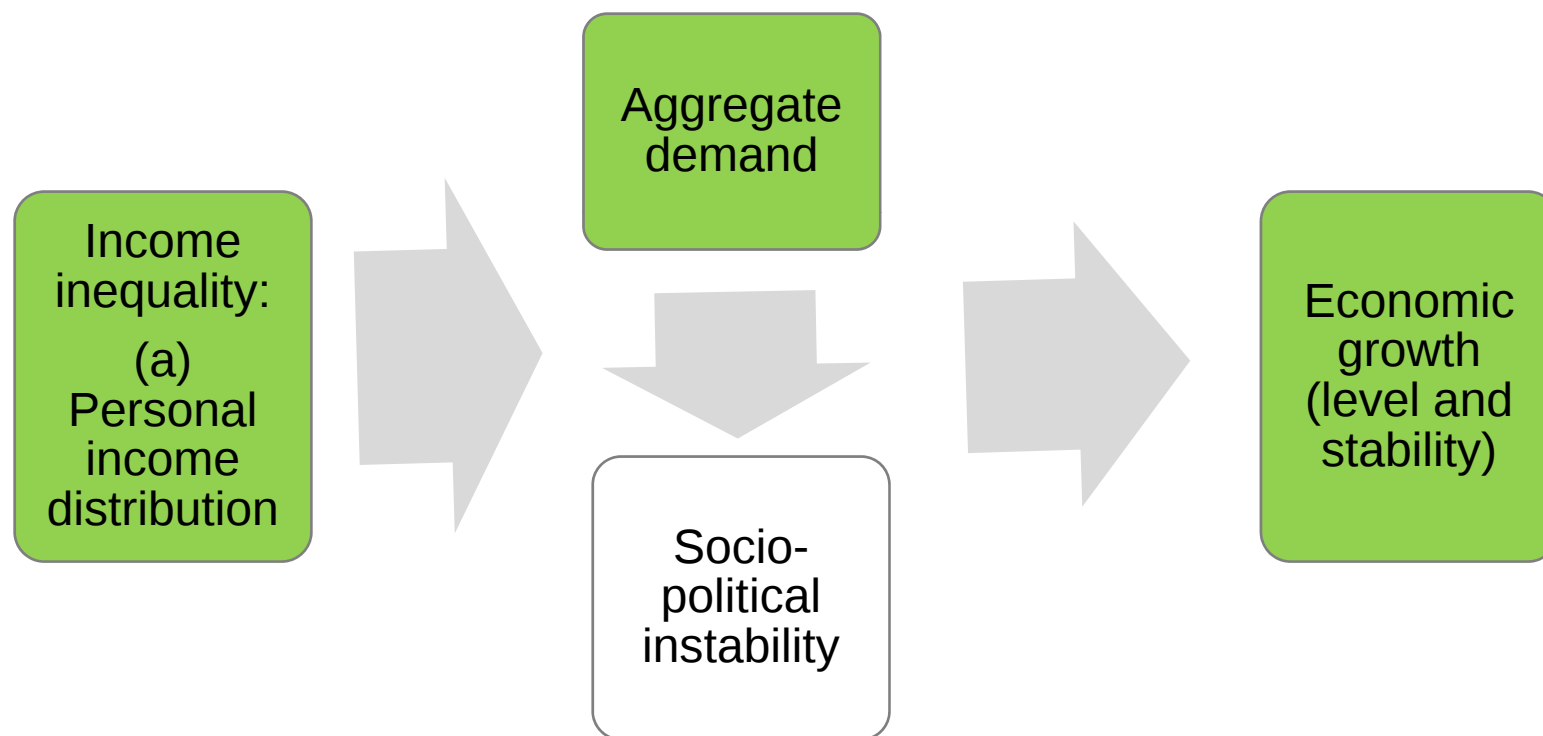
Labour income share (adjusted)...

No exception to emerging economies



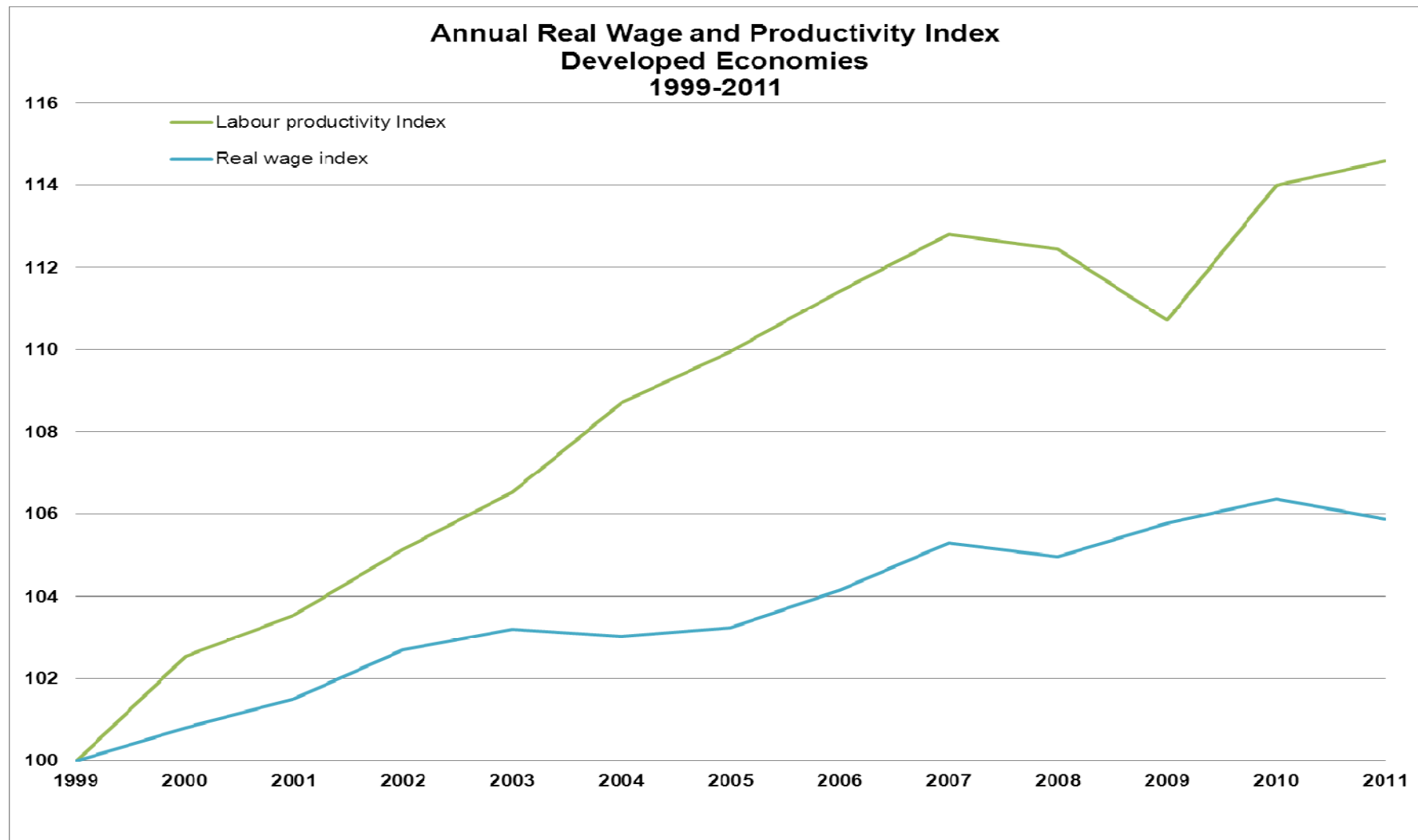
Key issues:

*What are the **economic consequences** of changes in labour income share in terms of level and stability of economic growth?*



S. Lee & M. Gerecke, "Inequality and economic growth: Revisiting Kuznetsian political economy of inequality", (forthcoming)

The growing gaps between wages and productivity





Why did the labour income share decline and what to do?

- A wide range of factors played a role: technological changes, policy changes (towards deregulation and financialization) and globalization
- These changes contributed to weakening workers' bargaining power
 - *Overall decline in the coverage of collective bargaining, due also to a rise in non-standard employment*
 - *Overall limited extent of CB and collective agreements*
 - *Where CB coverage is high >30% wages are more responsive to economic growth and overall wage inequality narrows down*
- Need to reconnect wages and productivity



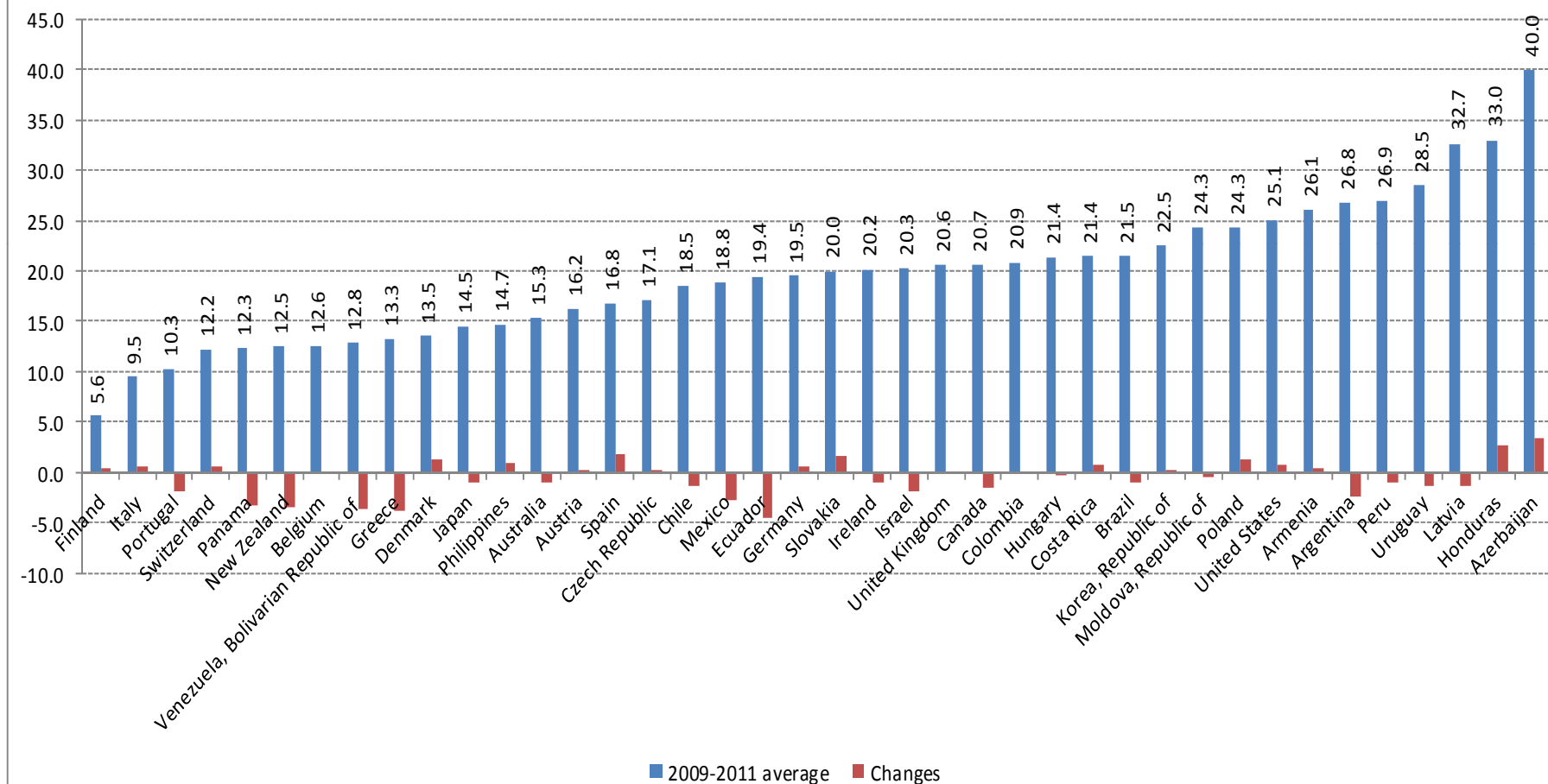
Low pay



Low-pay incidence (2009-2011 average)

"Changes" refer to % point changes compared to the 2006-8 average

Source: ILO Global Wage Database



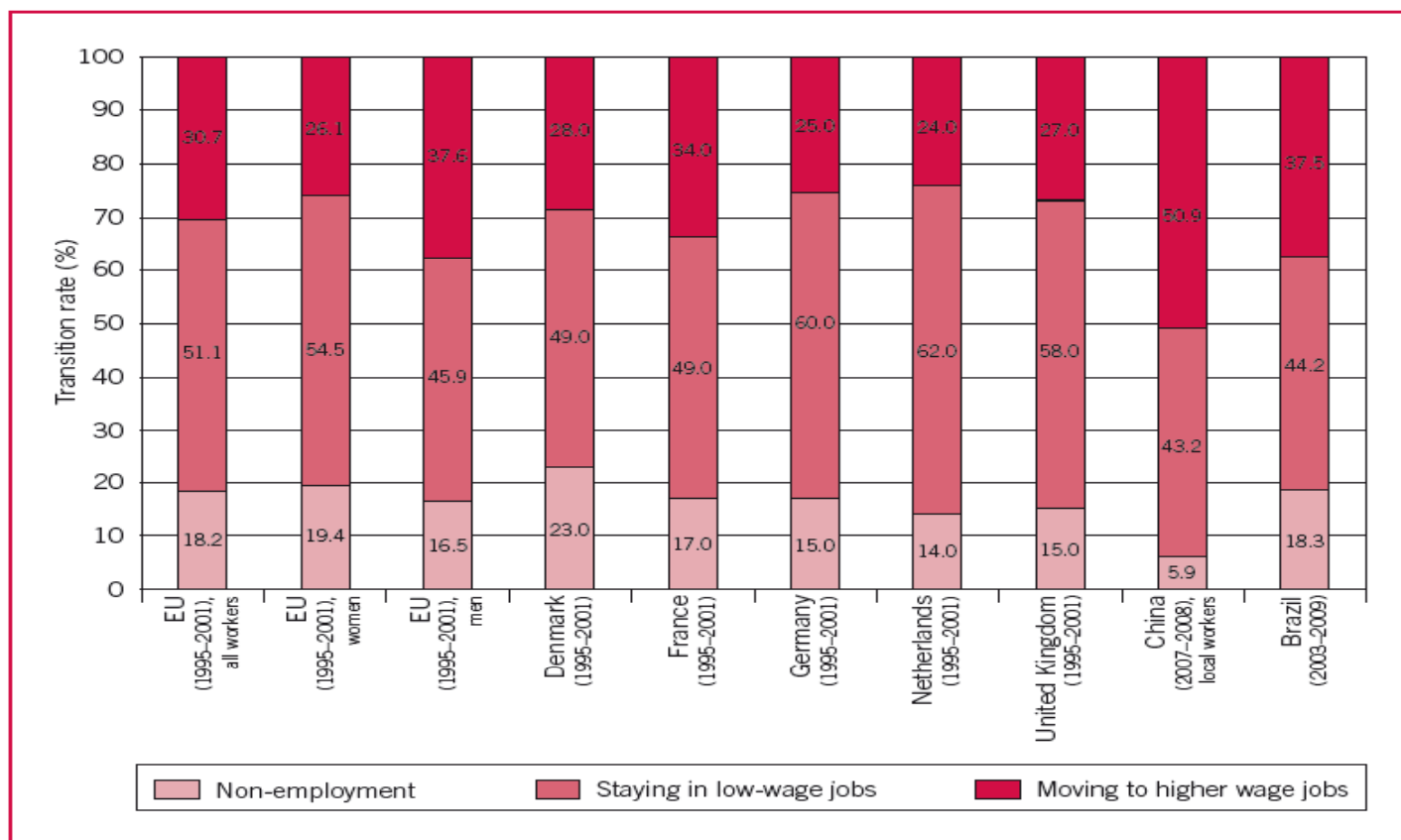


Why a focus on low pay?

- Low pay is often combined with other aspects of poor-quality jobs
- A source of vulnerability to poverty
 - Low level of earnings
 - Volatility of earnings
- Shapes perceptions of societal fairness
- Has an impact on the gender pay gap

Low wage jobs: transitory or dead-end jobs?

Figure 26 Predicted transition rates from low-wage jobs to higher wage jobs and non-employment in selected countries (in per cent)



Note: The figures refer to the estimated probability of changes in earning status (higher wage jobs or non employment) within the period of one year among low-wage workers.

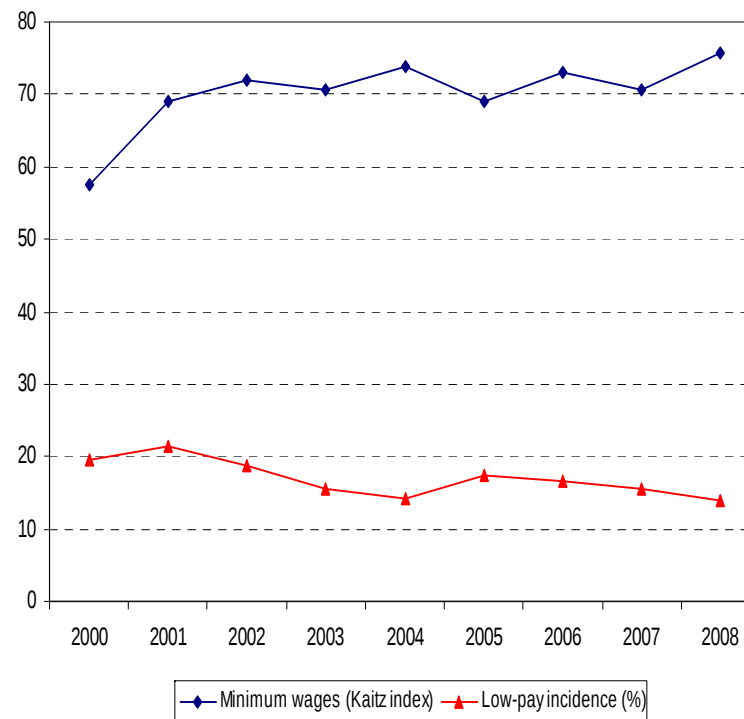
Sources: European Commission (2004); Mason and Salverda (2010); ILO estimates for China and Brazil.



Low wage jobs: transitory or dead-end jobs?

- Where the incidence of low-wage work is high, the shares of low-wage workers progressing into higher paid work is smaller
- Women enter easily into low-paid jobs, but find it more difficult to move on higher-paid jobs
- The risk of being unemployed or inactive after working in low-paid jobs is high for the low-skilled youth and low-skilled women, e.g. domestic workers

Policies and institutions help low-paid workers: Minimum wages matter (Brazil and Chile)





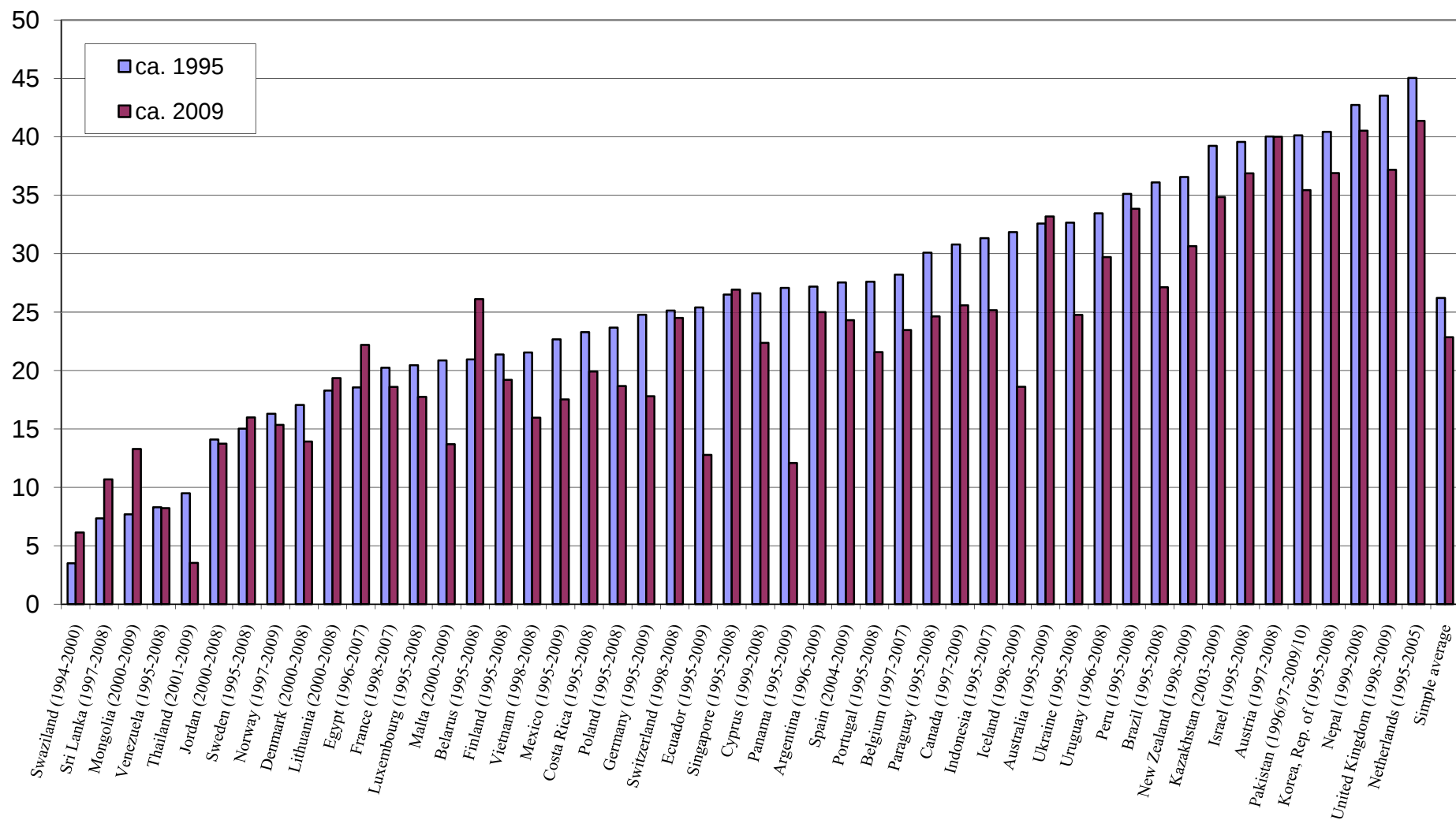
Topping up low wages: Disconnecting the nexus of low wage and poverty

- “In-work benefits”, such as tax credits for low paid workers, can complement wages policies. Examples include the “*earned income tax credit*” in the U.S. or the “*Prime pour l’emploi*” in France.
- When fiscal capacity is limited, broader income transfer measures like “*Bolsa familia*” in Brazil or the “*Child support grant*” in South Africa may be used.



The gender pay gap

Evolution of monthly gender pay gaps in 48 countries, ca. 1995 to ca. 2009





The gender pay gap

- Improvement, but at current pace it would take more than 75 years for attaining pay equity
- Causes: unequal division of paid and unpaid work between genders, occupational segregation and discrimination in pay



Conclusions

- Wage inequalities: important to monitor them to promote distributive justice and sustainable and inclusive growth
- Labour market institutions and policies matter, but we need to look also beyond labour markets
 - Financial regulation
 - Taxation and social security
- For developing countries
 - Reaching other earners (self-employed and informal)
 - Improving productivity
 - Implementing social protection schemes