Regional Tripartite Meeting on Wage Policies in the Arab Countries

Amman 17-20 September 2012

Programme for Employers’ Activities
International Training Centre of the ILO
lepnet.itcilo.org
Outline of the session

1- General overview of trends worldwide
2 - ILO Convention 131 and Recommendation 135
3- Fixing minimum wage at an effective level
4 - Additional factors to be taken into consideration
5- A formula for regular adjusting Minimum Wage level
1. General overview of trends on minimum wage
Minimum wage trends

- Starting from 2000 more vigorous use of minimum wage policies in both developed and developing countries.
- Applied in 90% of the countries in the world
Arab Countries

**Important development in minimum wage policies**

**Lebanon**: +35% in 2012 (compared to 2008)  
**Jordan**: +27% in Dec 2011 (compared to 2009) for national workers  
**Kuwait**: set in April 2010 for private sector workers (domestic workers?)  
**Saudi Arabia**: +19% in 2011 government employees + allowances + bonuses and set a minimum wage for foreign domestic workers. Discussions going on for setting private sector minimum wage  
**Bahrain**: MW effective since 1/2011 for public and military employees  
**Oman**: 2011 +43% private sector for national workers  
**Palestine**: discussions going on  
**Yemen**: discussions going on
## Monthly Minimum Wage in USD

Comparison (data check needed)

<table>
<thead>
<tr>
<th>Country</th>
<th>National workers private sector</th>
<th>Foreign workers</th>
<th>Public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanon</td>
<td>450</td>
<td>?450?</td>
<td>?450?</td>
</tr>
<tr>
<td>Jordan</td>
<td>270</td>
<td>210</td>
<td>?270?</td>
</tr>
<tr>
<td>Oman</td>
<td>520</td>
<td>?290?</td>
<td>?270?</td>
</tr>
<tr>
<td>Bahrain</td>
<td></td>
<td></td>
<td>795</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Discussions going on *unemployment benefits:480</td>
<td>160-213 for domestic workers</td>
<td>800+allowances +bonuses</td>
</tr>
<tr>
<td>Kuwait</td>
<td></td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>Yemen</td>
<td></td>
<td>95?</td>
<td></td>
</tr>
<tr>
<td>Palestine</td>
<td></td>
<td>Discussions going on</td>
<td></td>
</tr>
</tbody>
</table>
Data for international comparison

Database of Conditions of Work and Employment Laws
http://www.ilo.org/dyn/travail/travmain.home

The Wage Indicator Foundation (but not for Arab countries)
http://www.wageindicator.org/
2. ILO Convention and Recommendation on Minimum Wage
Legal Instruments on Minimum wages

CONVENTION

C131 Minimum Wage Fixing Convention, 1970
Ratified by Yemen and Lebanon

RECOMMENDATIONS

No.135 Minimum Wage Fixing Recommendation, 1970
The ILO and minimum wages

- In 1970, the ILO adopted the Minimum Wage Fixing Convention No. 131
- Ratifying Member States commit to establish a system of minimum wages which “covers all groups of wage earners” against “unduly low wages”. If some groups are not covered, the Member State must explain the reasons for not covering them.
- Total ratifications: 51 out of 181 Member States
Why a minimum wage?

Objective: provide all poorly paid workers (employees and workers) with a minimum level of income protection for their work.
Why a minimum wage?

1. Minimum wage fixing should constitute one element in a policy designed to overcome poverty and to ensure the satisfaction of the needs of all workers and their families.

2. Give wage earners necessary social protection as regards minimum permissible levels of wages.

*ILO Recommendation 135*
At which level should minimum wage be set?

Take into account

a) the needs of workers and their families, considering the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and

b) economic factors, including requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.

*ILO Convention 131 and Recommendation 135*

Lebanon ratified the Convention, but only needs of workers are mentioned in labour Code.
Dilemma: workers & families needs VS business affordability

In some countries workers and their families needs might be higher than business affordability
Needs of the workers

- How to measure the essential needs of a household?
  - Measuring in terms of the minimum level of consumption spending
  - Establishing a consumption basket
    - What type of goods and services?
    - What quantity?
  - Determining the price of the consumption basket
Economic limits: Employers’ ability to pay

- Estimate impact on enterprise costs (depends on total impact on wage bill):
  Total wage bill = 70% of production costs
- All workers are minimum wage earners
- The Minimum Wage goes up by 20%
- Firm costs increase by 0.20*0.7 = 14%

The business might not be financially viable anymore
Minimum wage vs living wage

There can be a gap... Who should cover it?

Needs of the workers / living wage

Business affordability

GAP

Government subsidies?
MINIMUM WAGES

What are we talking about?

MINIMUM WAGES FOR WORKERS: NET MW

MINIMUM WAGES FOR EMPLOYERS: GROSS MW
Payroll taxes and employer social security contributions for full-time workers at different wage levels

<table>
<thead>
<tr>
<th>Country</th>
<th>2000 MW</th>
<th>67% AW</th>
<th>AW</th>
<th>2006 MW</th>
<th>67% AW</th>
<th>AW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>6.4%</td>
<td>6.4%</td>
<td>6.4%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Austria</td>
<td>31.0%</td>
<td>31.0%</td>
<td>31.0%</td>
<td>29.1%</td>
<td>29.1%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Belgium</td>
<td>15.4%</td>
<td>31.9%</td>
<td>32.6%</td>
<td>15.5%</td>
<td>28.3%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Canada</td>
<td>11.6%</td>
<td>11.4%</td>
<td>11.6%</td>
<td>11.2%</td>
<td>11.6%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.7%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Finland</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
<td>24.0%</td>
<td>24.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>France</td>
<td>23.0%</td>
<td>41.2%</td>
<td>41.2%</td>
<td>17.6%</td>
<td>33.3%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>20.5%</td>
<td>20.5%</td>
<td>20.5%</td>
<td>20.5%</td>
<td>20.5%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Greece</td>
<td>28.0%</td>
<td>28.0%</td>
<td>28.0%</td>
<td>28.1%</td>
<td>28.1%</td>
<td>28.1%</td>
</tr>
<tr>
<td>Hungary</td>
<td>52.8%</td>
<td>41.8%</td>
<td>41.8%</td>
<td>32.0%</td>
<td>35.3%</td>
<td>34.7%</td>
</tr>
<tr>
<td>Iceland</td>
<td>4.8%</td>
<td>4.8%</td>
<td>4.8%</td>
<td>5.8%</td>
<td>5.8%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Ireland</td>
<td>6.5%</td>
<td>5.5%</td>
<td>12.0%</td>
<td>8.5%</td>
<td>10.6%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Italy</td>
<td>34.1%</td>
<td>34.1%</td>
<td>34.1%</td>
<td>32.1%</td>
<td>32.1%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>10.3%</td>
<td>10.3%</td>
<td>10.3%</td>
<td>13.1%</td>
<td>13.1%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Korea</td>
<td>8.9%</td>
<td>8.9%</td>
<td>8.9%</td>
<td>9.2%</td>
<td>9.2%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>15.8%</td>
<td>13.6%</td>
<td>13.6%</td>
<td>14.0%</td>
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<tr>
<td>Mexico</td>
<td>21.8%</td>
<td>12.7%</td>
<td>11.7%</td>
<td>26.3%</td>
<td>13.6%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15.0%</td>
<td>16.1%</td>
<td>10.7%</td>
<td>14.7%</td>
<td>15.8%</td>
<td>15.0%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Norway</td>
<td>12.8%</td>
<td>12.8%</td>
<td>12.8%</td>
<td>12.8%</td>
<td>12.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Poland</td>
<td>20.4%</td>
<td>20.4%</td>
<td>20.4%</td>
<td>20.4%</td>
<td>20.4%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Portugal</td>
<td>23.8%</td>
<td>23.8%</td>
<td>23.8%</td>
<td>23.8%</td>
<td>23.8%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>38.2%</td>
<td>38.2%</td>
<td>38.2%</td>
<td>26.2%</td>
<td>26.2%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Spain</td>
<td>30.6%</td>
<td>30.6%</td>
<td>30.6%</td>
<td>30.6%</td>
<td>30.6%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Sweden</td>
<td>32.9%</td>
<td>32.9%</td>
<td>32.9%</td>
<td>32.3%</td>
<td>32.3%</td>
<td>32.3%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.1%</td>
<td>11.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>19.5%</td>
<td>19.5%</td>
<td>19.5%</td>
<td>21.5%</td>
<td>21.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.8%</td>
<td>6.8%</td>
<td>9.9%</td>
<td>6.8%</td>
<td>9.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>United States</td>
<td>5.2%</td>
<td>5.0%</td>
<td>7.9%</td>
<td>5.2%</td>
<td>7.9%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Average</td>
<td>18.8%</td>
<td>19.7%</td>
<td>19.6%</td>
<td>17.6%</td>
<td>18.8%</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

Notes: AW: average wage, MW: statutory minimum wage. The average wage for the US currently excludes supervisory and managerial workers. Average wages for Ireland, Korea and Turkey refer to the Average Production Worker (manual workers in the manufacturing industry).
Minimum labour costs for full-time minimum-wage workers

A. Per hour, USD at 2006 market exchange rates and constant prices

[Bar chart showing minimum labour costs for various countries, with labels on the x-axis and values on the y-axis.]
How should it be set?

- Social partner involvement
- Use of reliable statistics

ILO Recommendation 135
3. Fixing minimum wage at an effective – reasonable level
Effective vs ineffective minimum wage policies

**Kaitz index = Minimum wage / MedianWage**

**Panel A. Brazil (2002–08)**
Population below national poverty line decreased from 35% to 21%

**Panel B. Chile (2002–08)**
Population below national poverty line decreased from 20% to 15%

Population below national poverty line increased from 5% to 15%

Population below national poverty line decreased from 18% to 13%
No straightforward statistical relationship between the level of minimum wages and the incidence of low pay
Why minimum wage might not reach its objective?

- Weak enforcement
- Weak or imperfect coverage
- Effective in the formal but not in the informal economy
- Mismanagement: minimum wages set at an unrealistically high level leading to non-enforcement or displacement of low-paid workers into unemployment or informal employment.
- It is only one element in a policy designed to overcome poverty.
Which is an effective minimum wage level? Which criteria shall we use?

- Do not rely only on Consumer Price Index!
- Use a number of economic indicators to fix/adjust minimum wage
Which indicators are important?

Fundamental indicators for minimum wage adjustment
- Consumer Price Index
- Economic growth
- Labour productivity

And as a reference to check effectiveness and possible side effects
- Un/Employment level (formal employment)
- Population below national poverty line
- Inequality indicator (Gini Index, Ratio of richest 10 to poorest 10% or Percentage of Low paid workers)
- Evolution of wages and Median wage
Inflation

Why consumer price index?

- (New) absolute poverty threshold
- Needs to be adapted to a cost of living index
- Evolution over time
- Purchasing power reduces with inflation
But be aware of inflationary spiral!

Indexation and inflation

Automatic indexation of wages

Inflationary spiral

Increase in wage costs

Increase in prices

Automatic indexation is dangerous!

TIP: It is better to use as an indicator the expected inflation
Indexation and Inflation: related risks

- General increase in prices
- Domestic prices > foreign prices
- Stimulating imports and reducing exports
- Fall in the current account
Growth

Why caring about real GDP growth?

- GDP growth measures the health of the economy
- Dangerous to increase real wages if the economy is not expanding.
- Increasing real wages more than real GDP growth might affect country competitiveness (less exports, less investment, less employment)
Productivity: Why worry about labour productivity?

- Link between wages and labour productivity has important implications for social and economic outcomes.
- Common reference point for minimum wage setting.
- Accepted by both Workers and Employers as a reference point in collective bargaining.
Productivity gains

- Increase in wages
  - Household purchasing power
    - Consumption
- Reduction in prices
- Increase in profit
  - Investment
Labour productivity and wages

A strong correlation ...

Labor productivity and average wages, in 2005 PPP$ (2009 or latest available year)

wage = 0.4415 x labour productivity
R² = 0.6517, n = 108

Source: ILO Global Wage Database.
But not an automatic link

- Many country-level studies find significant elasticity, but often not one-to-one:
  - Kenya 1950s/1960s: growth of wages about 3/4 as fast as growth of LP (Harris & Todaro, 1969)
  - South Africa 1990s: elasticity of 0.38 in manufacturing sector (Wakeford, 2004).
  - Global Wage Report 2008/09: elasticity of 0.756 between growth of GDP per capita and wage growth.

- Arthur Lewis (1954): In conditions of surplus labour, employers don’t have to pass on productivity gains.
  - Wage policies and labour market institutions matter!

TIPS: Never go above 0.75%!
Other indicators – criteria for setting reasonable MW

- Let’s check positive and negative effects on other economic variables!
Why employment indicators are important?

High minimum wage can increase unemployment.
# Empirical studies

<table>
<thead>
<tr>
<th>Author</th>
<th>Country</th>
<th>Year</th>
<th>Group</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown, Gilroy and Kohen</td>
<td>United States</td>
<td>1954-1980</td>
<td>Adolescents</td>
<td>---1--3%</td>
</tr>
<tr>
<td>Card and Krueger, 1995</td>
<td>United States</td>
<td>1954-1993</td>
<td>Adolescents</td>
<td>---0.76% (insignificant)</td>
</tr>
<tr>
<td>Rama, 1996</td>
<td>Indonesia</td>
<td>1988-1995</td>
<td>Jobs in cities</td>
<td>--0.14 – 0.25% (not very high)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Manufacturing jobs (large companies)</td>
<td>+0.25% (insignificant)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Idem (small companies)</td>
<td>-6.4% (insignificant)</td>
</tr>
<tr>
<td>Berstein and Schmitt, 1998</td>
<td>United States</td>
<td>1954-1979</td>
<td>Adolescents</td>
<td>-0.95* -0.5** (insignificant)</td>
</tr>
<tr>
<td>OECD, 1998</td>
<td>Belgium, Canada, Spain, United States, France, Greece, Japan, Netherlands, Portugal</td>
<td>1975 – 1996</td>
<td>Adults (25-54) Youths (20-24) Adolescents (14-19)</td>
<td>No effect Effect other than zero -2 to -4%</td>
</tr>
</tbody>
</table>

## Effect of the increase in the minimum wage on the employment of a target group (in %)

<table>
<thead>
<tr>
<th>Author</th>
<th>Country</th>
<th>Increase (real %)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yuen (2003)</td>
<td>Canada (1988-1990)</td>
<td>8.4</td>
<td>-6 (16-19 years) -10 (20-24 years)</td>
</tr>
</tbody>
</table>
Why employment indicators are important?

- Very high minimum wage: pay attention to the negative effects on employment
- Employment criteria used to adjust the minimum wage for some categories
  - E.g.: young people with no experience are less productive than workers with experience. To offset this lack of productivity and to motivate companies to hire this type of worker, the State can introduce lower minimum wages for young people.
Minimum wage and unemployment level
The combination of factors depends on the technology used

- The choice of technology will depend on the relative cost of capital with respect to labour

Increase in the cost of labour > increase in the cost of capital
Substitution between capital and labour
Reduction in slightly productive jobs
The minimum wage must help to meet the needs of how many persons?

- Poverty varies according to the family structure (birth rate, divorce, separation, widowhood, etc.)
- Poverty varies according to the number of members who have an income within the household
- Poverty indicators: below national poverty line / less 2usd/day, etc.
Poverty indicators:
Is the minimum wage a good method of fighting poverty?

Set according to the essential needs of workers

- Increase in household income
  - Increase in household income
    - Decrease in poverty
  - Increase in cost for employers
    - Removal of least productive workers
    - Reduction in number of persons working in household
    - Increase in poverty

Overall effect on poverty?
Income inequality

- This argument is normally brought about by Trade Unions.
- Check Gini Index and changes in Gini Index (in 3-5 years period): It helps in highlighting trends
- R/P 10%: The ratio of the average income of the richest 10% to the poorest 10%
- Low pay incidence
Wage hierarchy and median wage

- Maintain a wage hierarchy: generally (but it depends on each country context) minimum wage should not be more than 40-45% of median wage

- Avoid that negotiation on the minimum wage acts as a substitute for collective bargaining on wages
4. Additional factors / effects to be taken into consideration

- Informal economy
- Spill over effects
- Social protection policies
- Minimum wage vs in-work benefits
The role of the minimum wage in the informal economy

Informal sector employers can be pressured by their workers to increase the level of wages proportionally with the increase in the minimum wage or risk seeing their workers leave the company to join the formal sector.

Too high minimum wage can increase “informalization”

Informal sector wages are linked to the minimum wage because:

- The minimum wage can also have an effect on wages in the informal sector through the demand for informal goods it creates
- The minimum wage is taken as a reference in the informal economy as it reflects the productivity of workers
Spill over effects of increases in minimum wage on other wages

*Example from France*

<table>
<thead>
<tr>
<th>Wage hierarchy (with respect to the minimum wage)</th>
<th>Time scale</th>
<th>Short-term effects of spread of increases of 1% in the minimum wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 1.1* minimum wage</td>
<td>quarterly</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>annually</td>
<td>+1%</td>
</tr>
<tr>
<td>1.4 to 1.5* minimum wage</td>
<td>quarterly</td>
<td>0.1%</td>
</tr>
<tr>
<td></td>
<td>annually</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
Social protection policies

Recall Recommendation 135

- Minimum wage fixing should constitute **one** element in a policy designed to **overcome poverty** and to ensure the satisfaction of the needs of all workers and their families.

- Which role do other social protection policy play in Arab States?
**Minimum wage vs in-work benefits (advantages and disadvantages)**

<table>
<thead>
<tr>
<th>Positive effects and drawbacks</th>
<th>Minimum wage</th>
<th>In-work benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positive effects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce in-work poverty</td>
<td>Limited</td>
<td>Yes</td>
</tr>
<tr>
<td>Ease the unemployment trap</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Potential drawbacks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spillover to richer families</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Reduce labour demand/employment</td>
<td>Yes (if set at a high rate)</td>
<td>No</td>
</tr>
<tr>
<td>Disincentives to increase earned income</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Disincentives for spouses to work</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>May lower wages of low paid</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Public budget/fiscal costs</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope for abuse and error</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Stigma effects, low-take up</td>
<td>Limited</td>
<td>Yes (if implemented as a benefit rather than as a tax credit)</td>
</tr>
</tbody>
</table>

In-work benefits: financial incentives (tax reductions and other benefits) to obtain employment or work longer hours for low-income household

Source: OECD
The minimum labour costs of minimum wage earners vary between 30% of the cost of the average wage in Spain, Korea, Japan, Mexico and Turkey to nearly 50% in Australia, Ireland and New Zealand.
Discussion

- Which might be the effects of relatively high increases in minimum wage on the following?
  - Poverty reduction
  - Employment level
  - State expenditure
  - Inequality
  - Country competitiveness
  - Current account balance
  - FDI inflows
  - General level of wages
  - Level of consumption
  - Inflation
5. A formula for regularly adjusting Minimum Wage level
Advantages

- Predictability
- Reduce the possibility of unaffordable increases
- Based on economic and social statistics
- More scientific approach
Country X in 2011

Fundamental indicators to be taken in consideration for adjusting minimum wage

- Consumer price Index (annual percentage change) 5.4%
- GDP Growth 6.5%
- Labour productivity 3%

Additional indicators

- Unemployment rate 6.5% (-0.5% compared to 2010)
- Poverty headcount ratio at national poverty line 12.49%
- Gini Index: 0.42 in 2008 0.39 in 2011
- Kaitz index (MW /median wage): 48%
Using a hypothetical formula

Increases in MW this year = MW of the previous year
+ $\alpha$ (CPI – annual percentage change)
+ $\gamma$ (labour productivity growth)
+ $\beta$ (GDP growth)
+ $\delta$ (additional indicators)

$0 \leq \alpha \leq 1$
$0 \leq \beta \leq 1$
$0 \leq \gamma \leq 1$
$0 \leq \delta \leq 1$

Coefficient values are elements of negotiation / discussion.
Example: a more than fair increase could be:

- CPI: $0.8 \times 5.4 = 4.32$
- Labour Productivity gains: $0.7 \times 3.0 = 2.1$
- GDP growth: $0.1 \times 6.5 = 0.65$
- Others: $0$

Total: $4.32 + 2.1 + 0.65 = 7\%$

Real minimum wage increase 1.6%

Not 1 because we want to avoid inflationary spiral and use expected inflation.

The economy is growing – OK a slight increase.

Avoid to go beyond 0.75%
Summing up

Institutional reality
- Role of Employers’ Organizations / Trade Unions in Collective Bargaining
- Effects on real wages
- Power distribution
- Willingness to work
- Free market

Social reality
- Poverty level
- Inequality
- Purchasing power
- Unemployment level

Economic reality
- Productivity
- Growth
- Competitiveness (imp/exp)
- Investment
- Public finance
Thank you!

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