Wage drag

Posted at: 01/12/2018

Wage drag-The ILO's report underlines the need for wage expansion that is robust and also equitable

- The International Labour Organisation's Global Wage Report has put into sharp relief one of the biggest drags on global economic momentum: slowing wage growth.
- Global wage growth, adjusted for inflation, slowed to 1.8% in 2017, from 2.4% in 2016, it shows.
- Excluding China (given its high population and rapid wage growth it tends to skew the mean), the average was even lower (1.1% in 2017 against 1.8% in 2016).
- Across a majority of geographies and economic groupings, wage expansions were noticeably tepid last year.
- The ILO report observes that the acceleration of economic growth in high-income countries in 2017 was led mainly by higher investment spending rather than by private consumption.
- Extending the time horizon, it reveals that real wages almost tripled in the developing and emerging countries of the G20 between 1999 and 2017, while in the advanced economies the increase over the same period aggregated to a far lower 9%.
- And yet, in many low- and middle-income economies the average wage, in absolute terms, was so low it was still inadequate to cover the bare needs of workers.
- The intensification of competition in the wake of globalisation, accompanied by a worldwide decline in the bargaining power of workers has resulted in a decoupling between wages and labour productivity.
- The fallout has been the weakening share of labour compensation in GDP across many countries that the ILO notes "remain substantially below those of the early 1990s".
- For India's policymakers, the message is clear: to reap the demographic dividend we need not only jobs, but wage expansion that is robust and equitable.