

# Declining Wage Shares, Wealth Inequality and ‘Living Wages’

**Fiona Dragstra (Director WageIndicator Foundation) presents on behalf of**

**Maarten van Klaveren (researcher WageIndicator Foundation)**

9<sup>th</sup> Regulating for Decent Work (RDW) Conference, ILO, Geneva; July 2-4, 2025  
Track IV. Good ideas, no impact?: Effective labour regulation

Special Session on Challenges of Decent Work and the Sustainable Development Goals,  
chaired by prof. Christoph Scherrer

# Functions and types of wages, related to global employment

- ILO (2022) estimate: in 2021 worldwide 53.4 % of global employment is *wage* employment, 46.6% is 'self-employed' = employers, own-account workers and contributing family workers
- Earlier ILO (2022) for 2005: worldwide 45.5 % in wage employment, 54.5% in self-employment. Or, in 2005-21 wage employment grew by 36%, total employment by 16%

# Contradiction: wage employment grows but wage shares in national income decline

- Decline of share of wages in many national incomes from 1990s onwards. ILO (2020) for 189 countries: average decrease of wage share from 53.7% in 2004 □ 51.4% in 2017.
- Factors behind decline of wage shares:
  - \* labour-saving technological change;
  - \* globalisation combined with 'financialization': larger role of financial institutions;
  - \* in advanced economies deregulation of welfare state,
  - \* while in developing countries lack of social protection remains widespread.
- *Way out according to ILO: ensure closer connection between wage and productivity growth* - □ need for higher trade union density (TUD) and higher collective bargaining coverage (CBC) (Visser et al. 2015 for ILO, Van Klaveren & Gregory 2019 for ETUI) ---- however, practice is opposite: in 2022 was largest gap between real productivity and real wages reached for 52 high-income countries (ILO 2022)!

# Also, inequality in private wealth rises globally

fuelled by lowering of corporate tax rates, tax evasion and money laundering:

- Piketty et al. 2021: global average of statutory corporate tax rates fell from 49% in 1985 to 24% in 2018
- Idem: between 1995 and 2021 top 1% of the wealthiest people worldwide took 38% of all additional wealth accumulated
- *Way out according to OECD and World Bank 2018: call on governments to “fight against tax evasion, bribery, and other forms of corruption”*
- .... while wealth inequality contributes to growing global income inequality: in 2004 highest 20 per cent of wage earners worldwide got 51.3% □ increased to 53.5% in 2017, while for poorest 20 per cent meagre 3.9% share in 2004 □ fell to 3.5% in 2017 (ILO 2019)

# Potential of Statutory Minimum Wages (SMWs)

Lifting statutory minimum wages has potential to counteract the negative trends mentioned. Supranational efforts in ILO and EU (European Directive 2023) as well as efforts at national level. Yet, potential remains limited because of two main obstacles:

- limitations in the extent of legal coverage, in particular due to large informal sector. Examples: India 70% informal ('unorganized') employment (NSO 2017/18), Indonesia 59% (Statistics Indonesia 2022), Brazil 40% (IBGE 2022). Leapfrog ('lighthouse') effects in wage-setting from formal to informal sector can be seen but these are mostly weak;
- limited compliance with SMWs due to weak enforcement capacity of many administrations. Low compliance rates found in Indonesia, Turkey (Rani et al. 2013) and Sub-Saharan Africa (SSA) countries (Bhorat et al. 2017).
- ☐ Conclusion: overall, progress in lifting/attaining SMWs may likely be slow.

# Potential of Living Wages (LWs)

**Notion that wages should be a main source of support for living standards, and therefore be ‘living wages’, is gaining momentum worldwide.**

**Introduction of living wages is subject to voluntary private regulation, though arguments can be derived from:**

- **UN Universal Declaration of Human Rights, 1948 (“ensure an existence in dignity”);**
- **ILO Declaration on Social Justice for a Fair Globalization, 2008 (“ensure a minimum living wage”);**
- **some of the 17 Sustainable Development Goals (SDG’s) proclaimed by the UN in 2015, notably SDG’s 1 (End Poverty), 5 (Gender Equality), 8 (Decent Work and Economic Growth), and 10 (Reducing Inequality within and among countries)**

# Many initiatives and campaigns promote LWs

- Since 1995 in US and UK community and trade union initiatives: Living Wage Foundation, Living Wage Employer mark;
- Since 2010 Corporate Social Responsibility (CSR) benchmarks, measuring and advertising LWs at national, brand / company and local levels: WageIndicator Foundation; Anker Research Institute / Global Living Wage Coalition; Fair Wage Network, and others;
- Current: over 600 multinational brands and companies endorse implementation of LWs; growing impact to be expected through implementation in suppliers in global value chains;
- IDH Sustainable Trade Initiative has developed Benchmark Recognition Process as regards LWs, recognizes WageIndicator LW methodology

# Perspectives: potential of LW movement, measured through WageIndicator methodology

WageIndicator research (Guzi et al. 2025, this conference) for 44 countries and 7 occupational groups shows that a. workers at LW levels will face lower risks than below these levels on material deprivation (at least one of four: shelter to stay; enough food; medicine needed; cash income) and will reach higher levels of life and financial satisfaction; b. once reaching wage levels above LW, the marginal benefits will decrease significantly.

Other WageIndicator research shows practical limitations of LW implementation at country/industry level caused by wide gaps between LWs and SMWs/prevailing wages; for example in African agri/horticulture calculated LW levels are over 300% of SMWs/prevailing wages:

- such large gaps often prove to be connected with a. lack of effectuated labour rights; b. poor working conditions; c. workplace violence and sexual harassment;
- □ policy steps needed that cover a, b and c: reference to relevant SDG's, like in agri/horticulture steps that include SDG's 5 (Gender equality) and 8 (Decent Work and Economic Growth).



# Thank you for your attention

- Questions, comments?
- WageIndicator website – [www.wageindicator.org](http://www.wageindicator.org)
- [maartenvanklaveren28@gmail.com](mailto:maartenvanklaveren28@gmail.com)