



# Wages in Global Perspective



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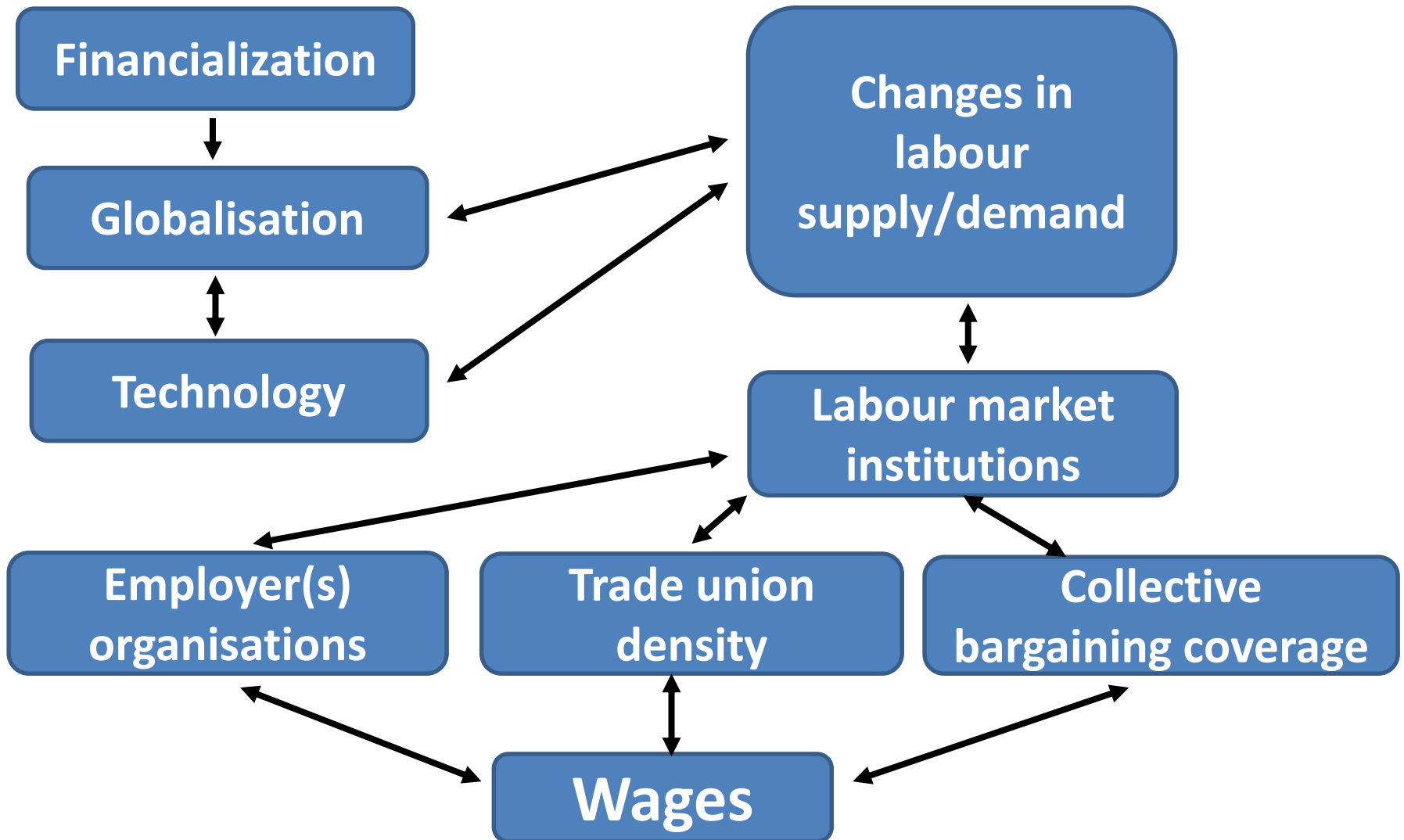


# Contents



- **Wages matter**
- **Stagnation in wage development worldwide**
- **Major trends influencing development of wages**
  - **Industrial relations**
  - **Globalisation**
  - **Development of new technology**
  - **Financialization**
- **Potential consequences of the 'wage gap'**
- **Labour market institutions matter**

# Contents in scheme



# WAGES MATTER



- 1. Vital source of personal and household income**
  - Yet, not the only source: informal employment, self-employed*
- 2. Central to maximize aggregate demand and maintain economic growth**
- 3. Contribute to fairness and human dignity, in particular through minimum wages and workers' voice: collective bargaining and own choices**

# STAGNATION IN WAGE DEVELOPMENT WORLDWIDE



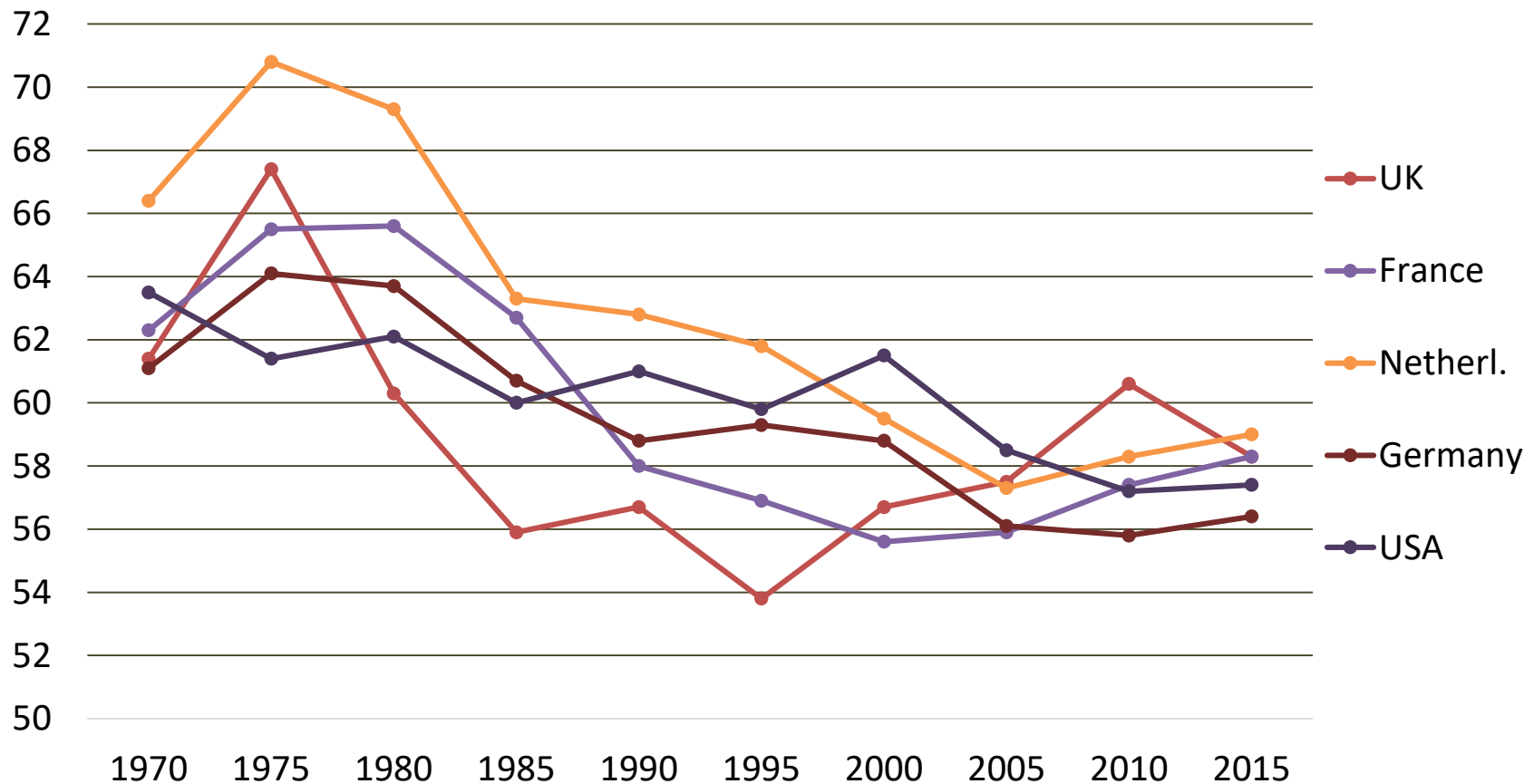
- 1. Measured by wage (labour income) share**
  - *Complications in calculating income of informally and self-employed*
  - For 133 countries in 2014 median value of wage share 0.53 = 2%points lower than in 1995 (ILO 2016/17)
- 2. Measured by development of real wages**
  - In EU28 over 2010-15 in half of all countries decrease of real wages (own calculations based on OECD/Ameco)
- 3. Measured by distance between average real wages and labour productivity increases**
  - for 36 developed countries if 1999=100, wage index 2015=109 and productivity index 2015=119 (ILO 2016/17)

# STAGNATION IN WAGES WORLDWIDE:

## Wage shares Europe / US



### Wage shares, Europe/US, 1970-2015

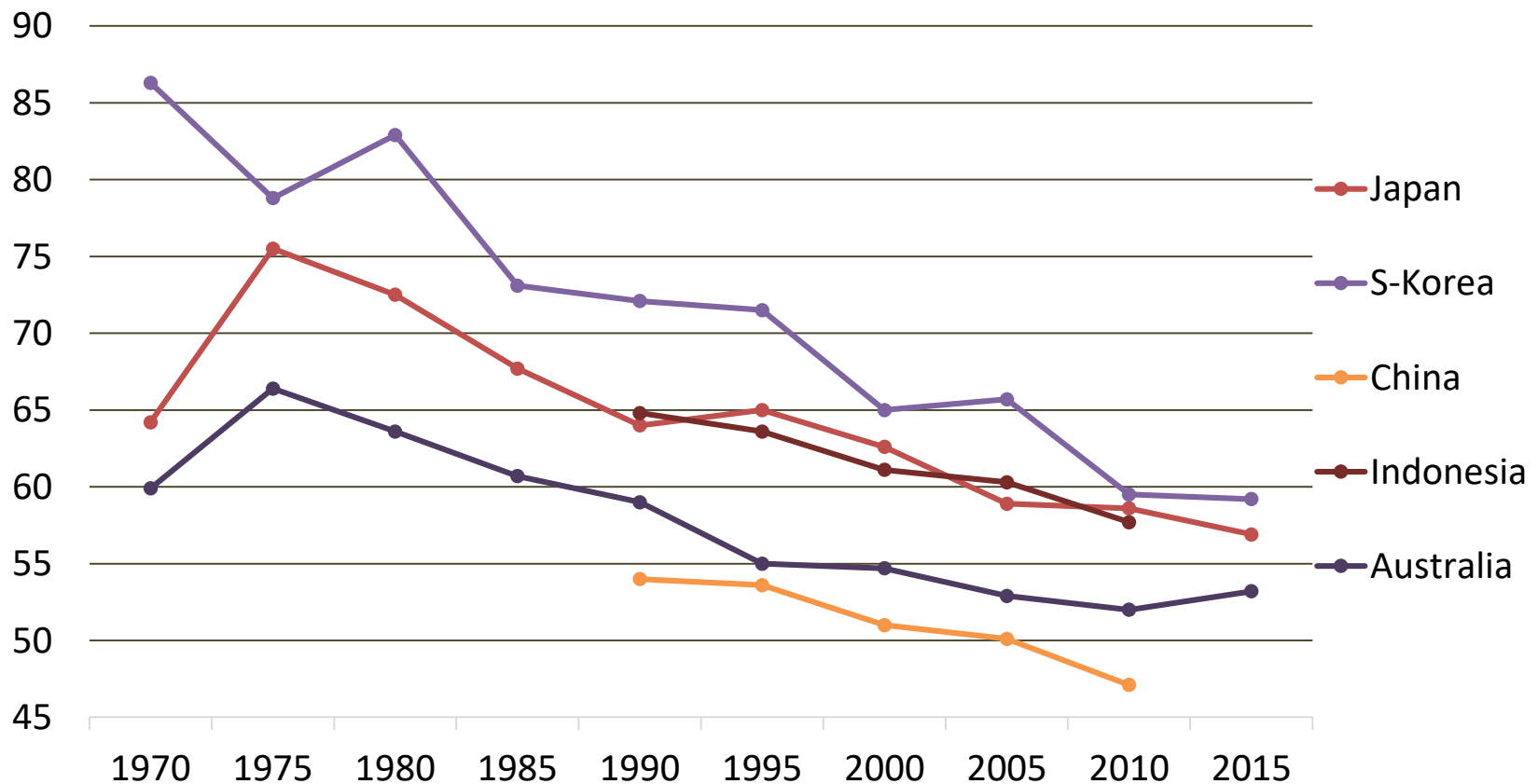


# STAGNATION IN WAGES WORLDWIDE:

## Wage shares Asia / Australia



### Wage shares, Asia/Australia, 1970-2015



# MAJOR TRENDS INFLUENCING DEVELOPMENT OF WAGES



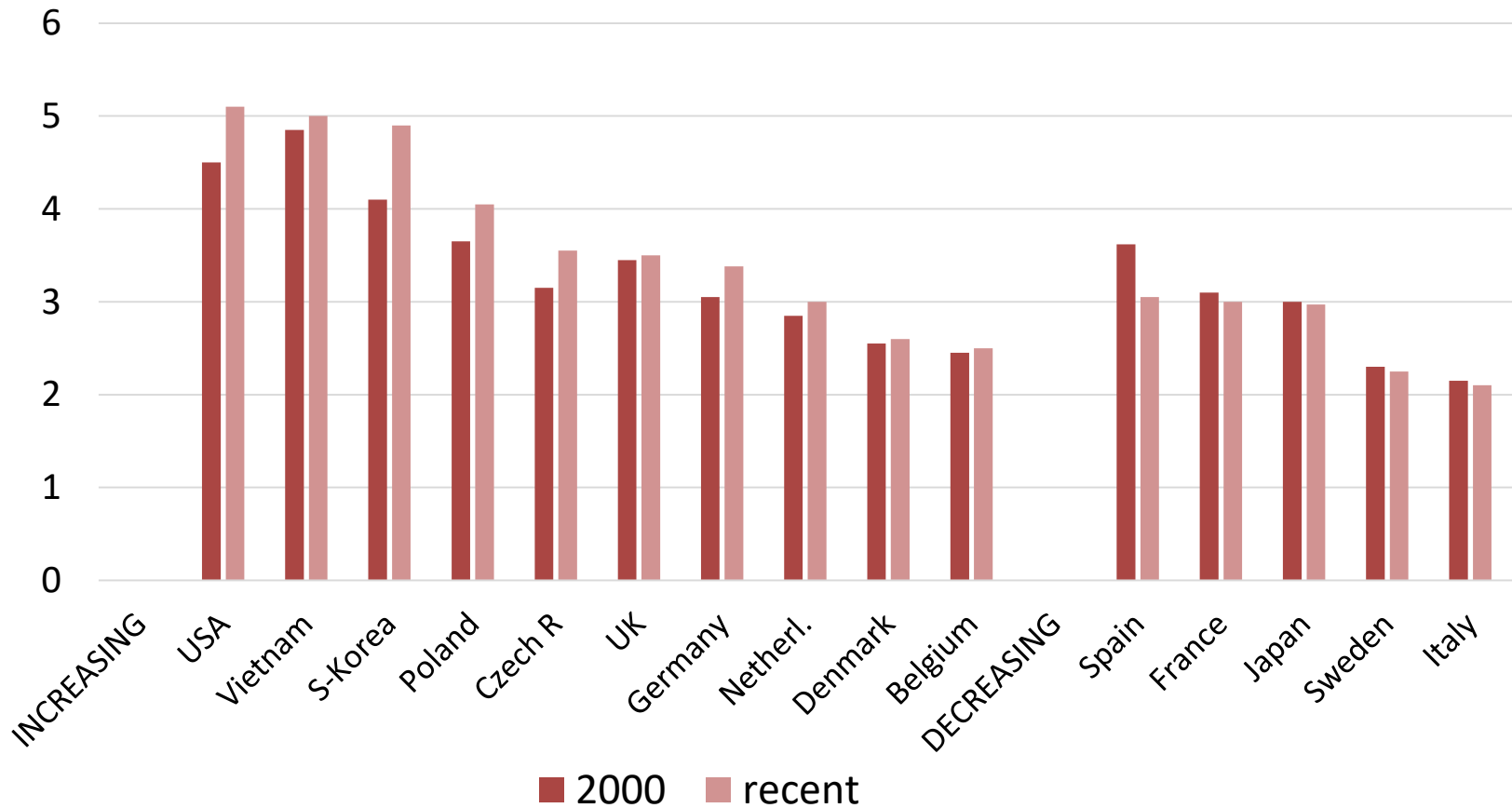
- **Industrial Relations: weakened position of labour**
- **Globalisation**
  - Speeding up in 1980/90s: entry of China and India to liberalised world markets, ‘doubling of global workforce’
  - Multinationals developing as ‘efficiency seekers’
  - Development of global value chains for retailer brands
  - Growing penetration of foreign direct investment in EU
- **Development of new technology**
  - Closely related to globalisation: advances in transport and IT, fragmenting of production processes
  - Newest waves implemented worldwide (robots in Foxconn factories)
- **Financialization**
  - Empowered shareholders align with excessively paid managers
  - Short-term decision-making, quarterly financial outcomes
  - Serious disconnect between profits and productive investment



# WAGE INEQUALITY, 2000-recent



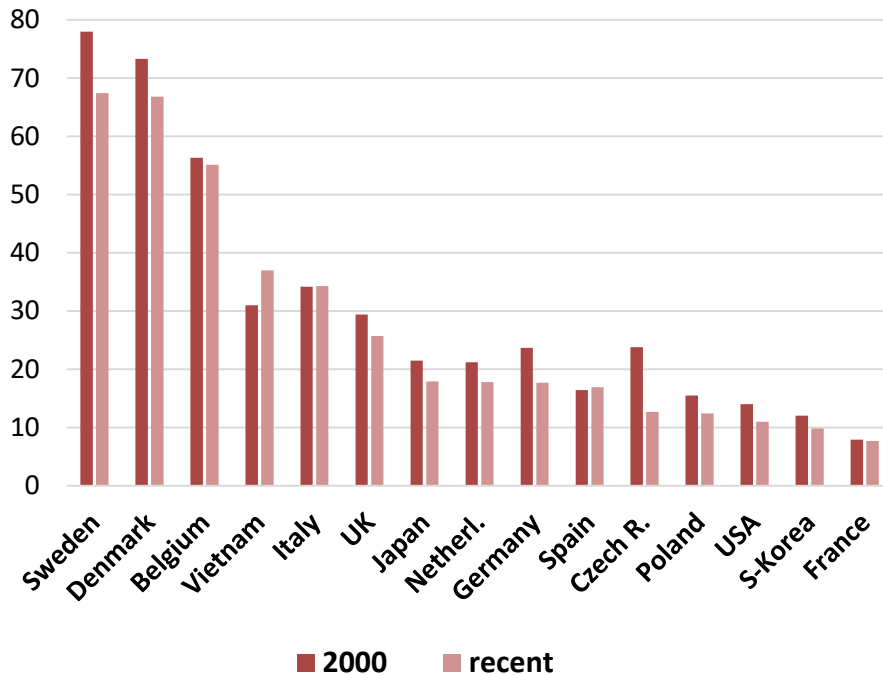
Wage Inequality (D9/D1), 2000-recent, 15 countries



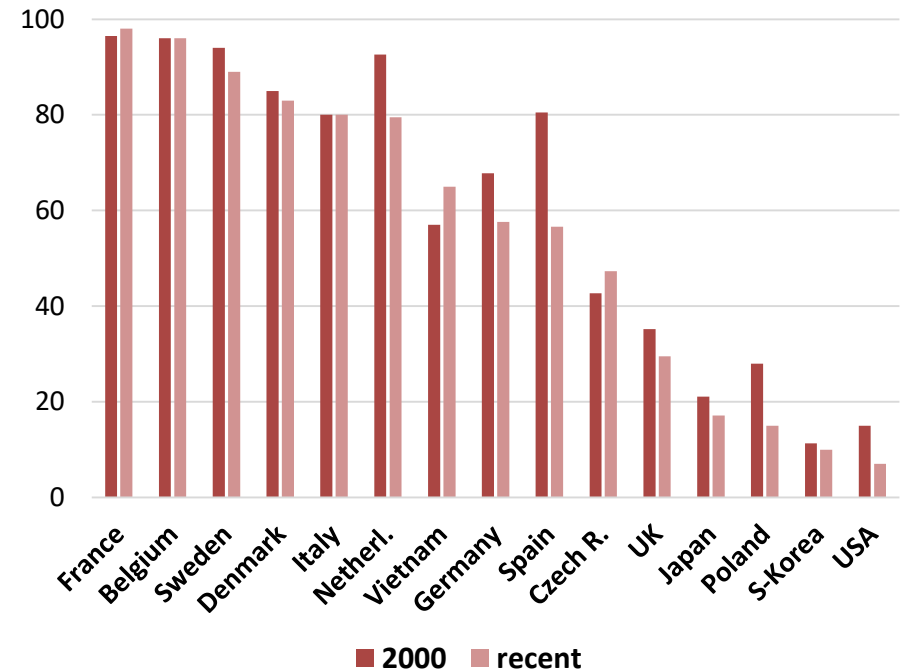
# INDUSTRIAL RELATIONS: TRADE UNION DENSITY (& POWER), COLLECTIVE BARGAINING COVERAGE



Trade union density, 2000-recent, 15 countries



Collective bargaining coverage, 2000-recent, 15 countries



## Correlations:

Wage Inequality – Trade Union Density: 2000  $R=-.565$ ; recent:  $R=-.513$

Wage Inequality - Collective Bargaining Coverage: 2000  $R=-.630$ , recent  $R=-.687$  (mandatory extension!)

Trade Union Density - Collective Bargaining Coverage: 2000  $R=-0.500$ , recent  $R=0.583$

Trade Union Density - Collective Bargaining Coverage: development 2000-recent:  $R=0.228$

# POTENTIAL CONSEQUENCES OF THE 'WAGE GAP'



- **First, two caveats:**
  - Declining wage share does not always imply large(r) wage inequality: in many developing countries wage compression, notably around MW level
  - Also, declining *wage* share does not always relate to larger *income* inequality (larger Gini coefficient), research outcomes contradictory
- **Economic consequences**
  - Put brakes on aggregate domestic demand, hampers growth
  - Makes (revival) of export-led strategies based on relatively low wages seductive road for governments and large firms
  - Jointly with financialization in non-regulated context: larger debt problems for households and firms, economic instability, 'waiting for the next crisis'
- **Social and political consequences**
  - Impedes achievements in health and education, less facilities to maintain / strengthen labour market institutions upright, fight effects of polarization of occupational structures (LM intermediaries, vocational training)
  - Hampers position and perspectives of girls and women
  - Less social cohesion, excessive inequality is threat to democracy

# LABOUR MARKET INSTITUTIONS MATTER



- **Return to correlation coefficients: labour market institutions do matter**
- **Addition 1**
  - In many developing countries trade unions quite weak (union density < 5%) and oppressed, as are labour market institutions
  - → strong efforts needed to improve their situation: capacity building, pressure on freedom of organisation and CB
- **Addition 2**
  - In EU from 2001-14 the (non)existence of employer organisations from 2001-2014 had stronger influence on collective bargaining coverage (and outcomes) than trade union density and power (own research)
  - → importance of revival of social dialogue at industry, national and European levels, as recently advertised by European Commission

# THANK YOU ... AND FURTHER READING



**Thank you for your attention!**

## Own sources:

Maarten van Klaveren and Kea Tijdens (2012) *Empowering Women in Work in Developing Countries*. Basingstoke: Palgrave Macmillan

Maarten van Klaveren, Kea Tijdens and Denis Gregory (2013) *Multinational Companies and Domestic Firms in Europe*. Basingstoke: Palgrave Macmillan

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Maarten van Klaveren and Denis Gregory (2017) *Restoring Multi-employer Bargaining in Europe: prospects and challenges*. Brussels: ETUI (forthcoming)