



Labour standards in global supply chains

A programme of action for Asia and the garment sector

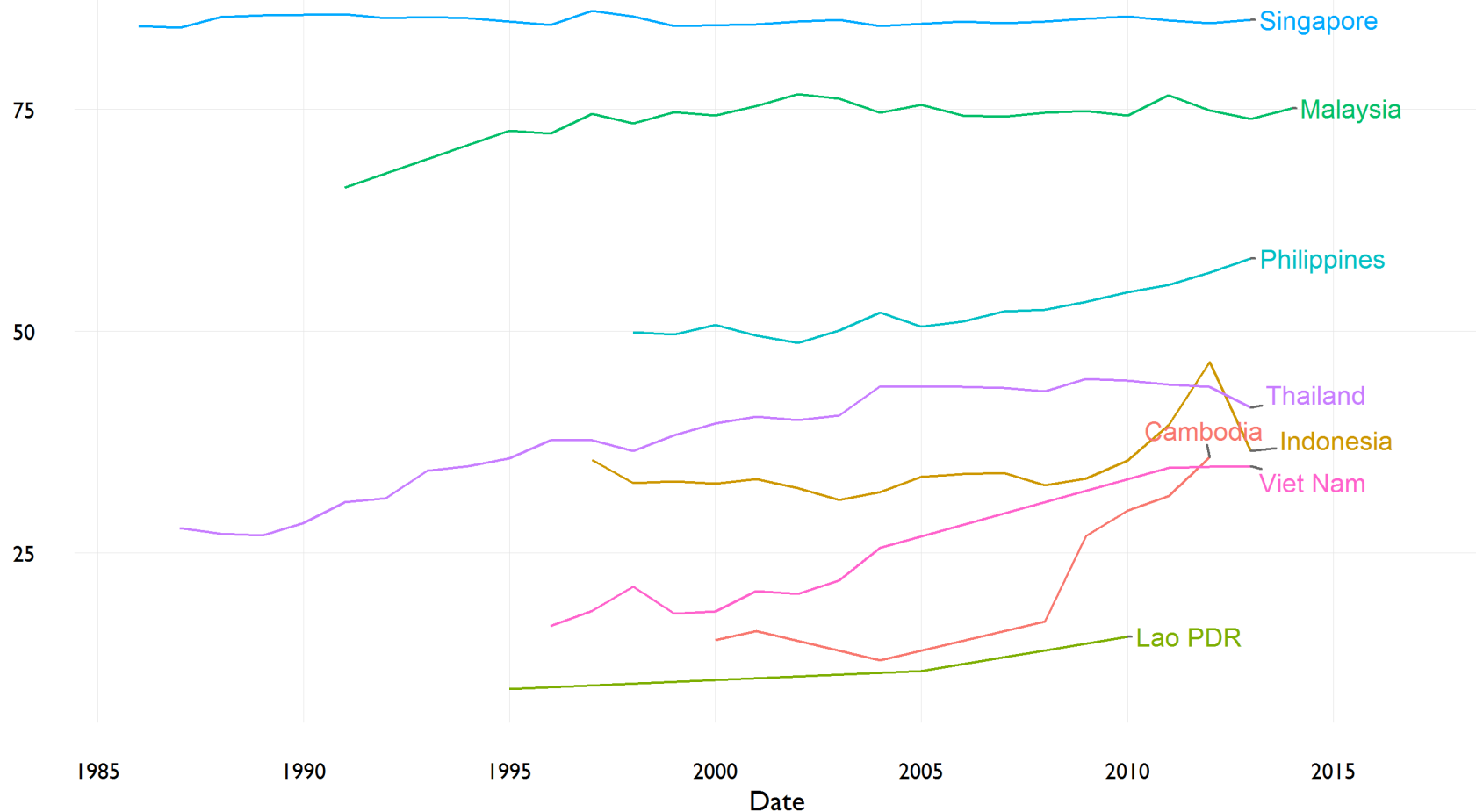
Wages in Asia and the Pacific: Trends and Policy Considerations

Bangkok, 16 June 2015

Matt Cowgill, Chief Technical Adviser
ILO Regional Office for Asia and the Pacific, Bangkok
Email: cowgill@ilo.org

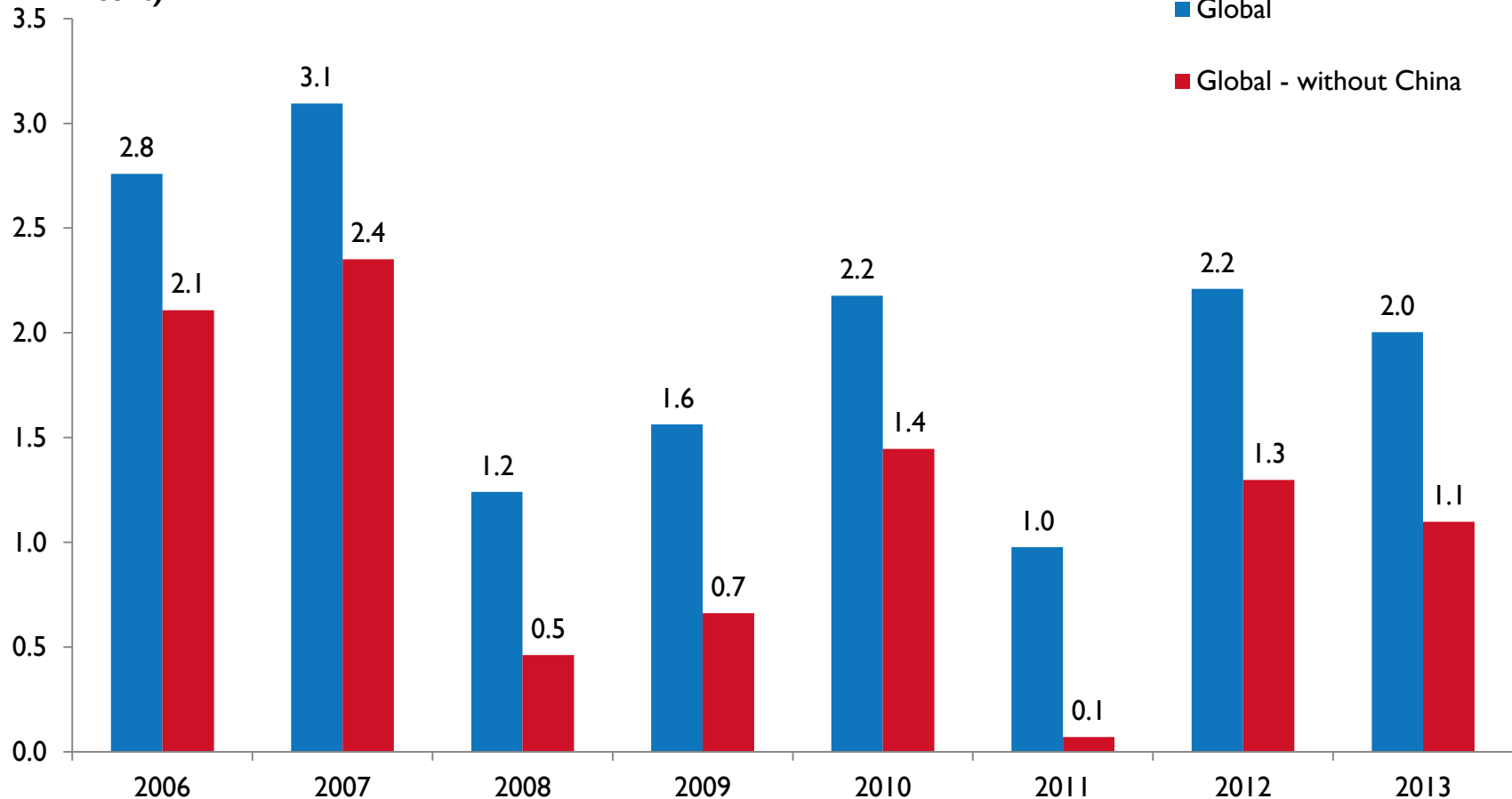
Wage employment is increasingly important in Asia and the Pacific

Wage and salary workers (employees) as a percentage of all workers



Global wage growth remains below pre-crisis rates

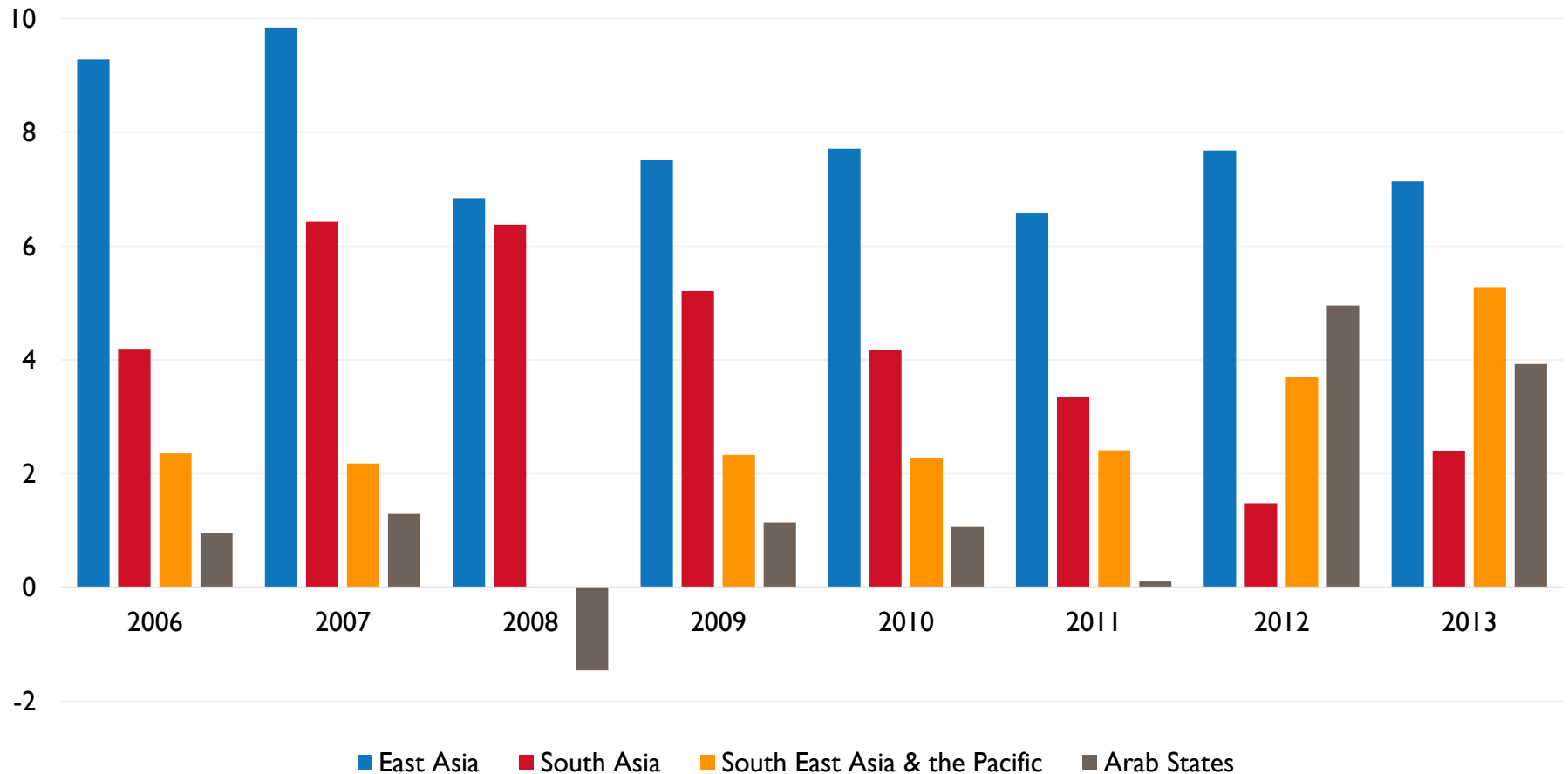
Annual growth (per cent)



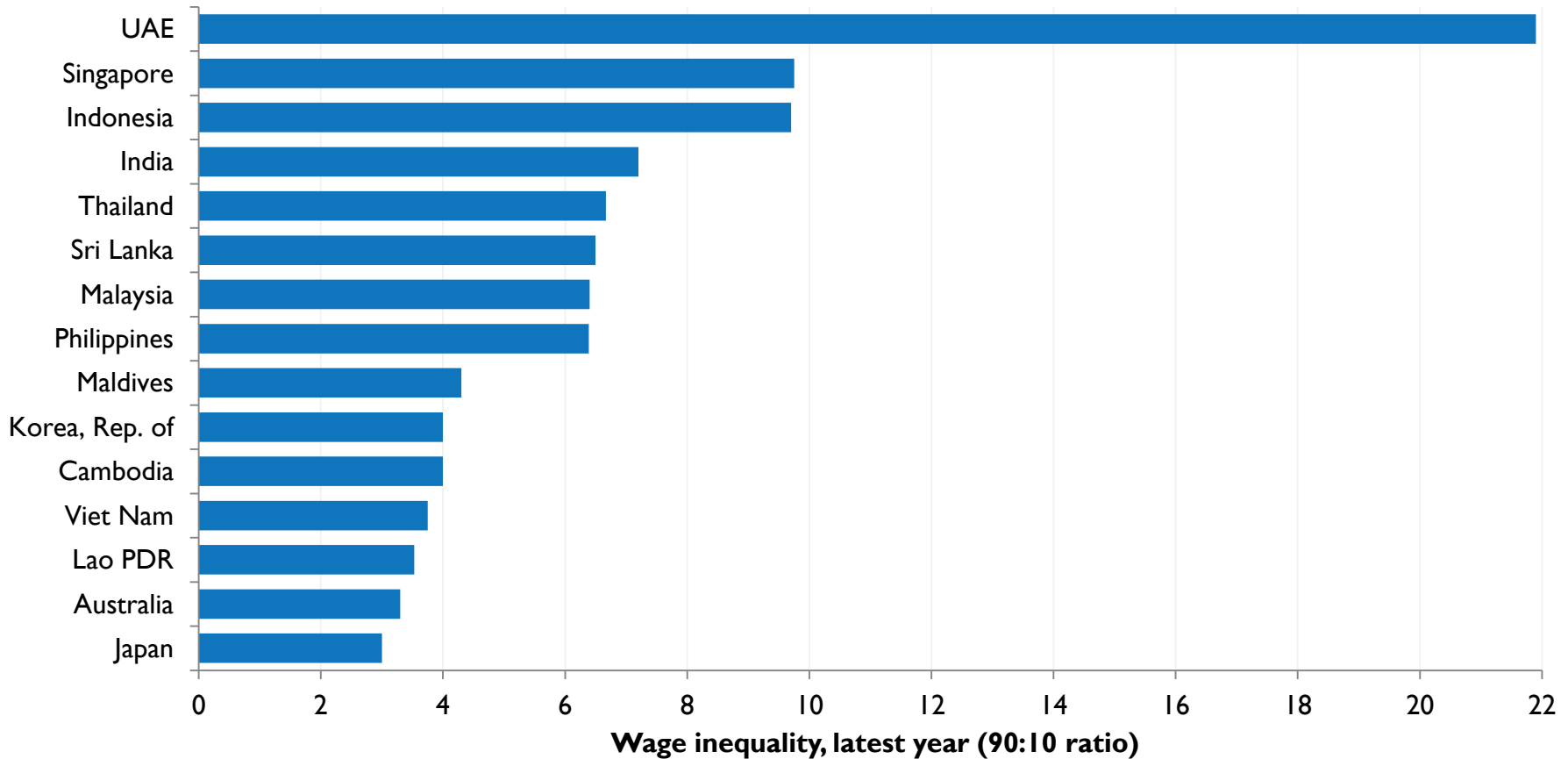
Note: Global wage growth is calculated as a weighted average of year-on-year growth in average monthly real wages in 130 countries, covering 95.8% of all employees in the world (for a description of the methodology, see Appendix I). **Source:** ILO Global Wage Report 2014/15

Wages growth is highly uneven across sub-regions

Growth in nominal average wage (per cent)



Wages are unequally distributed within countries



Note: Data refer to 2013 (Indonesia, Malaysia, and Sri Lanka), 2012 (Cambodia, India, Singapore, and Viet Nam), 2011 (Japan and New Zealand), 2010 (Australia, Korea, rep. of, Lao PDR, Maldives, and Thailand), 2009 (United Arab Emirates).

Source: ILO: ILOSTAT; ILO: Global Wage Database 2014/15, based on national statistics; ILO, ADB: ASEAN Community 2015: Managing integration for better jobs and shared prosperity (Bangkok, 2014).

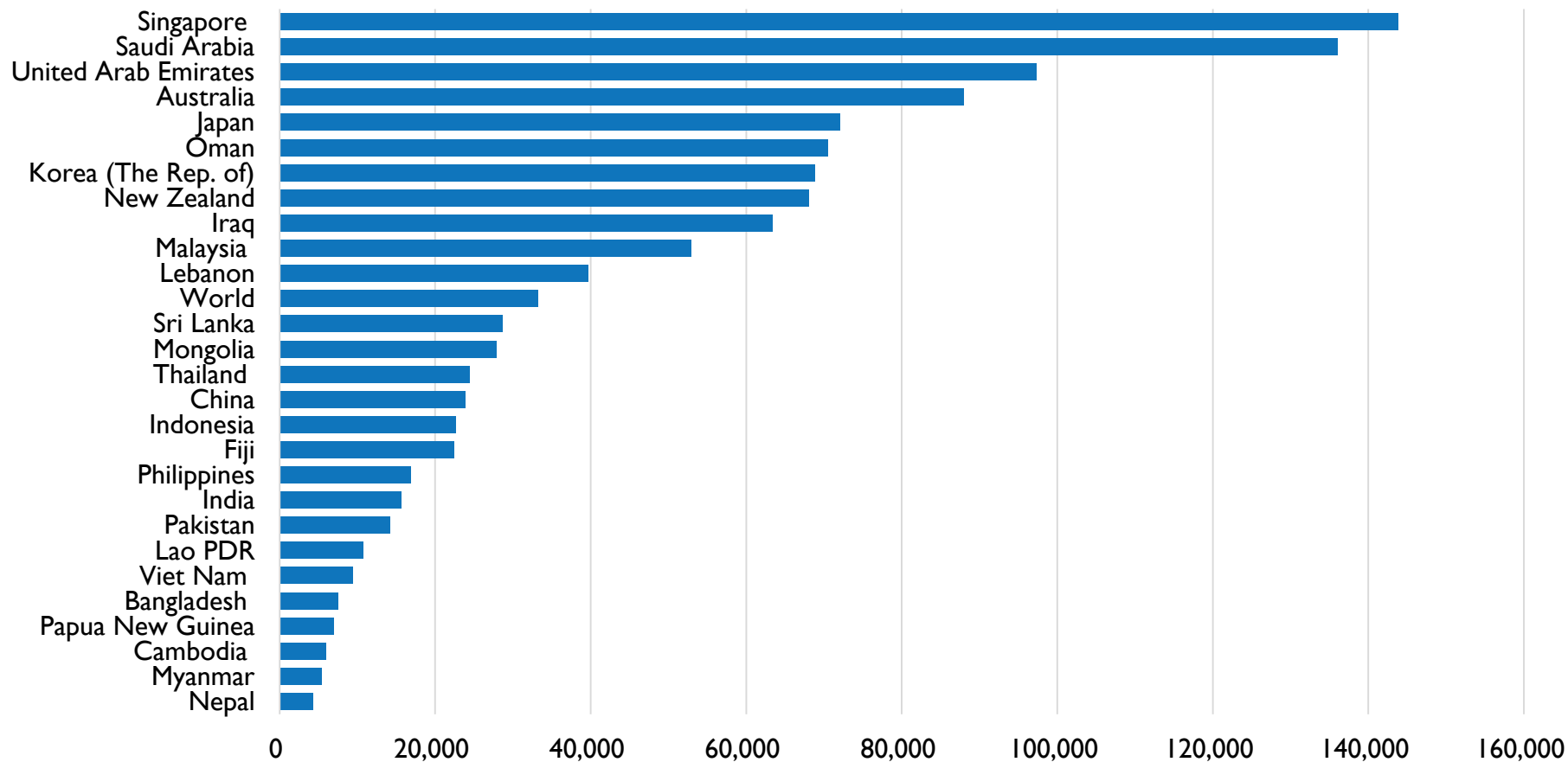
Wages are unequally distributed between men and women



* Based on average daily wage or salary earnings received by regular wage and salaried employees (activity status codes: 31, 71, 72) of age 15 to 59 years, multiplied by 313/12. **Based on an establishment survey with broad coverage; refers to full time employees.

Source: ILO: Global wage Database 2014/15, based on national statistics; ILO: ILOSTAT.

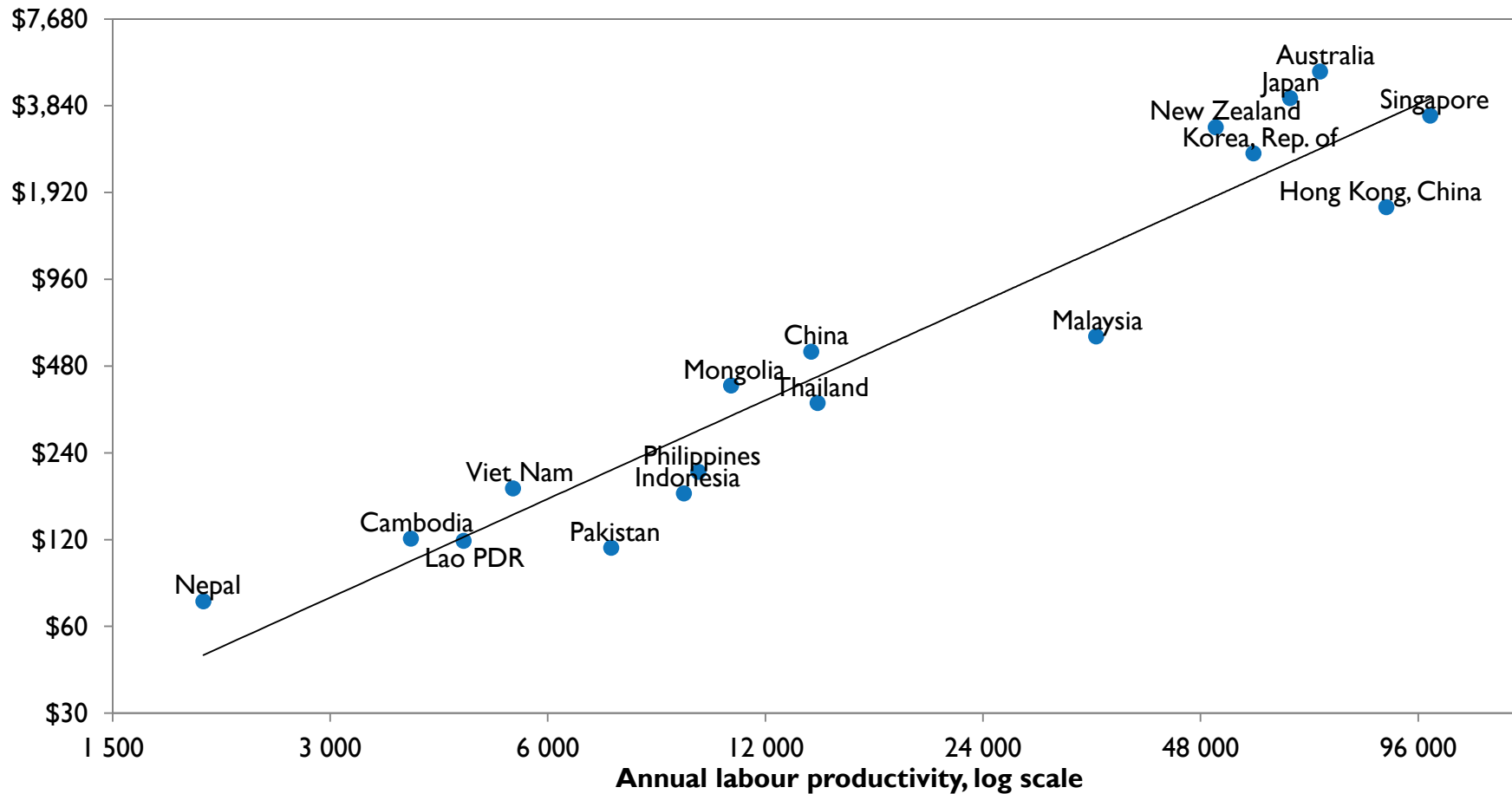
Large gaps in labour productivity between countries



Labour productivity in selected countries in Asia and the Pacific, 2015
(output per worker, constant 2011 PPP US\$)

Average wages and productivity are strongly correlated

Average monthly wages, log scale



Source: ILO Global Wage Database, based on national labour force surveys (wages) and ILO Employment Trends Database (labour productivity). All data are for 2012, other than Pakistan (2011) and Nepal (2008)



ILO Global Wage Report calls for a comprehensive policy approach

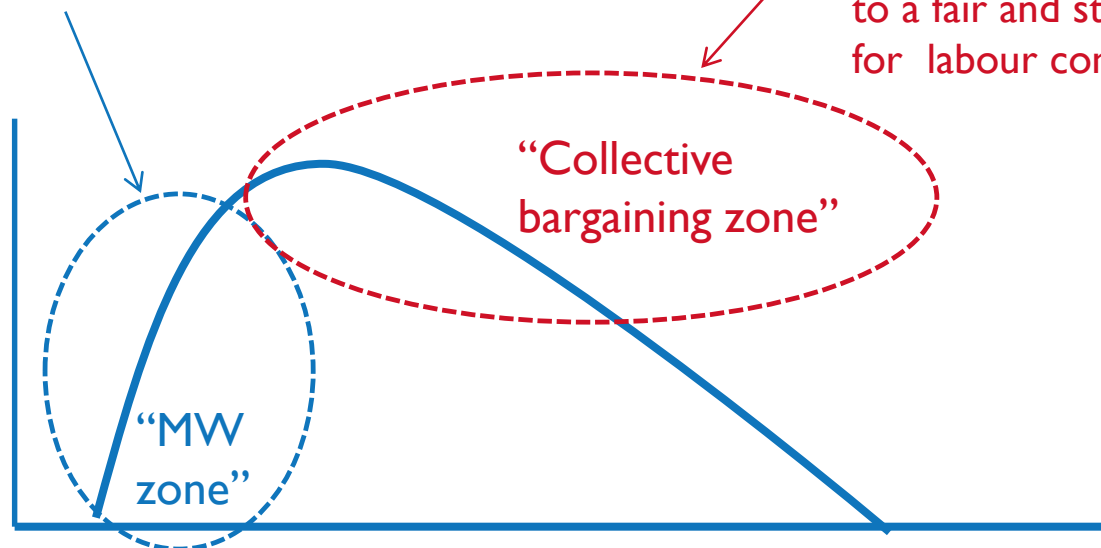
- **Market distribution policies** that affect wages and wage distribution directly, including: minimum wages, collective bargaining, promoting equal pay across groups and promoting job creation.
- **Fiscal redistribution** through taxes and social transfers, including progressive taxation, in-work benefits, and direct support to low-income households (such as cash transfers, or public employment opportunities).

The elements of wages policy

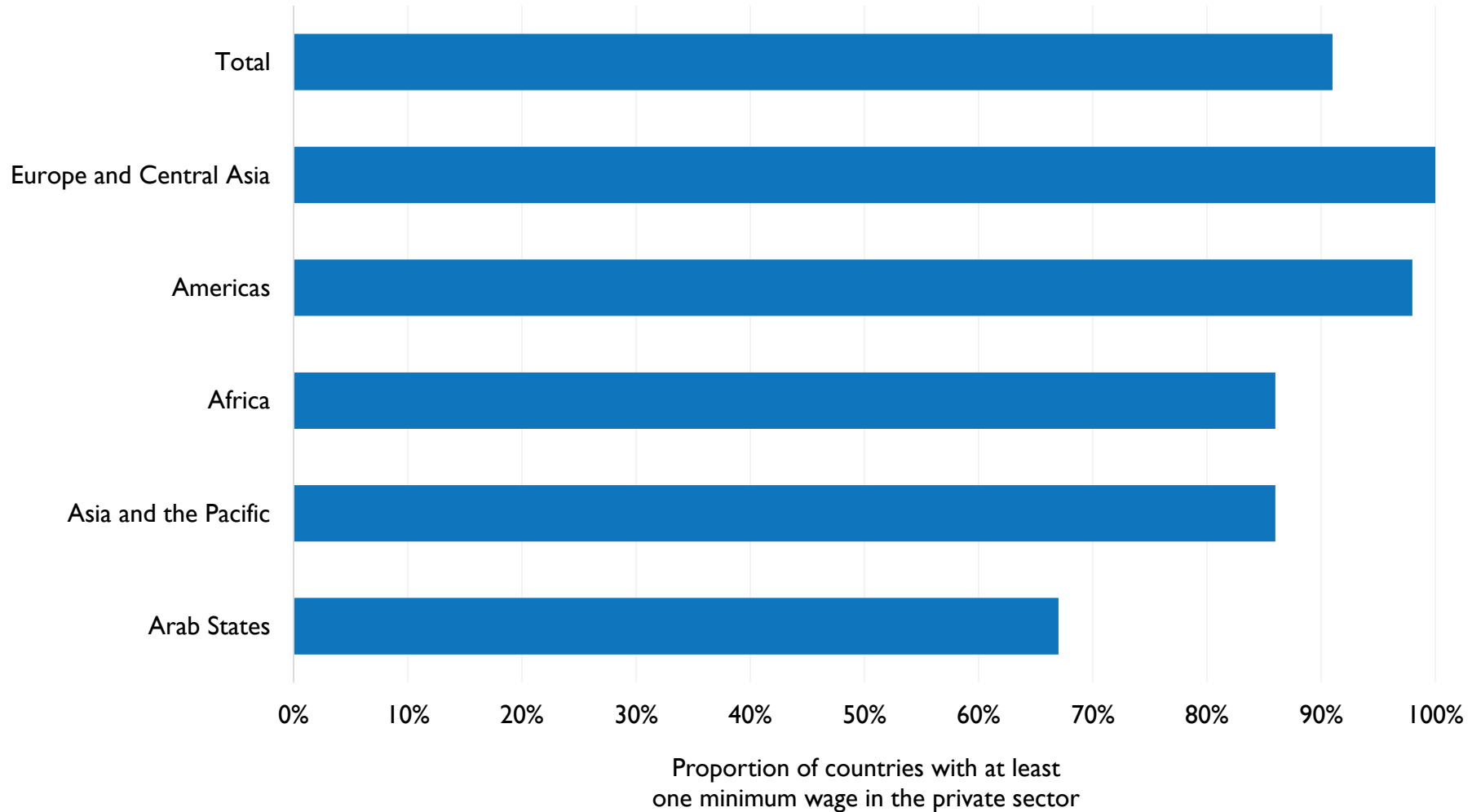
- The objective of wage policies should be “to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection” (ILO 2008 Declaration on Social Justice for a Fair Globalization).

Minimum wages should remain targeted at the lowest-paid employees, to eliminate “unduly low pay”

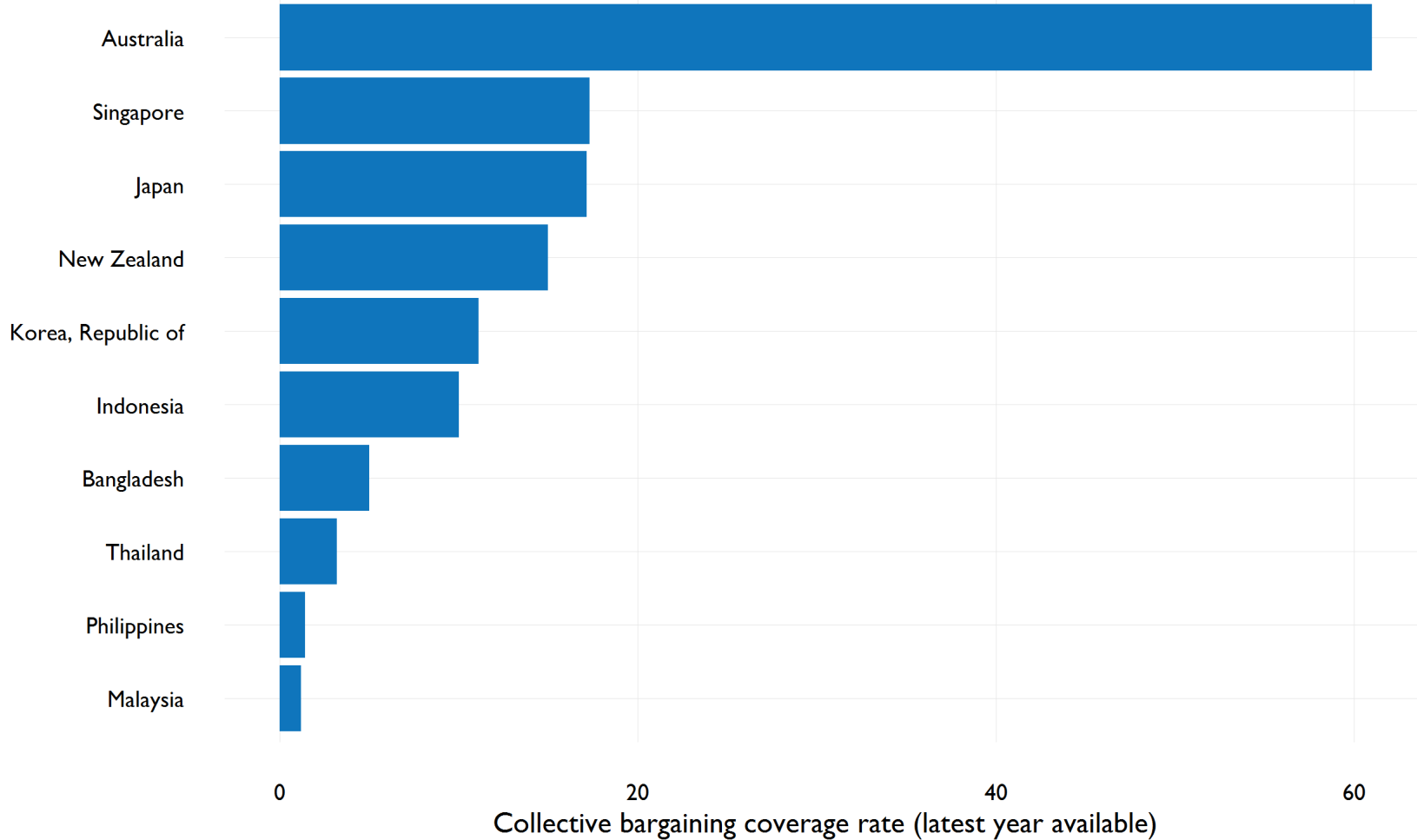
For workers above the minimum, collective bargaining promotes average wage increases that are broadly in line with increases in labour productivity and contributes to a fair and stable share of GDP for labour compensation.



Most countries have a minimum wage



Collective bargaining coverage is low in many countries in the region

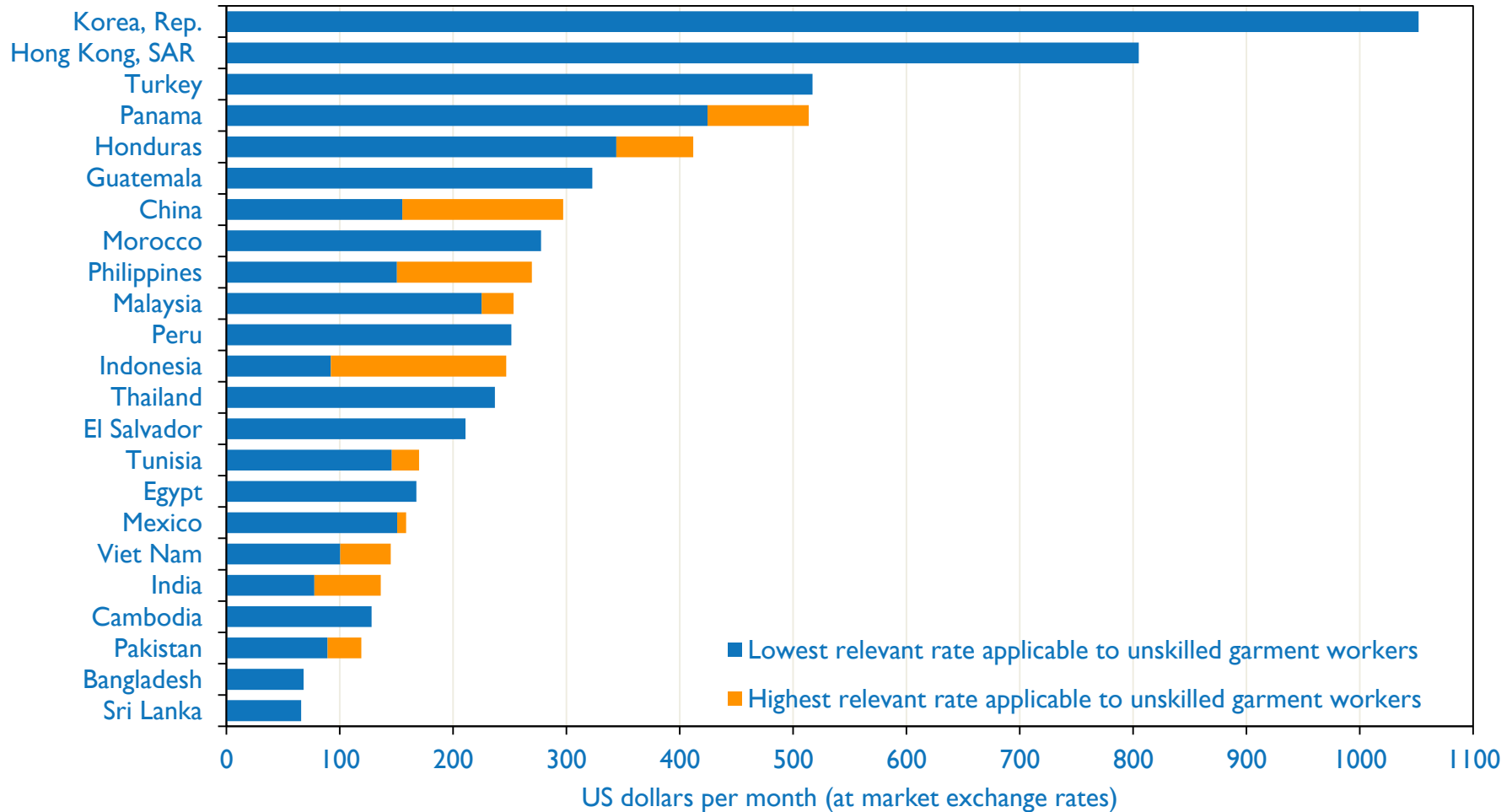


The ILO's approach to minimum wages

- ILO takes no position on the appropriate level or increase in the minimum wage
- ILO aims to:
 - Support national stakeholders to build institutions consistent with C131
 - Encourage and assist stakeholder to move towards regular adjustment in line with agreed rules and criteria
- ILO provides:
 - Technical assistance
 - Capacity building
 - Information
- ILO is guided by:
 - Minimum Wage Fixing Convention, 1970 (No. 131)
 - Minimum Wage Fixing Recommendation, 1970 (No. 135)

Minimum wages in garment-producing countries

Minimum wage per month for unskilled garment workers in USD (2015)





Topics to consider

- What should be the **role and purpose** of minimum wages?
- What social and economic **criteria** should be taken into account?
- What **data** should be used to measure those criteria?
- What institutional arrangements should be used to set and adjust minimum wages, and what should be the role of the tripartite **stakeholders**?
- What are some strategies to ensure **compliance**?
- Who should be **covered** by the minimum wage?
- How often should minimum wages be **adjusted**?



The role of the minimum wage

- “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.” (ILO Recommendation 135, Article 1)
- What other elements are potentially important?
 - Collective bargaining, including for salary scales
 - Social security and tax policy
 - Benefits in kind (eg. health care)

Criteria for determining minimum wages

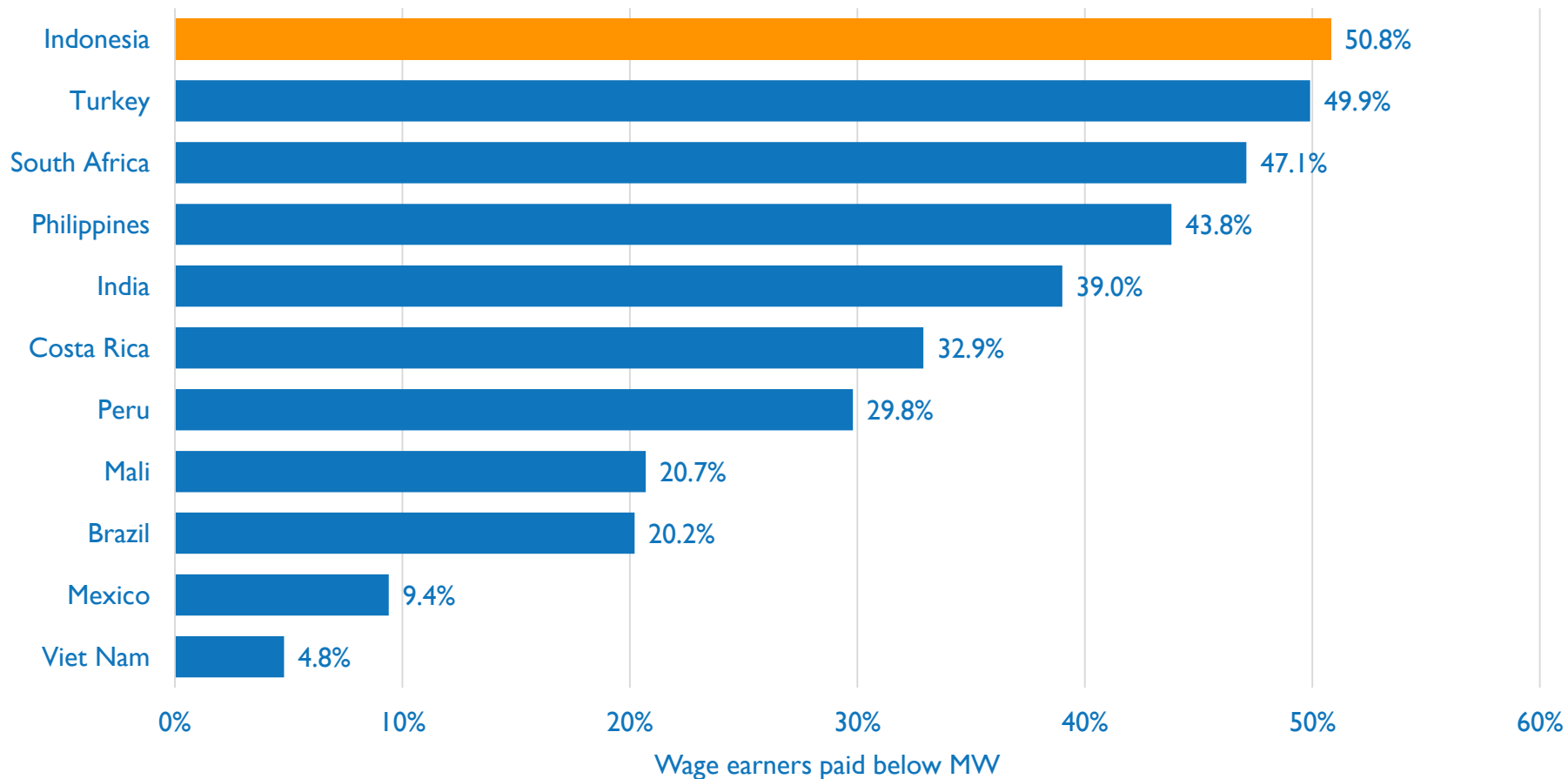
- a) the needs of workers and their families;
- b) the general level of wages in the country;
- c) the cost of living and changes therein;
- d) social security benefits;
- e) the relative living standards of other social groups;
- f) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Involvement of social partners

- There should be “full consultation with representative organisations of employers and workers concerned” regarding the “establishment, operation and modification” of minimum wage machinery. This consultation should cover:
 - a) the selection and application of the criteria for determining the level of minimum wages;
 - b) the rate or rates of minimum wages to be fixed;
 - c) the adjustment from time to time of the rate or rates of minimum wages;
 - d) problems encountered in the enforcement of minimum wage legislation;
 - e) the collection of data and the carrying out of studies for the information of minimum wage fixing authorities.

Non-compliance is higher than in some other developing countries

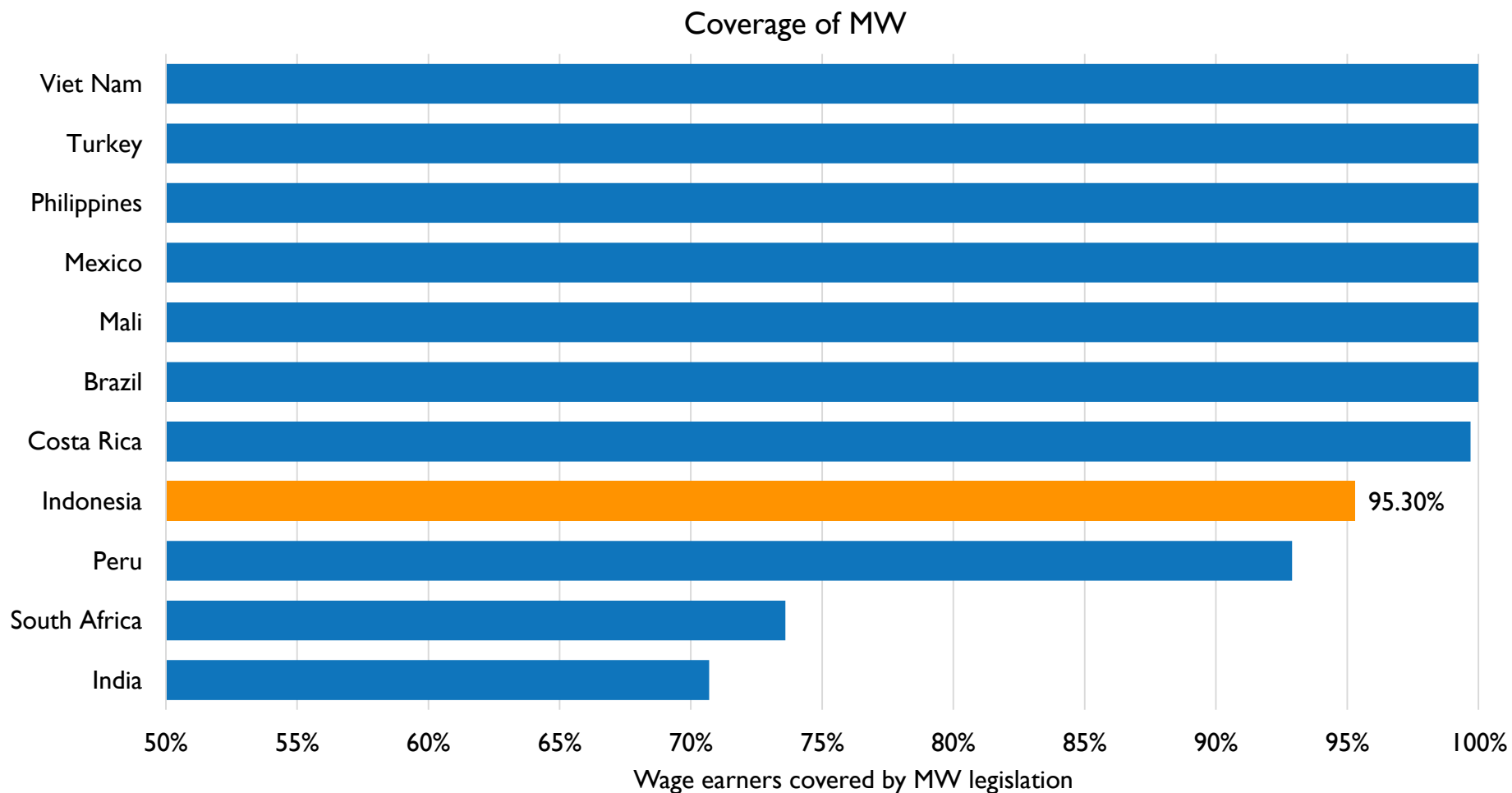
Non-compliance with MW (late 2000s, formal and informal sectors)



Potential strategies to improve compliance

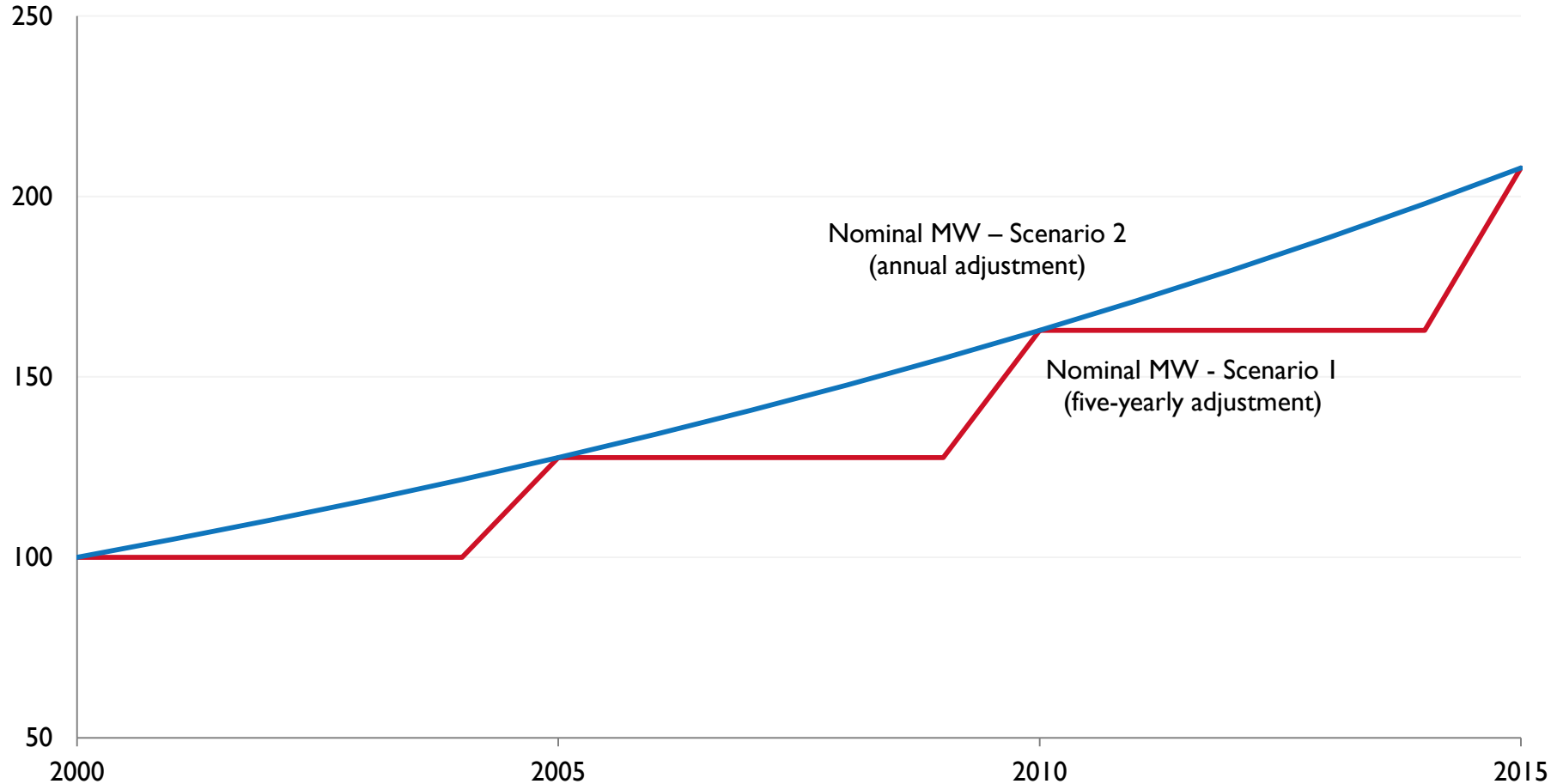
- Potential strategies include:
 - Persuasion (interpersonal or societal)
 - A participative minimum wage setting process
 - A simple minimum wage system
 - Information campaigns
 - Training seminars
 - Strong labour inspectorate
 - Access to complaints procedures (individual and collective)
 - Compensation for underpayment, with minimal waiting time
 - Legal penalties for underpayment
 - Public naming and shaming

Who should be covered?



How regularly should minimum wages be adjusted?

Index (2000 = 100)





Labour standards in global supply chains

A programme of action for Asia and the garment sector



Thank you