

UPSC Preparation

Global Wage Report 2020-21

Latest update: The International Labour Organization (ILO) published the Global Wage Report 2020-21 with the title, ‘Wages and Minimum Wages in the time of COVID-19.’ It is the seventh edition of the global report on wages. The highest real wage growth in the period 2016-19 is seen among all regions of Asia and the Pacific. India is one of the leading countries where real wages increased more rapidly.

This article mentions the key findings of the latest ILO’s Global Wage Report 2020-21 and its previous report 2018-19. Compare the findings of both reports for the [IAS Exam](#) preparation.

Know in detail about the [International Labour Organisation – ILO](#) in the linked article.

India & Global Wage Report 2020-21

The key findings of the global wage report w.r.t India’s performance are listed below:

1. As an impact of the COVID-19 pandemic, India saw the formal workers’ wages cut by 3.6 percent while that percentage for informal workers is as high as 22.6 percent.
2. Due to the pandemic, there have been cases where states or regions delayed increasing the minimum wages or froze them. The report mentioned Punjab’s order to revise the hike in minimum wages. In May, Punjab government reverses its order of ‘Dearness Allowance Component of Minimum Wages Hike’ but reversed it on the account of a pandemic.
3. India is one of the nations that strengthened their minimum wage system which the report mentions, “has extended minimum wage coverage through a national universal minimum wage (wage floor) stipulated in the recently enacted [Code on Wages](#) (August 2019).”
4. The report mentions that there is a presence of a complex system of minimum wages in a group of countries including India. Canada, China, Russia and the US are also some of those nations to have a complex system of the minimum wage.
 - A mixed system of minimum wages is present in India with multiple wage rates.
 - Before the existence of the ‘National Floor Wage’, Indian states used different minimum wage rates in each occupation and scheduled employments. – 1915 occupational minimum wage rates in stages and 48 minimum wage rates at the centre; covering 2/3rd of all wage earners.
5. The Code of Wages Bill is stated to improve the complexity of the minimum wage rate system in India bringing down the numbers of wage systems to a minimum of 4 and a maximum of 12.
6. India is one of the countries to have adjusted its minimum wages every three to five years during the period 2010-2019.
7. An ILO project which is being funded by the Netherlands is set to evaluate if minimum wages meet the need of the workers. India is one of the nations where this project is being piloted. The project will consider the cost of living based on four categories:
 - Cost of Food
 - Cost of Housing
 - Cost of Health and Education
 - Cost of Other Essentials
8. The minimum wages in different years in India as per National Minimum Wage Floor method were:
 - 2015 – 160
 - 2016 – 160

- 2017 – 176
- 2018 – 176
- 2019 – 176

Key Findings of Global Wage Report 2020-21

1. Out of 187 members of the International Labour Organization (ILO), 90 countries have minimum wages (statutory or negotiated.)
 - A single minimum wage rate system is available in half of those countries which have statutory minimum wages; while others have complex multiple-rate minimum wage systems.
2. Around 32.7 crore wage earners are paid at or below the hourly minimum wage. Out of this, 15.3 crores are women.
3. The global wage growth rate was between 1.6 percent and 2.2 percent in 2015-2019; while real wage growth rate was between 0.9 and 1.6 percent.
 - Advanced G20 countries – real wage growth rate fluctuated. The Republic of Korea and Germany witnessed the highest acceleration (22%) in the wage growth rate; while Italy, Japan and the UK witnessed a decline in wages.
 - Emerging G20 countries – real wage growth rate rose rapidly
4. Women have been disproportionately affected due to the impact of the crisis on total wages.
5. The wage inequalities increased as the impact of the crisis was felt more by the lower-paid workers. However, with the help of wage subsidies, compensation has been enabled in various countries.
 - 60 countries went ahead with their planned adjustment levels in minimum wages in first quarter of 2020; despite the pandemic. In the second quarter, 6 out of 9 countries went ahead with the adjustments.
6. Postponement of potential adjustments in wage levels – Among the 87 countries with irregular minimum wage rate adjustments; only 12 countries increased their minimum wages in the first half of 2020.

How can minimum wage help in income and wage inequality reduction?

It could; given either of the three below-mentioned key factors are evaluated:

1. Effectiveness of minimum wages
 - Legal Coverage
 - Level of compliance
 - The report states that due to the lack of level coverage and level of compliance, 26.6 crores wage earners are paid less than the applicable hourly minimum wage.
2. Minimum wage level
3. Characteristics of minimum wage earners
 - Structure of the labour force of the country

Global Wage Report 2018-19 – What is the Gender Pay Gap?

The average difference between the remunerations received by women and men is called the gender pay gap.

- The Global Wage Report highlights goal 8.5 of the sustainable development goals (SDGs) that calls for equal pay for equal work between men and women. [Read more about [Sustainable Development Goals](#) at the linked article.]
- Equal Pay International Coalition (EPIC) was established by the International Labour Organization, UN Women and [OECD](#). The objective of EPIC is to reinforce the SDG target 8.5.

Global Wage Report – What is EPIC?

Promoting the agenda of equal pay for equal work, EPIC was launched. It is currently the only multi-stakeholder partnership working to reduce the gender pay gap at the global, regional and national levels.

What are the findings of the Global Wage Report?

The few important points in relation to the global wages and the gender gap presented in the global wage report are given below:

1. 2017 was the year to witness the lowest global wage growth since 2008.
2. In 2016, the global wage growth was 2.4 percent and it dropped to 1.8 percent in 2017.
3. Despite economic recovery and the decline in unemployment, high-income countries witnessed slow wage growth. (2016 – wage growth of G20 countries was 0.9 percent; 2017 – 0.4 percent)
4. Low and middle-income countries witnessed a fluctuation in the wage growth rate. (2015 – 2.9 percent; 2016 – 4.9 percent; 2017 – 4.3 percent.)
5. Asia and Pacific saw the highest real wage growth rate in the world.
6. There is the highest wage inequality in low-income countries. South Africa and Namibia have the highest wage inequality among low-income countries; whereas Chile has the highest wage inequality in high-income countries.
7. Gender pay gap as the social injustice in the world – The treatment meted out to women as the workers is not yet equal to men. They still are under-represented in male-occupied categories. The gender gap is the highest among the low-paid workers in the low and middle-income countries whereas it is the highest in the top salaries positions in the high-income countries.

Lessons from the Global Wage Report 2018-19

As the global gender gap for the first time is being represented in the ILO's report; the countries are to take the following lessons:

1. Comprehensive research – There is a need for governments, private players, educational institutions and expert organisations to undertake state-specific research on wages and implement better policies to reduce the gap.
2. Women empowerment – The need for continuation and even boost in government-led initiatives towards women empowerment. Schemes for education, labours should be proliferated.
3. Stop to societal and social stereotyping – The traditional stereotype regarding male-occupied jobs needs to be reversed with women given better opportunities at all levels of jobs.
4. Equal access to work – The competence should decide the role given to the worker irrespective of the gender. The bias towards the genders for any specific job has to be done away with to bring a positive change in the working cultures of the societies.
5. Equality between genders – Societal reforms are must to be introduced across the globe that bring equality between genders. For instance, an equal share in family duties is a good starting point with both men and women being equal participants in every sphere of life.

Global Wage Report 2018-19 & India's Performance

The following points were mentioned in relation to India's performance in the global wage growth rate and related issues:

1. India is among the countries in the Asia and Pacific regions to lead the way in higher wage growth rate.
2. India's wage growth rate is continuous.
3. India is among the nations to take initiatives to strengthen their minimum wage. The report mentioned, "lawmakers in India are examining the possibility of extending the legal coverage of the current minimum wage from workers in "scheduled" occupations to all wage employees in the country."

Also, read | ILO's [World Employment and Social Outlook Report 2020](#)

The global wage report is one of the important [international organizations' reports](#). Findings of the report can be used in UPSC Mains GS papers.