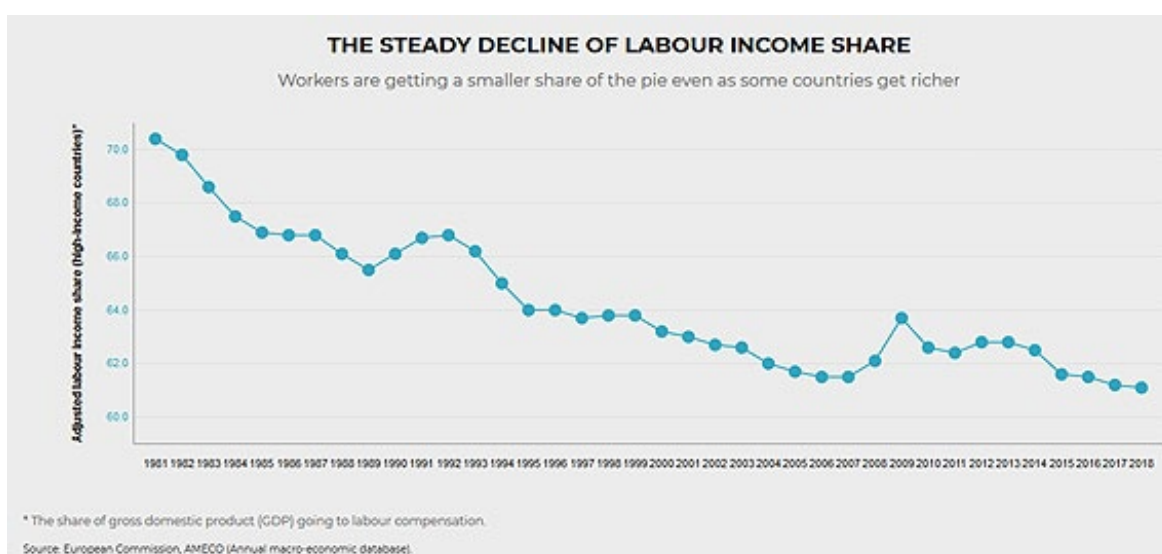


Promoting minimum living wages

THE WORLD NEEDS A PAY RISE

Over the past 30 years the world's GDP has more than quadrupled, however such rapid economic growth has not translated into improved livelihoods and living standards for everyone. For millions of workers, a job is not a guarantee of escaping poverty, let alone ensuring a decent life. Millions of workers across the world are not earning enough to live in dignity, and inadequate social protection systems are exacerbating high levels of inequality and poverty.



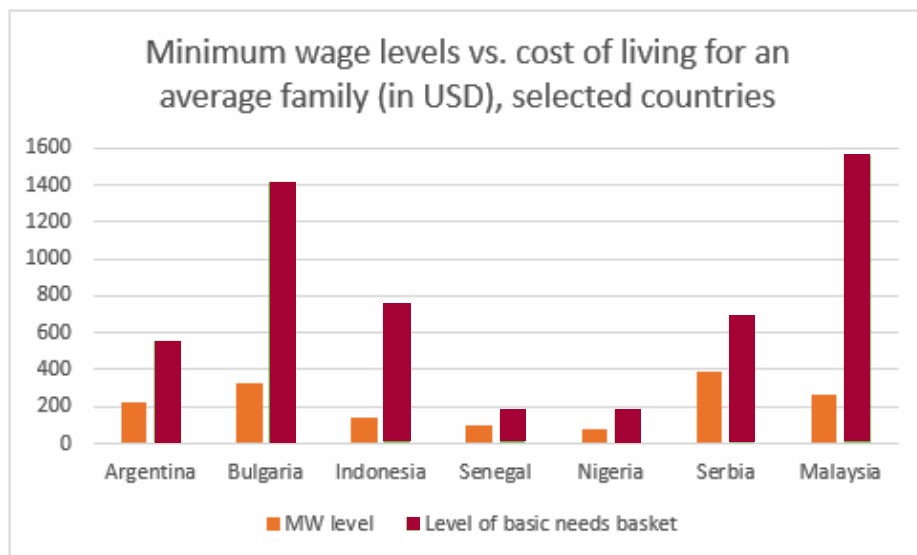
Minimum wages, in particular, tend to be dismally low.

In the vast majority of countries, they fail to provide an adequate wage floor that ensures a decent livelihood for workers and their families. According to the ITUC Global Poll, eighty-three per cent of people in thirteen of the G20 countries believe that the minimum wage is not enough to live on. In Eastern Europe, for instance, the minimum wage in Romania and Bulgaria before taxes represents less than a quarter of the cost of living basket for an average family. Non-compliance of the minimum wage is moreover rampant in some countries. In Latin America, for example, ILO estimates show that over a fifth of the wage earners are paid less than the minimum wage in Panama and Costa Rica, and over sixty per cent of wage earners in Honduras and Guatemala are paid below the legal minimum. At the same time, the possibility for workers to organise and collectively bargain for fair wages is also being compromised across the world, as trade union rights are under attack¹.

Key Facts

- 300 million workers in emerging and developing countries earn less than US\$1.90 per day (ILO World Employment and Social Outlook)
- A further 430 million workers in emerging and developing countries earn between US\$1.90 and US\$3.10 per day (ILO World Employment and Social Outlook)
- 83% of people believe that the minimum wage is not enough to live on (2017 ITUC Global Poll)
- Global real wage growth is falling behind economic growth with a growth rate of only 1.6 per cent in 2017, the lowest since 2008. (ILO World Employment and Social Outlook)

¹ For more information please refer to the [ITUC Global Rights Index 2019](#)



Source: ITUC regional minimum wage forums, national ministries
 Note: in the case of multiple minimum wages, the lowest one was selected. Cost of living baskets are calculated on the basis of a household of four people (two adults, two children)

For many countries, maintaining low labour costs through low wages and poor working conditions has been a strategy to try to attract employment and investment, achieve competitiveness and pursue economic growth. Such a strategy is misguided, however, **as low wages have been shown to have disastrous economic consequences**. Low wages constrain household consumption, which in turn reduces aggregate demand, particularly when wages are stagnating in many economies at the same time². This in turn compromises job creation and productivity, and limits possibilities for even greater economic growth. Low wages also can contribute to excessive household debt that can in turn threaten macroeconomic stability – as evidenced in the last global economic and financial crisis³.



² ILO Global Wage Report 2017-2019

³ IMF (2018) Understanding the Macro-Financial Effects of Household Debt: A Global Perspective.

Increasing wages, in turn, has been shown to have macroeconomic benefits, including increased demand, higher labour productivity growth and more rapid technological progress⁴. Raising wages, particularly those at the lower end of the income distribution, shifts income from employers to workers who have a higher propensity to consume. Wage increases, including through increasing minimum wages and promoting collective bargaining on wages, can therefore have an economic stimulus effect.

Since 2017, **unions have been campaigning in Africa, Asia, Europe and Latin America to demand fair and decent wages**, through the following regional campaigns:

- 100% Africa: Dignity, Value and Wages
- Cerrar la brecha: Salario digno
- ASEAN Fights for +50
- Fair pay in Eastern Europe: to eat, to live, to stay

Within these campaigns, unions are calling on their governments to take wages out of competition by setting minimum living wages, based on evidence on the cost of living and with the full involvement of social partners. Collective bargaining on wages should be promoted, and agreements should have wide coverage and be enforced by law. Obstacles to freedom of association must also be effectively addressed. Some significant wage increases have already been achieved following union pressure, but far more needs to be done. The world needs a pay rise.



Recent minimum wage wins and increases

- **Ethiopia:** In 2018, the government announced that it will introduce a minimum wage for the first time.
- **Nigeria:** In 2019, the government agreed to increase minimum wage by 67% to reach US\$83.
- **Senegal:** In 2018, the minimum wage increased by 45% for the first time since 1996.
- **South Africa:** In 2019, the government introduced the first ever minimum wage at US\$230, following agreement by social partners and the government in the National Economic Development Council and Labour Council in 2017.
- **Bulgaria:** Steady increases in minimum wage have been achieved over recent years. The minimum wage increased by 9% in 2019, and 10% in 2018.
- **North Macedonia:** In 2019, the government agreed to increase minimum wage by 60%.
- **Malaysia:** In 2018, the government increased and equalised the minimum wage levels between the two regions of the country.
- **Vietnam:** The government has steadily increased the minimum wage. Minimum wages increased in all regions by 7.3% in 2017, 6.5% in 2018 and 5.3% in 2019 (each time ahead of inflation). In 2019 the government also ratified ILO Convention 98 on organising and collective bargaining, which is expected to strengthen collective bargaining on wages.
- **El Salvador:** In 2017, workers in numerous sectors received a significant increase to their minimum wages, which differ by sector; the lowest paid sectors (e.g., sugar mill, plantation workers) received over a 100% increase. These are the largest minimum wage increases in the country's history.
- **Mexico:** In 2019, the government announced a 20% increase to the minimum wage.

⁴ Storm and Naastepad (2011) Wage-led or Profit-led Supply: Wages, Productivity and Investment