# Global wage trends: A complex picture

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Recent research from the ILO delivers some very interesting new results about the trends in global real wages and their distribution. (Global Wage Report 2024-25, ILO, Geneva) The Report finds that contrary to widespread perception wage inequality has actually been decreasing across the world and in most regions since the turn of the century.

Using recent survey data on hourly wages for 82 countries, which together account for about 76 per cent of the global population of wage employees, the report examines both trends in average wages and how they are distributed across region and by gender.

Figure 1.
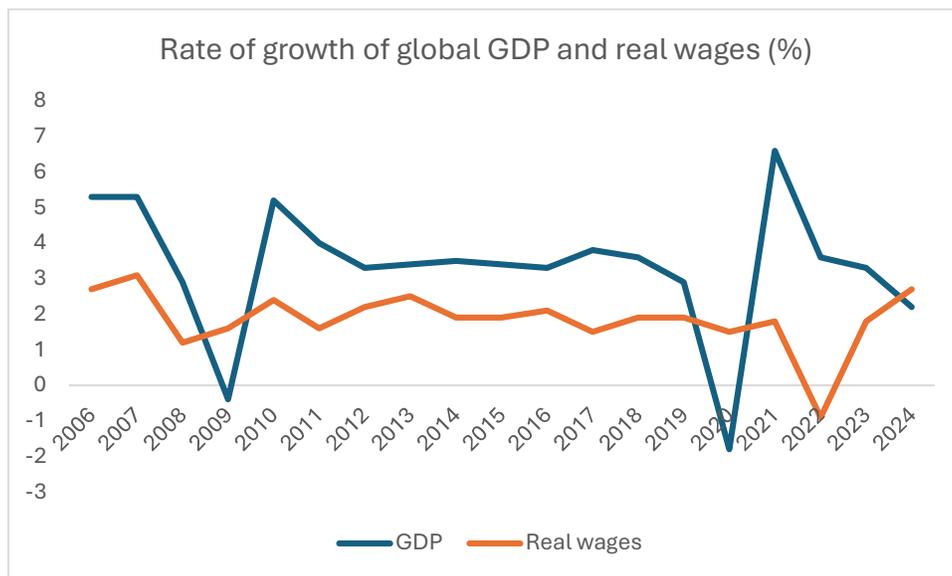
Source for all figures and tables: Global Wage Report 2024-25, ILO Geneva.

Note: Real GDP growth is measure in constant 2015 prices. Wage growth rates per year are based on annual averages of monthly wage data, deflated by the consumer price indices.

The first important point to note is expressed in Figure 1, which shows annual real (constant price) growth in GDP and real wages for the world economy as a whole. Real GDP growth has been faster than real wage growth, pointing to the continued tendency for wage shares of national income to fall. Indeed, the Report finds that on average, labour productivity in high-income countries increased more rapidly than real wages over the period 1999–2024 (29 per cent compared to 15 per cent).

However, the picture of global wage growth is hugely influenced by the trend in China, which outperformed the rest of the world by far. Since China accounts for around one-third of the wage workers covered in this survey (32 per cent in both years), it serves to push up the impression of significant real wage improvement in the world as a whole. Figure 2 makes this clear: throughout the period from 2006 to 2024, real wages in China grew much faster than in the rest of the world. While the gap in growth rates has reduced over time, it still remains significant, at more than double.
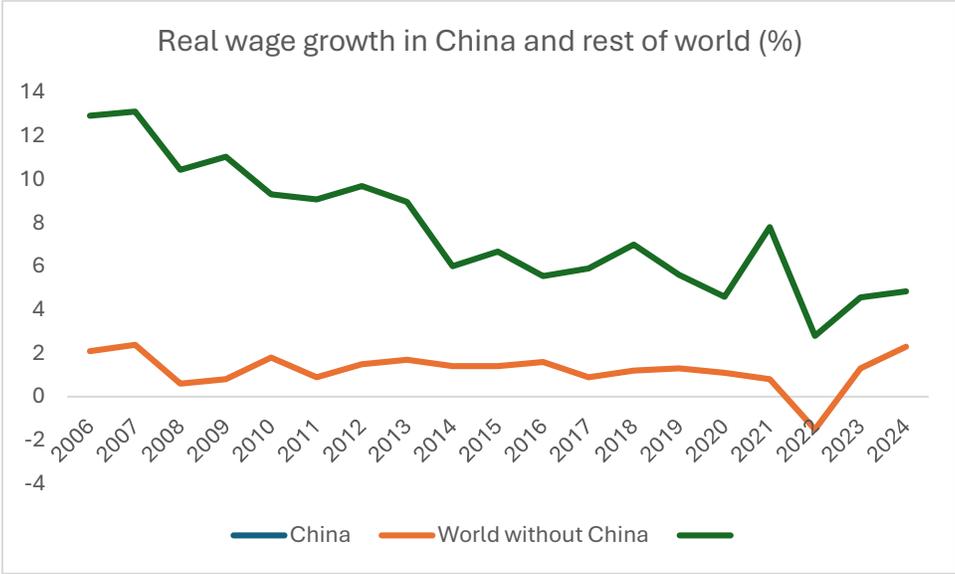
Figure 2.

Figure 3 shows that China's real wage trends have been exceptional even when compared to other Asian countries that are widely perceived to be "success stories" in recent decades, such as India, Thailand and Vietnam. Among these countries, only Vietnam shows anything approaching Chinese trends in real wage increases. The wage growth data for Vietnam however do show greater volatility, which may also

reflect data gaps. Meanwhile, India and Thailand both show less impressive real wage growth. And in both countries it has declined substantially in recent years, especially in the period of the Covid-19 pandemic and after.

Figure 3.
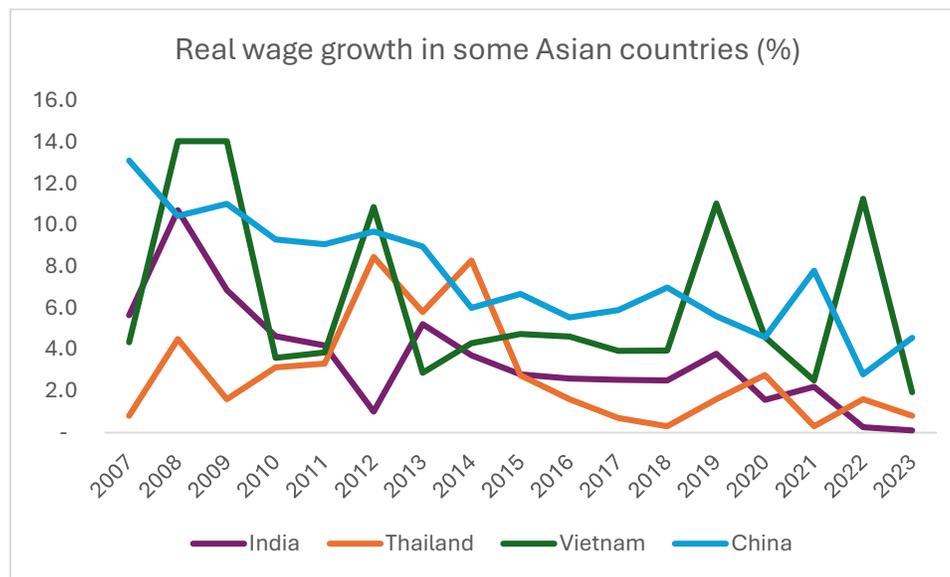
One very interesting set of results in the Report relates to wage dispersion. The Report provides the first comprehensive assessment of trends in global wage distribution, of course with all the caveats that such global datasets necessarily require.

The ILO is fortunately aware that such estimates of wages based on paid employment are necessarily inadequate indicators of labour incomes because of the significance of non-wage workers in many parts of the world, particularly in middle and low income countries. In such countries, non-wage workers—including employers, own-account workers, contributing family workers or workers in cooperatives—represent a large proportion and often the majority of workers, such as in South Asia and Sub Saharan Africa.

The Report uses the latest available data from around 2020 for about 50 countries to show that the dominant employment status in low- and middle-income countries is that of non-wage workers, while they are in the minority in high- income countries. Further, even this category of non-wage workers excludes the workers (largely women) who are described as "not in the labour force" but nevertheless contribute economically significant unpaid labour within families and communities. Obviously,

measured inequality would increase, probably substantially, if non-wage workers are included, but data difficulties make this estimation near impossible.

With this caveat, the Report finds there has been a decline in wage inequality both globally and across regions and categories of countries, even though it still remains unacceptably high. Table 1 provides an estimate for 2021, using different measures of wage dispersion. The Palma ratio is the ratio of the income share of the top 10 per cent (or decile) of the population relative to the bottom 40 per cent (or bottom four deciles). D9/D1 compares the extremes: it is the ratio of the wage share of the top decile relative to the bottom decile. D9/D5 provides an estimate for the upper half of the population, comparing the wage shares of the top decile with the fifth decile. D5/D1 shows the picture for the bottom half of the population, comparing the fifth (middle) decile with the bottom decile.

The data show that levels of wage inequality differed significantly across countries in 2021, with low income countries displaying, on average, the highest level of wage inequality and high income countries the lowest. (Unsurprisingly, the Report also finds that men earn more than women in all country income groups and across the entire wage scale.)

Table 1: Global wage inequality measures, 2021

	Palma ratio	D9/D1	D9/D5	D5/D1
Global	4.82	16.82	4.96	3.39
High income countries	1.44	4.75	2.36	2.02
Upper middle income countries	2.24	6.57	2.6	2.53
Lower middle income countries	3.16	8.29	3.04	2.69
Low income countries	5.28	15.88	3.82	4.16

Note: See text for explanations of measures.

In terms of trends over time, around two-thirds of the countries studied in the Report showed reductions in wage inequality from 2006 onwards, using any of these measures of inequality. In general, this decline occurred in both the upper and lower tails of the wage distribution. Table 2 provides the results on average by income group.

Table 2: Changes in wage inequality measures (%), 2006-2021

	Palma ratio	D9/D1	D9/D5	D5/D1

Global	-31	-28	-35	+11
High income countries	-35	-39	-17	-26
Upper middle income countries	-24	-20	-15	-6
Lower middle income countries	-12	+3	-12	+16
Low income countries	-2	-3	+6	-9

The Palma ratio fell across all country groups, but the other measures indicate a more complex picture. For most countries extreme wage dispersion (the D9/D1 ratio) also fell, other than in lower middle income countries (which is influenced by the large share of India, where it increased). Wage inequality also declined in the upper half of the distribution except in low income countries. It increased, quite significantly, in the lower half of the distribution, once again influenced by India.

Much of this was due to lower increases or even declines in wages at the top end of the scale (the upper 10 per cent). This needs to be analysed in more detail to understand the processes that enabled this trend.

Clearly, recent global trends in wage inequality point to a complex picture, with an outsized role played by some countries with large populations most of all China.