International Labour Organization

ILO Flagship Report

Global Wage Report

2024–25

Is wage inequality decreasing globally?

Executive summary

Global Wage Report

International Labour Office • Geneva

Executive Summary

Part I. Recent trends in wages

This edition of the *Global Wage Report* finds that, following a period of sustained price increases that pushed real wage growth into negative territory, average nominal wages at the global level returned to growing faster than inflation. The progressive reduction of inflation started in 2023 and is predicted to have become more pronounced in 2024. This decline happened at different speeds around the globe, with price growth decelerating markedly among high-income countries, while inflation – albeit reduced – remains a harsh reality in many emerging and developing countries. Although measures taken to contain inflation had the effect of cooling down the strong post-pandemic recovery, global economic growth turned out to be resilient, reaching 3.3 per cent in 2023, and it is projected to only marginally decline to 3.2 per cent in 2024.

After falling to -0.9 per cent in 2022, global real wage growth recovered in 2023, marking an increase of 1.8 per cent. If China – whose rapid wage growth significantly impacts the global average – is excluded, global real wage growth increased from –1.5 per cent in 2022 to 1.3 per cent in 2023. A marked difference in real wage growth between advanced and emerging G20 economies persists. While advanced G20 economies registered a decline in real wages for two consecutive years (–2.8 per cent in 2022 and –0.5 per cent in 2023), real wage growth remained positive for both years in emerging G20 economies (1.8 per cent in 2022 and 6.0 per cent in 2023).

Preliminary data for the first two quarters of the year indicate that global real wage growth recorded a 2.7-per-cent increase in 2024, the largest gain in more than 15 years. When excluding China, global real wage growth in 2024 is estimated at 2.3 per cent. Also, in 2024 – and after two years of negative growth – real wage growth in advanced G20 economies returned to the positive at 0.9 per cent, while emerging G20 economies recorded an increase of 5.9 per cent.

When looking at regional level data, real wage growth continues to be heterogeneous, with average wages increasing faster in Asia and the Pacific, Central and Western Asia, and Eastern Europe compared to the rest of the world. Africa, Asia and the Pacific, and Central and Western Asia were the only regions that witnessed increases in average real wages in 2022, while average real wages decreased in all other regions, with declines ranging from –0.8 per cent in Eastern Europe to –3.7 per cent in Northern, Southern and Western Europe. In 2023, real wage growth returned to the positive in most regions, with the exceptions of Africa, Northern America, and Northern, Southern and Western Europe which experienced growth of –2.4, 0.0 and –0.2 per cent respectively. Except for Africa and the Arab States, where average real wages remained stable, average real wages grew in all regions in 2024, with increases ranging from 17.9 per cent in Central and Western Asia to 0.3 per cent in Northern America.

The report finds that, on average, labour productivity in high-income countries increased more rapidly than real wages over the period 1999–2024 (a total of 29 per cent versus 15 per cent). Most of the gap between the two series was generated between 1999 and 2006, after which they have evolved in parallel, except for temporary deviations during the financial crisis of 2008–09 and the COVID-19 crisis.

In 2022 and 2023, more countries than usual adjusted the level(s) of their minimum wage(s), indicating that minimum wage policies were generally responsive to the increase in inflation. However, in most cases, the changes were not sufficient to compensate minimum wage recipients for the increase in the cost of living. Using a sample of 160 countries, data reveal that close to 60 per cent of countries adjusted the value(s) of their minimum wage(s) in 2022, but in only one out of four countries did such changes result in an increase in the real value(s) of their minimum wage(s). Even though in 55 per cent of the countries in the sample the minimum wage(s) increased in real terms in 2023, in most cases the increments were not large enough to compensate for the declines in the previous two years.

Adjusting minimum wages to protect the purchasing power of low-wage earners, while also taking into account economic factors, should remain a priority. This is especially important as the report confirms that the cost-of-living crisis of 2021 and 2022 had a larger impact on low-wage earners and their families, who spend a larger proportion of their incomes on essential goods and services, the prices of which increased more rapidly than the average consumer price index.

Part II. Trends in labour income inequality in the twenty-first century

Part II of the report provides global, regional and country-level analyses of wage and labour income inequality over a period spanning much of the first quarter of the twenty-first century. While wages only relate to paid employees, the concept of “labour income” includes the earnings of both wage and non-wage workers, with the latter accounting for around 48 per cent of the working population. Reducing household income inequality is an objective for many policymakers around the world. As labour income represents the main source of livelihood for most households worldwide,[1] labour income inequality is an important determinant of overall household income inequality. Part II of the report starts by investigating wage inequality first and then expands the analysis to study labour income inequality. The report uses different measures of inequality, namely the share of workers who are low-paid, the Palma ratio[2] and four measures based on decile ratios.

High levels of wage inequality persist in countries around the world

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 shows that the level of wage inequality differs significantly across countries, with low-income countries displaying, on average, the highest level of wage inequality and high-income countries the lowest. These

1. Household income can include one or more of the following items: income from labour, investment income (for example, capital gains or gains from renting property), social security benefits, pensions, retirement payments, welfare payments and remittances.
2. The Palma ratio is a measurement of inequality calculated by dividing the total hourly wages of the top 10 per cent of the wage distribution by the total hourly wages of the bottom 40 per cent of the wage distribution.

findings remain consistent when different measures of wage inequality are used. In low-income countries, on average, almost 22 per cent of wage workers are paid less than half of the median hourly wage of their country, while the proportion declines to 17, 11 and 3 per cent in lower-middle-income, upper-middle-income and high-income countries, respectively. On average, wage inequality among middle-to-top earners is higher than within the lower half of the wage distribution. This finding has important policy implications, as different policies are likely to be effective at reducing wage inequality at distinct points along the wage distribution.

In all the country income groups analysed, women and workers in the informal economy are overrepresented at the low end of the wage distribution and, therefore, among the group classified as low-paid wage workers. The situation of migrant workers varies depending on the income level of the host country. Migrant wage workers are overrepresented among low-income wage workers in upper-middle-income and high-income countries, while in low-income and lower-middle-income countries, migrants are overrepresented at the top end of the wage distribution. However, this may not take into account the situation of refugees, who may not be included in the statistics used in the report. In low-income and middle-income countries, informality among low-wage workers is above 90 per cent, while the proportion ranges between 49 and 75 per cent in the overall population of wage employees. Due to data limitations of the surveys used, the report does not include estimates for informality in high-income countries.

Estimating the gender wage gap at different deciles of the wage distribution reveals that men earn more than women in all country income groups and across the entire wage scale. Among lower- and upper-middle-income countries, the gender wage gap is higher at the low end of the distribution (where women are more likely to be employed in low-paid occupations and sectors with high levels of informality), and lower at the top end of the distribution (where a minority of highly educated women earn high wages, possibly in the public sector where pay is likely more equitable). In high-income countries, the gender wage gap tends to be lower at the bottom end of the wage distribution than at the top.

Declines in within-country wage inequality prevail in the twenty-first century

In a sample of 72 countries, which represent about 73 per cent of wage employees at the global level, the report reveals that approximately two thirds of these countries witnessed reductions in wage inequality since the beginning of the twenty-first century. The finding remains similar irrespective of the measure of inequality used. While predominant across all country income groups, declines in wage inequality have been more pronounced among low-income and lower-middle-income countries. Depending on the measure of inequality used, the average annualized decrease in wage inequality ranges between 0.7 and 0.3 per cent in high-income countries, between 1.3 and 0.3 in upper-middle-income countries and between 9.6 and 3.2 in low-income countries. The annual change in wage inequality in lower-middle-income countries is close to zero, ranging from a decrease of 0.9 per cent to an increase of 0.3 per cent, depending on the measure of inequality considered. At the global level the average decline ranges between 1.7 and 0.5 per cent a year

With few exceptions, the decline in wage inequality happened both at the upper and lower tails of the wage distribution. On average, however, inequalities fell more in the top half than in the bottom half of the wage distribution. At the global level, wage inequality as computed by the D9/D5 ratio[3] (which measures wage inequality at the upper tail of the wage distribution) fell, on

3. The ratios here refer to the ratios between deciles along the wage distribution. So, for example, the D9/D5 ratio is calculated by dividing the wage earned at the upper limit of the ninth decile (90 per cent mark) of the wage distribution by the median wage (that is, the upper limited of the fifth decile, or 50 per cent mark).

average, by 0.6 per cent annually. If the D5/D1 ratio is used (which measures wage inequality at the lower tail of the wage distribution), it fell by 0.5 per cent annually. Analysing real wage growth across deciles of country-specific wage distributions reveals that, in every country income group, real wage growth was, on average, faster at bottom deciles, slower at deciles around the middle, and even slower at progressively higher deciles. This finding is in line with the decrease in wage inequality.

The reduction in wage inequality in the global wage distribution

The 2021 global wage distribution, which ranks hourly wages of employees across the world after converting them into a common currency,[4] unveils high levels of wage inequality. The distribution shows a large proportion of wage workers concentrated at the very low end of the distribution and a small minority earning progressively higher wages. In 2021, at the global level, the bottom 10 per cent of wage workers earned less than US$250 PPP per month for full-time work, while the top 10 per cent of wage workers earned above US$4,199 PPP per month for full-time work. Median workers in the global wage distribution earned US$846 PPP per month for full-time work.

While the global wage distribution treats all wage workers as if they belonged to the same global country, in practice, wage workers from low-income, middle-income and high-income countries are highly concentrated at the bottom, middle and top of the global wage distribution respectively. Important differences exist in wage levels between wage workers belonging to different country income groups, as confirmed by the median wages for low-income, middle-income and high-income countries, measured at US$201, US$630 and US$3,333, respectively, in PPP terms. This means that the purchasing power of the median wage earner in low-income countries is about 6 per cent of the purchasing power of the median wage earner in high-income countries. In the case of middle-income countries, the purchasing power of the median wage worker amounts to less than 20 per cent of the purchasing power of the median wage earner in high-income countries. These remarkable disparities between country income groups explain the high level of wage inequality observed in the global wage distribution.

Comparing the 2021 global wage distribution with its 2006 equivalent, the estimates show that, at the global level, real wages increased across the distribution in the period considered, while wage inequality decreased. The median real wage increased from US$525 PPP per month for full-time work in 2006 to US$825 PPP per month in 2021, while the level of wage inequality, as measured by the D9/D1 ratio, decreased by 28 per cent. Looking at the evolution of wage inequality in the upper and lower half of the global wage distribution reveals that the overall reduction in wage inequality has been driven by a decrease in upper-tail inequality (as measured by the D9/D5 ratio) of 35 per cent in the period considered. On the other hand, lower-tail wage inequality (as measured by the D5/D1 ratio), actually increased by 11 per cent during the same period.

Adding non-wage workers to the analysis increases the level of labour income inequality

In low- and middle-income countries analysing labour income inequality – rather than wage inequality – provides a more complete and policy-relevant measure. This is because non-wage workers – that is, employers, own-account workers, contributing family workers or workers in cooperatives – represent a large proportion (and, in some

4. Wages are converted to international dollars (US$ PPP) using purchasing power parity conversion factors. PPP conversion factors convert different currencies into a common currency and, in the process, equalize their purchasing power by controlling differences in price levels between countries.

cases, the majority) of workers. Ideally, the study of labour income inequality should include all non-wage workers. However, due to data limitations, contributing family workers are excluded from the analysis, which is likely to lead to an underestimation of labour income inequality and, among other things, the under-representation of women among the low-earning group.

Using the latest available data from around 2020 from about 50 countries shows that the dominant status in employment in low- and middle-income countries is that of non-wage workers, whereas in high-income countries, non-wage workers are a minority. In low-income countries, own-account workers and contributing family workers – the majority of whom are women – are the dominant categories, and although there are wage workers in all deciles, wage workers are predominantly located in the upper half of the labour income distribution. In a majority of lower-middle-income countries, the share of own-account workers is higher than that of wage workers, with the latter accounting for about 30 to 40 per cent of all workers across most deciles of the labour income distribution. In upper-middle-income countries, wage workers – who accounts for 50 to 90 per cent of all workers – represent the majority of workers in most deciles of the labour income scale.

In most countries, the allocation of men and women is visibly unequal across the labour income distribution. First, in the vast majority of countries, across deciles the proportion of women in wage employment is lower than that of men. Second, also in most countries, the share of men in wage employment increases as we move from lower to higher earnings across the labour income distribution. Additionally, compared to the gender wage gap, the gap in hourly earnings between women and men increases in all country income groups when non-wage workers are added to the computation. Overall, the estimates confirm that in low- and middle-income countries a large fraction of women make a living as own-account workers, a status that is often associated with employment in the informal economy, where workers face worse forms of working conditions.

When comparing formal versus informal employment, the data show that, for most countries, formal wage employment is at the top half of the labour income distribution. In contrast, in about all emerging and developing countries included in the report, own-account workers are overwhelmingly in informal employment and located mostly at the bottom half of the labour income distribution. As was the case with the gender pay gap, the earnings gap between workers in formal and informal employment also increases when adding non-wage workers into the computation, particularly in low- and upper-middle-income countries. Altogether, the evidence suggests that in low- and middle-income countries workers in informal employment are own-account workers at the lower end of the labour income distribution, hence confirming that informal employment is clearly associated with poorer working conditions.

Considering that non-wage workers are disproportionately located at the low end of the hourly labour income distribution, and with an overrepresentation among them of women and workers in the informal economy, it is not surprising to find that measured inequality increases when including non-wage workers in the computation. This is the case for the majority of countries in the three country income groups considered in the analysis: low-income, lower-middle-income and upper-middle-income countries). Thus, in low-income countries, where the estimates showed the share of wage workers who are low-paid ranges between 17 and 26 per cent, the addition of non-wage workers increases the share of low-paid workers to between 19 and 47 per cent. A similar comparison shows that in lower-middle-income countries the share of low-paid workers ranges between 3.4 and 28 per cent when only wage workers are considered but increases to between 5 and 51 per cent when non-wage workers are included. Similarly, among upper-middle-income countries the share of low-paid wage workers is between 2 and 29 per cent, but this shifts to between 5 and 41 per cent when non-wage workers are added to the computation. When using other measures of inequality, the results lead to similar conclusions.

Even though measured inequality increases when adding non-wage workers into the computation, data show that in most countries in each of the three income groups considered – and particularly in lower-middle- and upper-middle-income countries – labour income inequality has declined in the first quarter of the twenty-first century. For example, in lower-middle-income countries the decline in the share of low-paid workers ranged between 4 and 11 per cent annually. In upper-middle-income countries the decline in the share of low-paid workers ranged between 0.1 and 11 per cent per annum. Estimates of the change in the Palma ratio led to equivalent results.

Part III. Moving forward

While different measures of inequality support the finding that wage and labour income inequality have declined in a majority of countries since the beginning of the century, data challenges in measuring and estimating the change in inequality call for more research to help confirm this finding. Across the world, a majority of national statistical offices collect data that can be used to analyse inequalities, such as through labour force surveys, establishment surveys and/or household income and expenditure surveys. These data represent an important source of information to study recent inequality trends. However, these different data sources have their strengths and weaknesses, and the frequency of data collection understandably varies from country to country. In future, more research will be needed to better understand global and regional trends in wage and labour income inequality, and to identify the drivers behind these changes.

The report shows that, despite the observed decline in wage inequality during the first quarter of the twenty-first century, the existing levels of wage inequality – and, to an even greater extent, the existing levels of labour income inequality – remain unacceptably high. In high-income countries, where a large majority of workers are wage earners, the decline in wage inequality has contributed to reducing overall household income inequality. In low-income countries, wage earners still represent a minority among all workers, whereas, in a large number of middle-income countries, wages earners represent less than half of total employment. Our analysis of the global wage distribution shows that, even if wage inequality at the global level has declined since the beginning of the century, wage inequality increased at the bottom end of the wage distribution, with this being driven by low real wage growth among low-income countries. Future reductions in global wage inequality will depend on the improvement of wages in these low-income countries. When broadening the picture to include the many millions of non-wage workers, our findings indicate that measures of labour income inequality massively increase.

National strategies to reduce wage inequality should consider strengthening wage policies and institutions, as well as tackling the root causes of low pay. According to the recent ILO tripartite Meeting of Experts on Wage Policies, including Living Wages:

- collective bargaining and/or statutory minimum wage fixing through tripartite social dialogue should be the proper modality for setting and adjusting wages;
- both economic factors and the needs of workers and their families should be considered in setting wages;
- wage policies and wage-setting mechanisms should promote gender equality, equity and non-discrimination;
- robust data and statistics should be used for an evidence-based approach; and
- national circumstances and root causes of low pay should be considered.

Hence, national strategies should go beyond the realm of wage-setting alone and include a broader range of factors, such as productivity growth – which can be achieved, for example, through the creation of an enabling environment for entrepreneurship and sustainable enterprises, improved access to finance, as well as strong public support for technological innovation and skills development. At the same time, strong and effective labour market institutions and social dialogue can help to ensure that productivity growth translates into wage growth, particularly for those at the low end of the wage distribution. Specific national circumstances call for different policy actions to reduce wage inequality. At the country level, improved data, together with in-depth studies to understand the root causes of inequality and their evolution in the specific country context, would be instrumental in designing evidence-based policies.

Lastly, reducing household income inequality also requires the redistribution of income through a country's system of taxes and social transfers. The amount of redistribution through taxes and transfers depends on many factors, including the amount of taxes levied and distributed, the progressivity of taxation systems (that is, the extent to which high-income earners pay a larger share of their incomes in taxes), and the extent to which transfers benefit low-income households more than high-income households. In developing countries, however, there is relatively limited scope for redistribution through taxes and transfers because of the large share of own-account workers, whose labour earnings – as this report shows – are even lower than those of wage workers and who overwhelmingly work in the informal economy. Hence the need for policies and measures that jointly promote productivity, decent work and the formalization of the informal economy.

Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.

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