

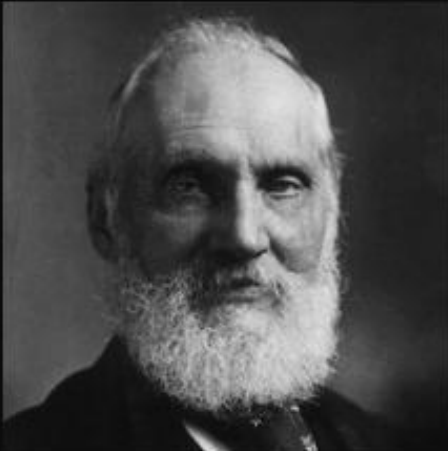
# Monitoring wage policy: An Evidence-based worker's perspective

May 2024

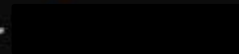
Daniel Kostzer

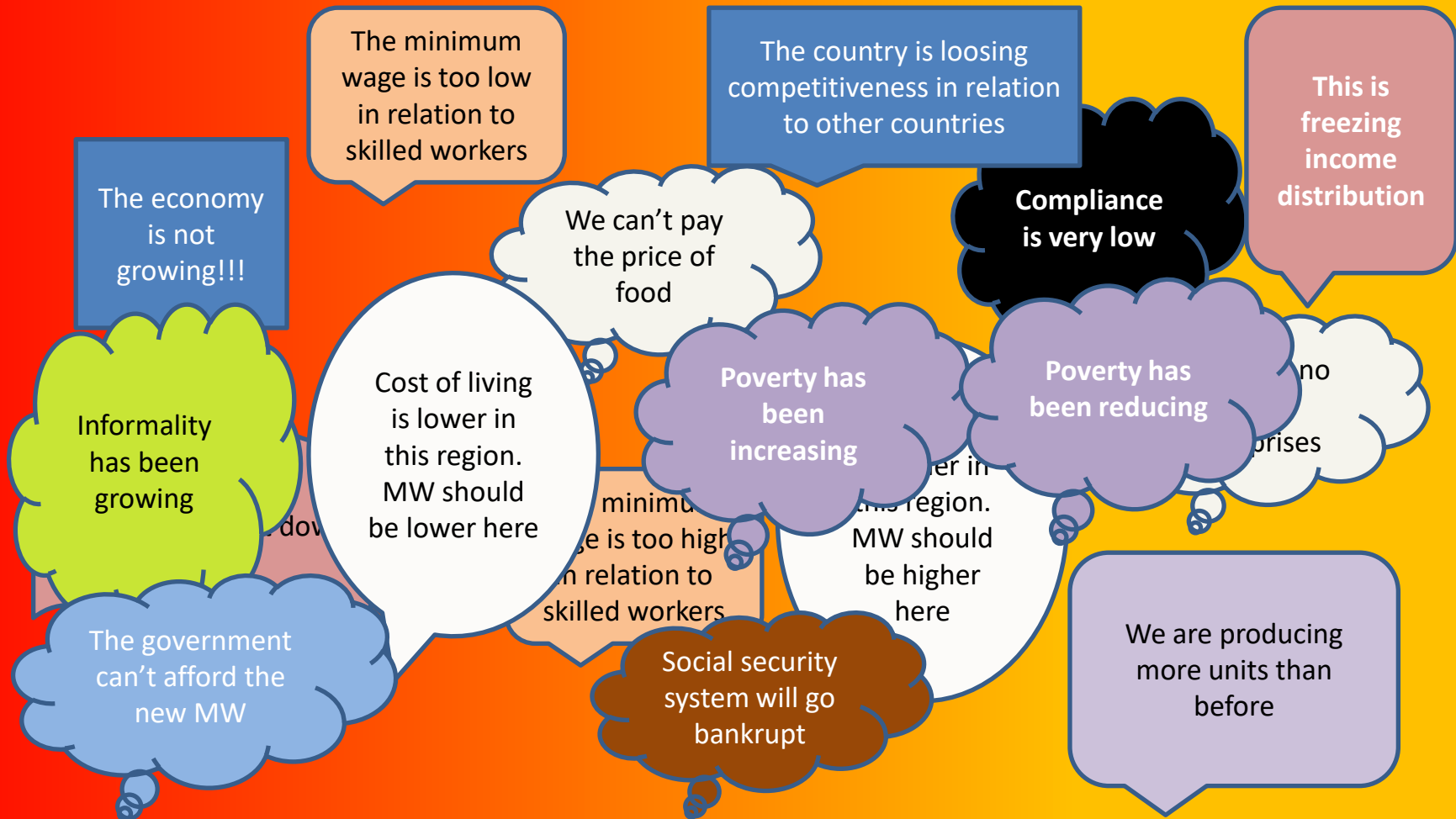
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Lord Kelvin



I often say that when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind.





# Objectives of a Minimum Living Wage policy...



# Why an evidence based approach?

The discussion involves parties that have **different** short run interests

- Wages constitute the **income** of workers
- Wage increases affect the immediate **profit rate** of the enterprises
- Governments play a **double role** as “*payers*” and “*beneficiaries*”
- The impacts in the medium run are not always **univocal** and **conclusive**
- Doesn't have to be a “**zero-sum**” game

# What is an evidence based approach...?

- It is discussion that considers, with the support of ***background information***, all the multiple dimensions of wages
- It has a ***technical*** nature
- Must be supported by ***reliable*** and unquestionable ***data***
- With ***open, tested, and shared methodologies***
  - That could be conflicting
  - But since are open and widely available, they can be properly assessed by all

# How to set the living wage?

- Due to the complexities of the linkages, is not an exact science, rather a process of negotiation where the positive and negative factors affecting each one of the players considered together.
- The only way to approach to “***the right value***” is by having all the information together, even if actors prioritize it differently.
- “ ***In a tri-partite bargaining, the best minimum wage is the one that leaves everybody unhappy; but not at the level that would walk out of the negotiation table***” (Lula, 2005)

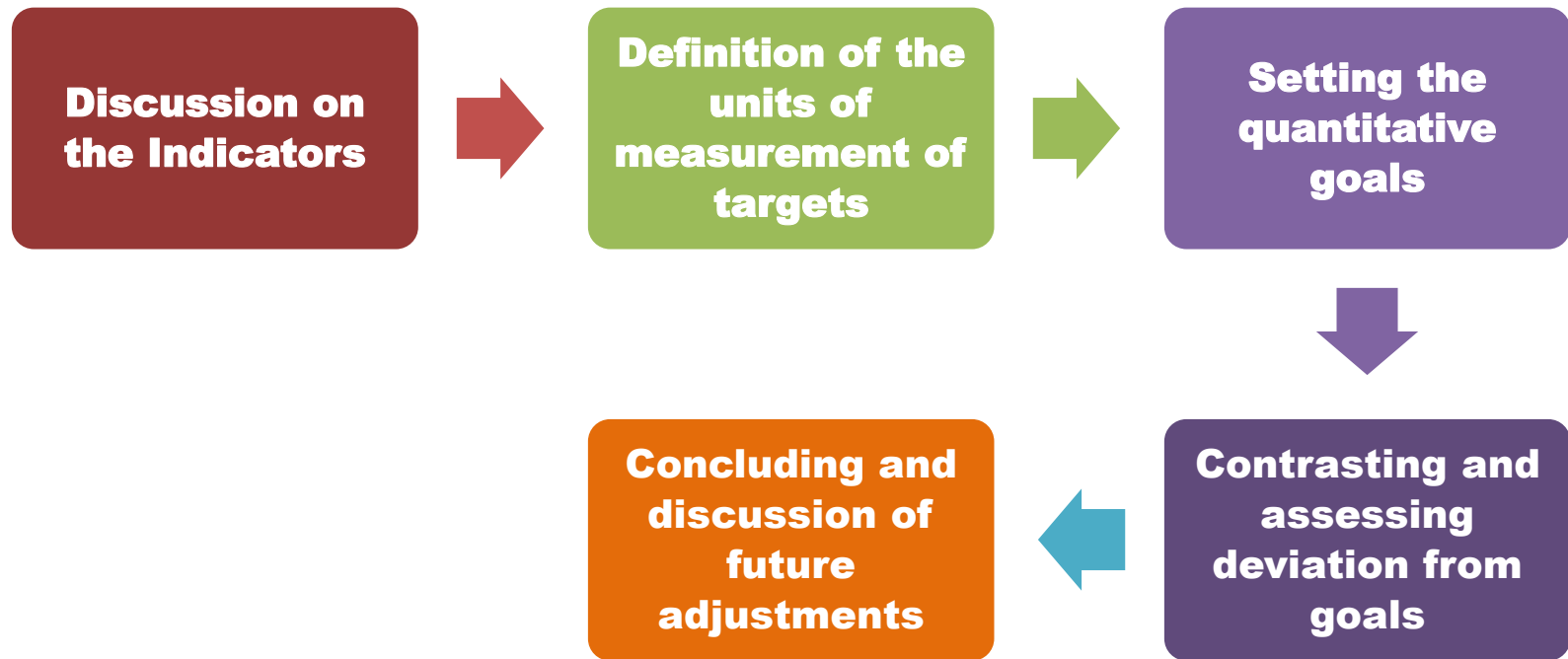
# Divergent measures...

- Each party only watches some of the indicators, without having the overall information, therefore the conclusions are conflicting.
- When the information is brought together, is easier to minimize the divergence on the final result but dissent can't be avoided.

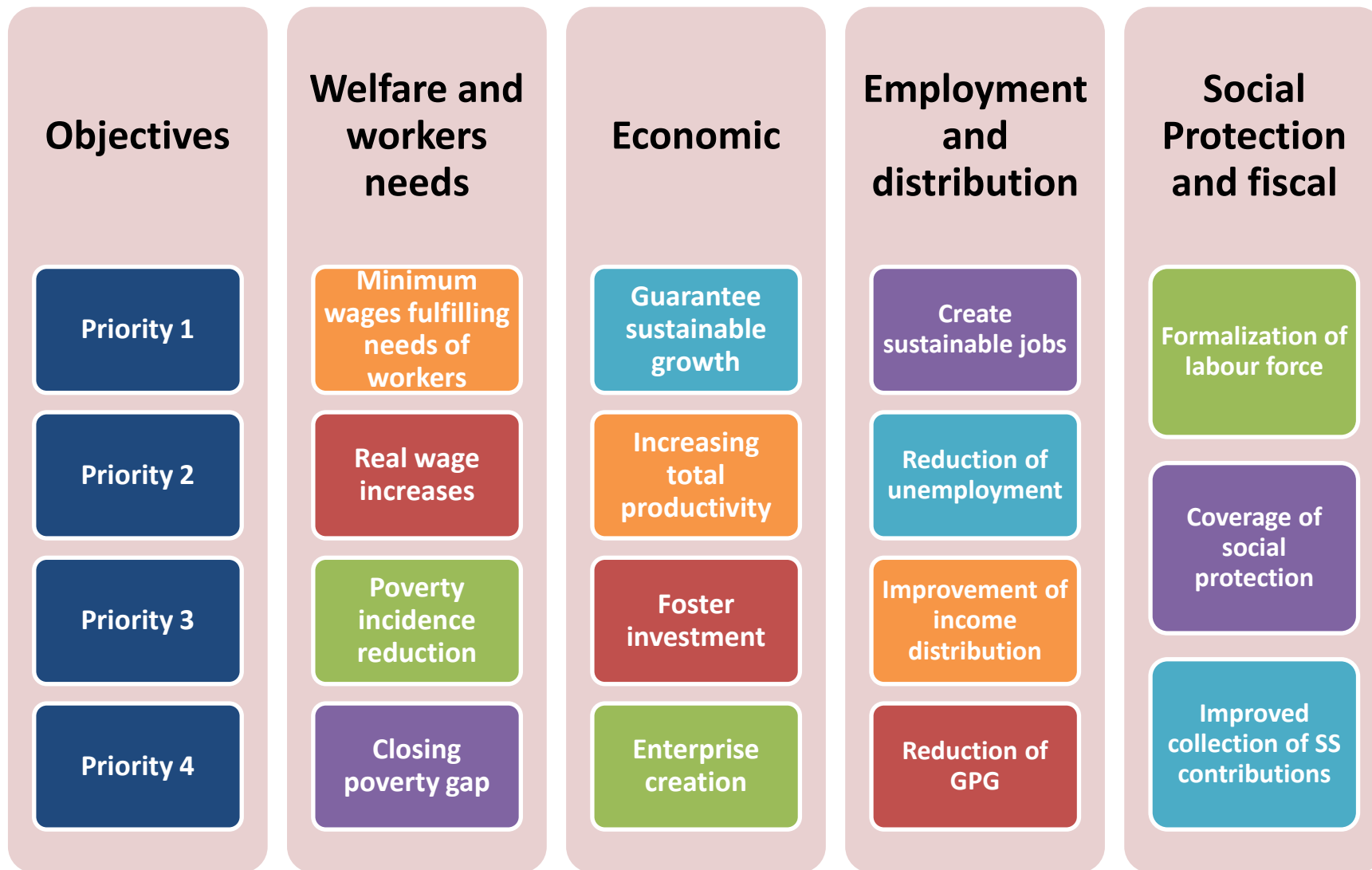




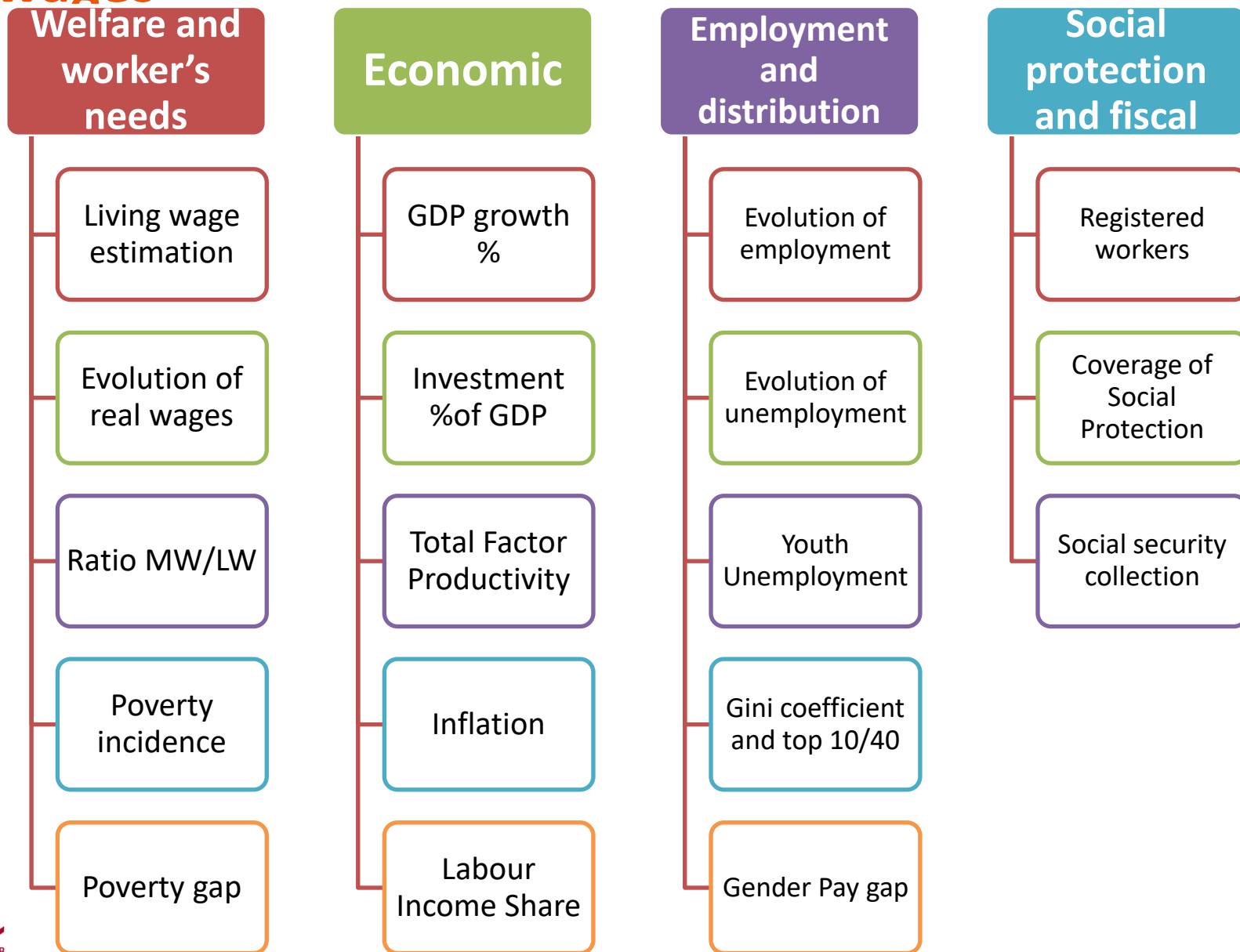
# The process of “context monitoring” strategy and analysis



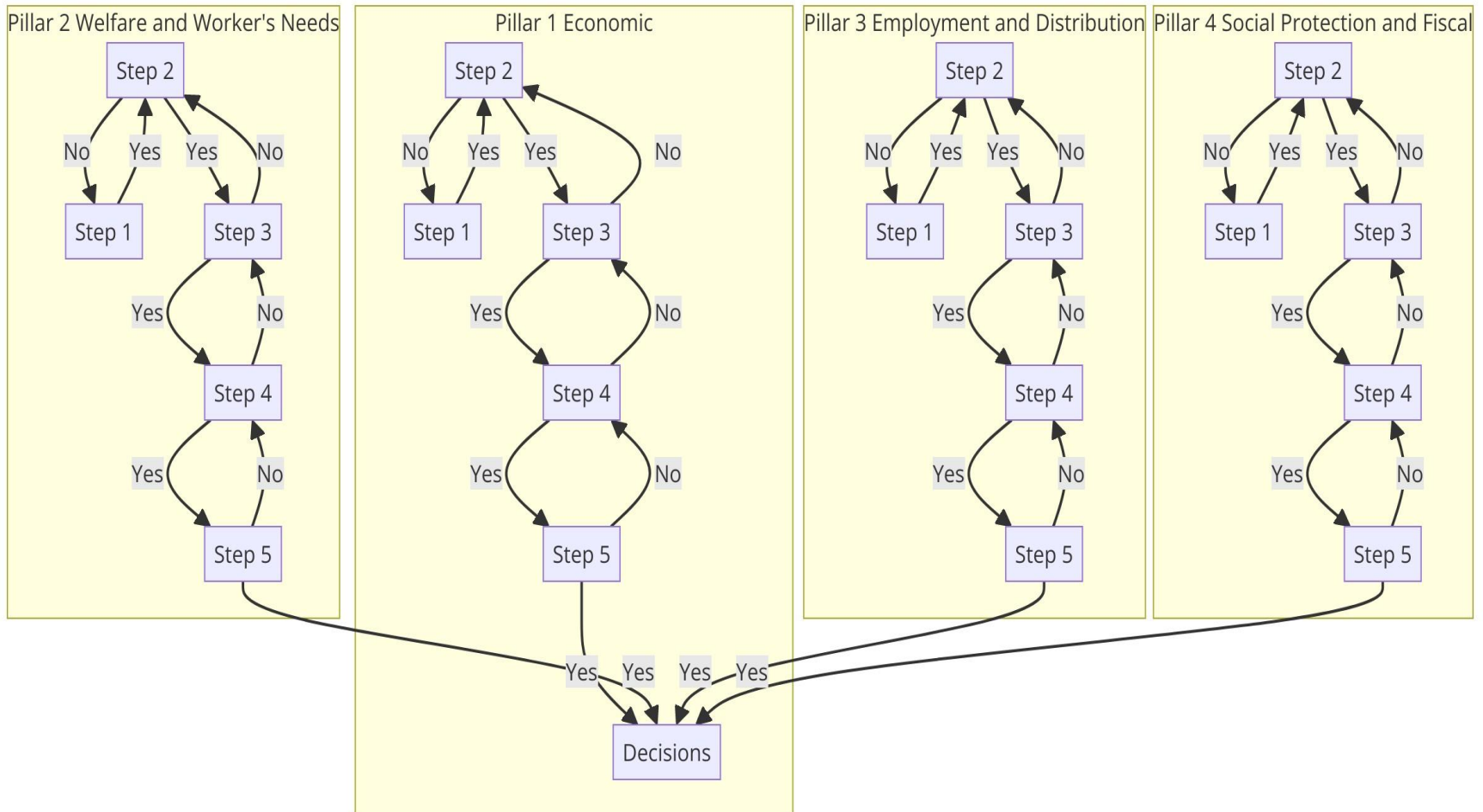
# Targets and goals of a wage policy



# Examples of the Indicators for context monitoring of wages



# The process of validation of variables



# Example of of the dashboard (1)

Workers welfare and needs	Value 2019	Value 2023	
Value of living wage in \$	\$ 18350	\$ 20200	+
Change in real terms %	0,7%	0,3%	-
Poverty incidence % pop	13,7	8,1%	++
Poverty incidence % workers (Working poor)	22,6	22,5	=
Poverty gap % (total pop)	21,5%	23,1%	-
Living wage/minimum wage	1,8	1,8	=
Living wage/median wage	1,3	1,2	+
Living wage/average wage	0,75	0,81	↓

# Example of of the dashboard (2)

Economic	Value 2019	Value 2023	Diff
GDP Growth percent	0,7%	2,4%	++
GDP per capita US\$ constant	13758	14355	+
Investment growth percent	24,1	24,8	+
Total Factor Productivity growth %	41,3	41,4	=
New enterprises net	20,1	21,1	+
Consumer Price Index	2,6	4,1	--
Food prices	2,6	6,3	---
Producers prices	0,5	1,2	--
Labour Income Share (% of GDP)	41,2	39,9	-

# Example of of the dashboard (3)

Employment and distribution	Value 2019	Value 2024	
Employed population 000	7871	8230	++
Employed pop % of EAP	57,6	58,1	+
Unemployment rate	9,1%	8,8%	==
Gini coefficient	44,4	44,9	-
Ration top 10/bottom 40%	19,2	18,9	+
Gender Employment Gap (%)	21,7	24,6	--
Gender Pay Gap (% of mean)	7,1	6,6	+

# Example of of the dashboard (4)

Social protection and fiscal	Value 2019	Value 2024	
Non-Registered workers % total	38,1	37,9	+
Coverage of unemployment protection	18,1	24,3	+++
Median unemp/LW	0,7	0,5	--
Coverage of pensions %	71,2	74,1	+++
Median pension/LW	0,5	0,5	=
Fiscal surplus+/-deficit- (% of GDP)	-1,8	-1,35	++
Total tax collection	20,2	22,2	++
Social Security Collection % change	3,1	4,2	++++



# Transforming a “fluke” into “science” game

