



International
Labour
Organization

Key aspects of the ILO agreement on wage policies, including living wages

Closing the divide: from minimum
wages to living wages
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► The conclusions of the ILO meeting of experts and the ILO Governing Body decision

- “Meeting of experts on “wage policies, including living wages” (February 19-23, 2024) => adoption of Draft conclusions
- Governing Body (GB) decision in March 2024 to adopt and disseminate the conclusions of the meeting of experts, request the Director-General to allocate sufficient resources, and request an implementation report at the GB in October/November 2025
- <https://www.ilo.org/topics/wages>

► Recognition of the centrality of wages for decent work and social justice

- “Millions of workers – in the formal and the informal economy – across the world continue to earn very low wages and they are still living in poverty”
- “Decent wages are central to economic and social development and essential in reducing poverty and inequality, as well as in ensuring a decent and dignified life and in advancing social justice”

I. Key institutions and ILO principles of wage setting

In accordance with international labour standards, wage-setting practices should be based on:

- Collective bargaining and tripartite social dialogue
- Take into account the needs of workers and their families, and economic factors
- Ensure gender equality and non-discrimination
- Utilize robust data and statistics for an evidence-based approach
- Consider national circumstances and root causes of low pay

II. The ILO living wage

“In line with the ILO Constitution and the Philadelphia Declaration, and consistent with the spirit of the Universal Declaration of Human Rights (UDHR), the ILO denotes that **the concept of the living wage is:**

- The wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work
- Calculated in accordance with the ILO’s principles of estimating the living wage, as outlined below;
- to be achieved through the wage-setting process in line with ILO principles on wage setting.”

III. Methodologies to estimate living wages

Living wage estimates can contribute to and inform an evidence-based social dialogue for wage setting.

- Living wage methodologies should follow some principles: (a) estimating the needs of workers and their families through evidence-based methodologies; (b) consultation with representative workers' and employers' organisations; (c) transparency; (d) robustness of data; (e) timely public availability; (f) gross or net; (g) regular adjustments; (h) quality control; (i) promotion of gender equality and non-discrimination; (j) consideration of regional or local context and socio-economic and cultural realities.
- Methodologies to estimate living wages should be based on an identification of a basket of goods and services using local prices (...). This basket should provide for a decent living standard of the worker and his/her family.

IV. Review of current living wage initiatives

In recent years, there has been a sharp increase in voluntary initiatives on living wages, as well as legislation and European directives on mandatory due diligence.

- These initiatives have given significant visibility to the concept of living wages and, in some cases, have improved living standards for workers and their families
- However, many of these initiatives do not yet take into account ILO principles of wage setting => “Alignment of the living wage initiatives with ILO principles of wage-setting processes is necessary”

V. Operationalization of living wages should:

The operationalization of the concept of living wage should be evidence based and take into account the ILO key principles of wage setting processes as mentioned, in particular:

- Take into account needs of workers and their families, and economic factors
- Strengthen social dialogue and empowering wage–setting institutions, particularly collective bargaining
- Promoting incremental progression from minimum wages to living wages
- Ensuring national and/or local ownership
- Ensuring gender equality and non-discrimination
- Using robust and reliable data and statistics for an evidence-based approach
- Taking into account the root causes and challenges of low pay, such as unfair distribution of value, low total factor productivity, informality, weak institutions and compliance systems
- Recognizing the role of the State

VI. Recommendations for future action by the Office

The Office should continue to provide support towards strengthening wage-setting processes, by:

- (a) promoting the ratification and implementation of all relevant Conventions and international labour standards
- (b) providing technical assistance to tripartite constituents to strengthen wage-setting institutions, including minimum wage fixing through more effective social dialogue, including collective bargaining
- (c) producing guidelines covering a review of policies and wage-setting processes
- (d) assisting governments in gathering data and information for evidence-based wage setting and meaningful collective bargaining in line with relevant international labour standards and the ILO integrated strategy for the promotion and implementation of the right to collective bargaining (...)
- (e) developing an assessment framework for wage setting taking into consideration Convention No. 131, including various economic factors (...) and labour market conditions, including levels of informality
- (f) building on the ILO Strategy on Decent Work in Supply Chains endorsed by the Governing Body at its 347th Session, promoting the uptake of the principles of the MNE Declaration
- (g) producing guidance documents for employers and for workers for wage-setting processes and providing capacity building and technical assistance to constituents on wage setting

VI. Recommendations for future action by the Office

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▶ The Office should carry out a set of activities related to living wages:

- (a) Raising awareness on living wages, including through guidance and information
- (b) Engaging with living wage initiatives to promote alignment with ILO living wage principles
- (c) Providing, upon request, technical assistance to constituents on the methodology developed by the ILO to estimate the needs of workers and their families for the purpose of a living wage
- (d) Reviewing the ILO methodology to estimate the needs of workers and their families to align it with the principles for estimating a living wage
- (e) Developing a communication strategy on living wages, the ILO principles for wage-setting and the ILO methodology for living wage setting.
- (f) Undertaking further research on living wage trends and developments, sharing knowledge and lessons learned; and
- (g) Promoting the outcome of the meeting in the multilateral system, and through partnerships with other UN bodies, including through the Global Coalition for Social Justice

VI. Recommendations for future action by the Office

▶ The Office should continue its activities, notably by:

- (a) offering technical assistance to constituents on skills development, productivity improvement, and strengthening an enabling environment for sustainable enterprises, as well as employment, social protection and macroeconomic policies for decent employment generation
- (b) providing technical assistance to support transition to formality in line with Recommendation No. 204
- (c) supporting constituents on data collection, including through labour force and establishments surveys
- (d) strengthening the effectiveness of labour inspectorates and other relevant authorities to enhance compliance
- (e) supporting Member States in the development and provision of affordable, accessible and quality public services