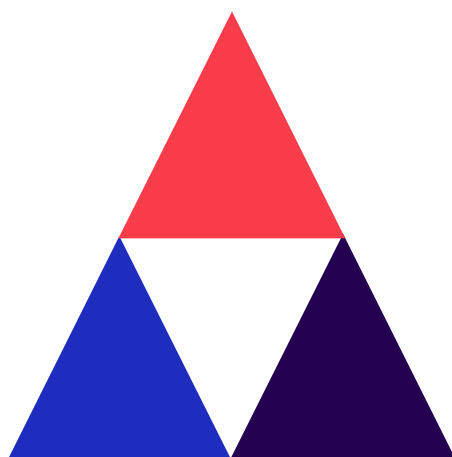




► Wage policies, including living wages

Report for discussion at the Meeting of Experts on Wage Policies,
including Living Wages
(Geneva, 19–23 February 2024)



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► Introduction

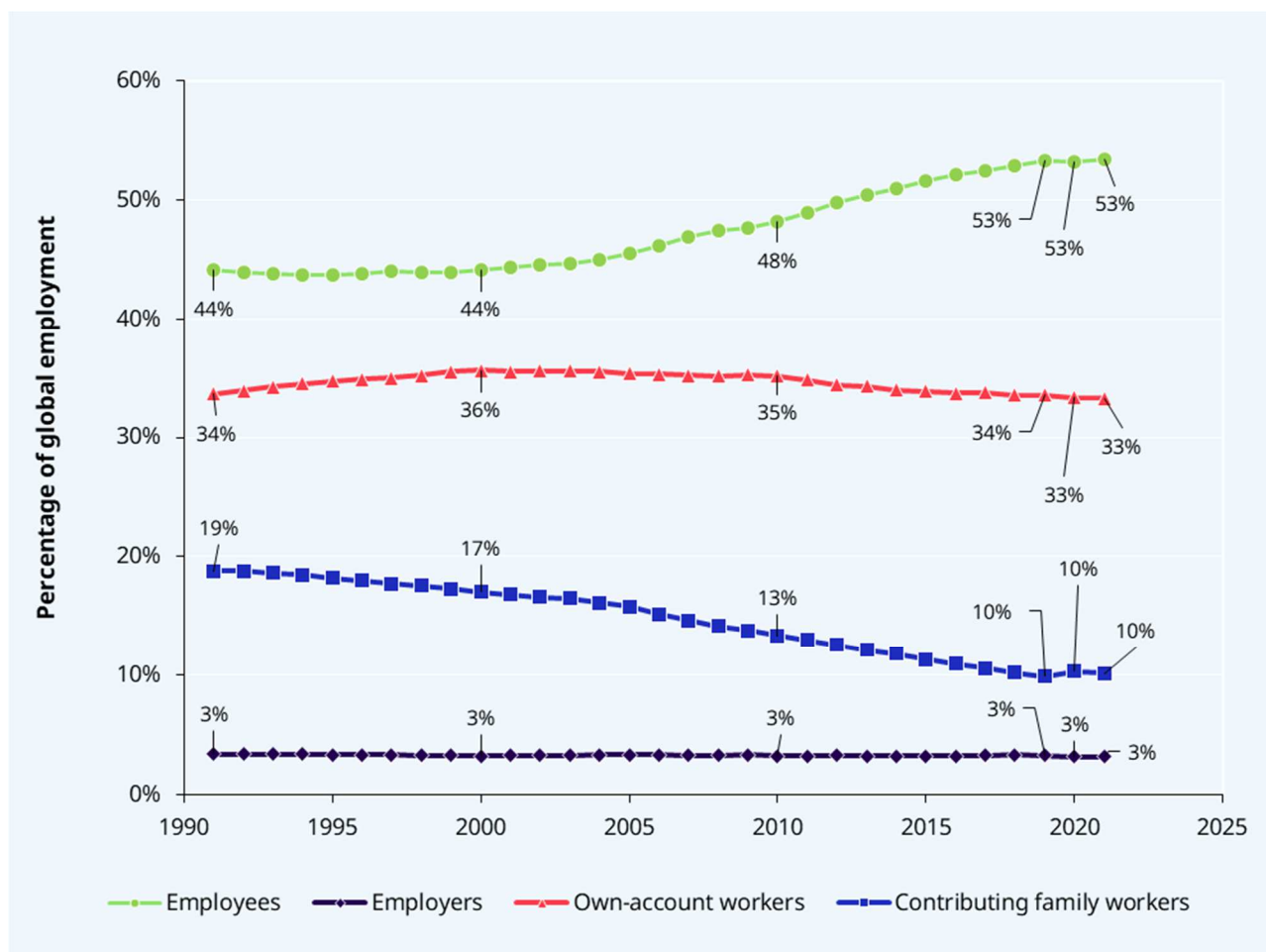
1. Over the years, the ILO has adopted several international labour standards related to wages, and the Office has provided technical advice to many of its Member States on wage policies, including in the areas of minimum wages, collective bargaining of wages, gender pay gaps, public sector pay and wage protection. In doing so, the ILO has emphasized some key principles for wage setting, including the importance of taking into account the needs of workers and their families and economic factors; of empowering national institutions and social dialogue; of using robust data and statistics for an evidence-based approach; of promoting gender equality and non-discrimination; and of taking into account national circumstances and addressing root causes of low wages, such as low productivity and informality.
2. In recent years, the question of “living wages” has emerged as a major topic of interest. The Office has received a large amount of requests on this subject from a very wide range of actors, including ILO constituents, multilateral institutions, multi-stakeholder initiatives, and individual companies or networks of companies. There is a strong and growing expectation that the ILO, the prime United Nations institution dealing with labour and wage issues and the only tripartite agency which gives equal voice to workers, employers and governments, should play a leading role in the debate around living wages. Up to now the ILO has not been able to play this role, notably because there is no tripartite-agreed definition of “living wage”, nor is there an ILO position on how to operationalize the concept of living wages.
3. The meeting of experts represents an opportunity for the ILO to strengthen its global leadership on the question of wage policies, including living wages. The meeting gives effect to the resolution concerning the second recurrent discussion on labour protection, adopted by the International Labour Conference at its 111th Session in 2023, which calls on the Office to develop “peer-reviewed research on concepts and estimations of living wages, as well as technical assistance to Member States, upon request, in line with the 2022 resolution concerning the third recurrent discussion on employment, and on that basis a proposal to the Governing Body, for its consideration, for a tripartite follow-up discussion on wage policies, including living wages”.
4. This report follows the agenda of the meeting agreed by the Governing Body in November 2023, namely: (a) examine the key principles of wage-setting processes, as well as the factors and parameters that should be taken into account for adequate wage-setting practices, including the needs of workers and their families and economic factors; (b) review recent initiatives on living wages, including aspects such as the definition of living wages that these initiatives use; (c) provide guidance on: a tripartite-agreed definition of living wages; the role of living wages within broader wage-setting processes; the key principles of wage-setting processes that living wage initiatives should follow; how to operationalize the concept of living wages, including how they can be used in conjunction with efforts to take economic factors into account in wage-setting processes; and on the role of social dialogue; and (d) examine how the ILO could provide additional support to its constituents and strengthen its leadership on the question of wage policies, including living wages.

► 1. Key principles of wage-setting processes

1.1. The context: Recent trends

5. According to ILO estimates, in 2021 there were about 3.3 billion workers worldwide, 1.7 billion of which were wage earners. Figure 1 shows that the share of workers who are employees (wage workers) has increased over time, up from 44 per cent in 1990 to 53 per cent in 2021. This increase was largely driven by middle-income countries, and in particular by upper-middle-income countries – where the share of employees increased from 43 per cent in 1990 to more than 60 per cent; in low-income countries, the share of employees remains much lower, at about 19 per cent¹. Figure 2 shows that the proportion of employees who are women has remained relatively stable at slightly less than 40 per cent, similar to the overall share of women among all workers.

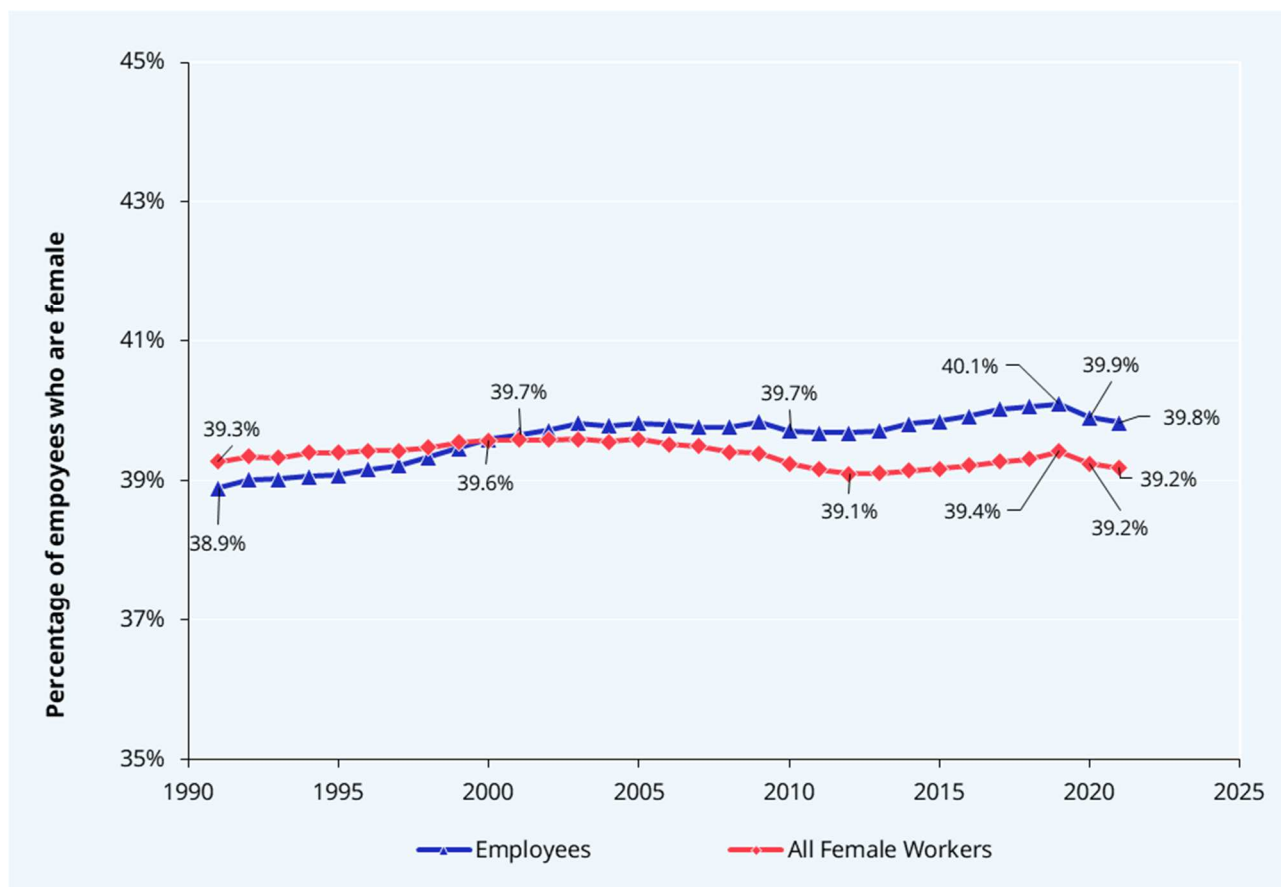
► **Figure 1. Distribution of workers by status in employment, 1990–2021**
(as a percentage of global employment)



Source: ILOSTAT, modelled estimates, November 2021.

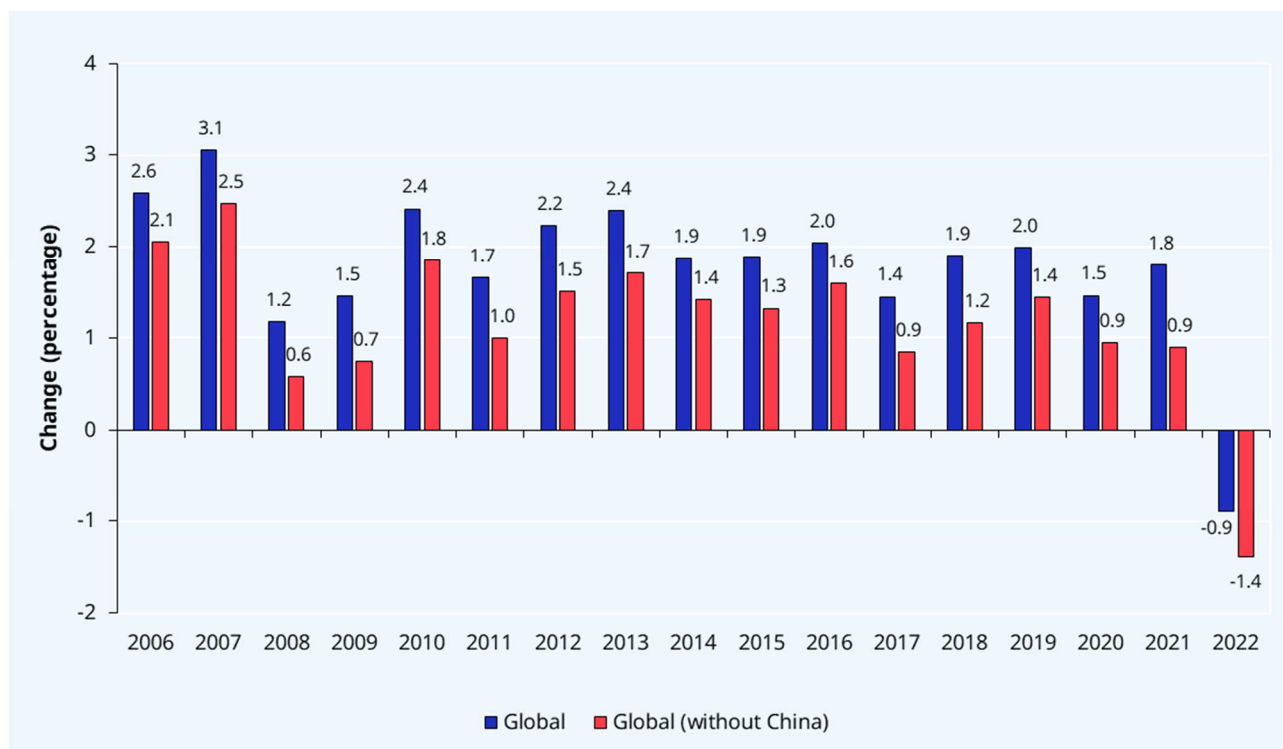
¹ ILO, *Leaving no one behind: Building inclusive labour protection in an evolving world of work*, ILC.111/Report V, 2023.

► Figure 2. Percentage of employees who are female, 1990–2021



Source: ILOSTAT, modelled estimates, November 2021.

6. Globally, real wages have increased every year since 2006, until the decline in real wages in 2022 due to the sharp acceleration of price inflation. Figure 3 displays annual average global real wage growth from 2006 to mid-2022 with and without China – a country where real wages have been increasing particularly rapidly. In general, real wages have increased more rapidly in developing countries than in high-income countries. Among the countries of the European Union, for example, real wage growth fluctuated between -1.0 and 2.0 per cent most years, while in Asia real wages increased mostly between 3.0 and 4.0 per cent annually.

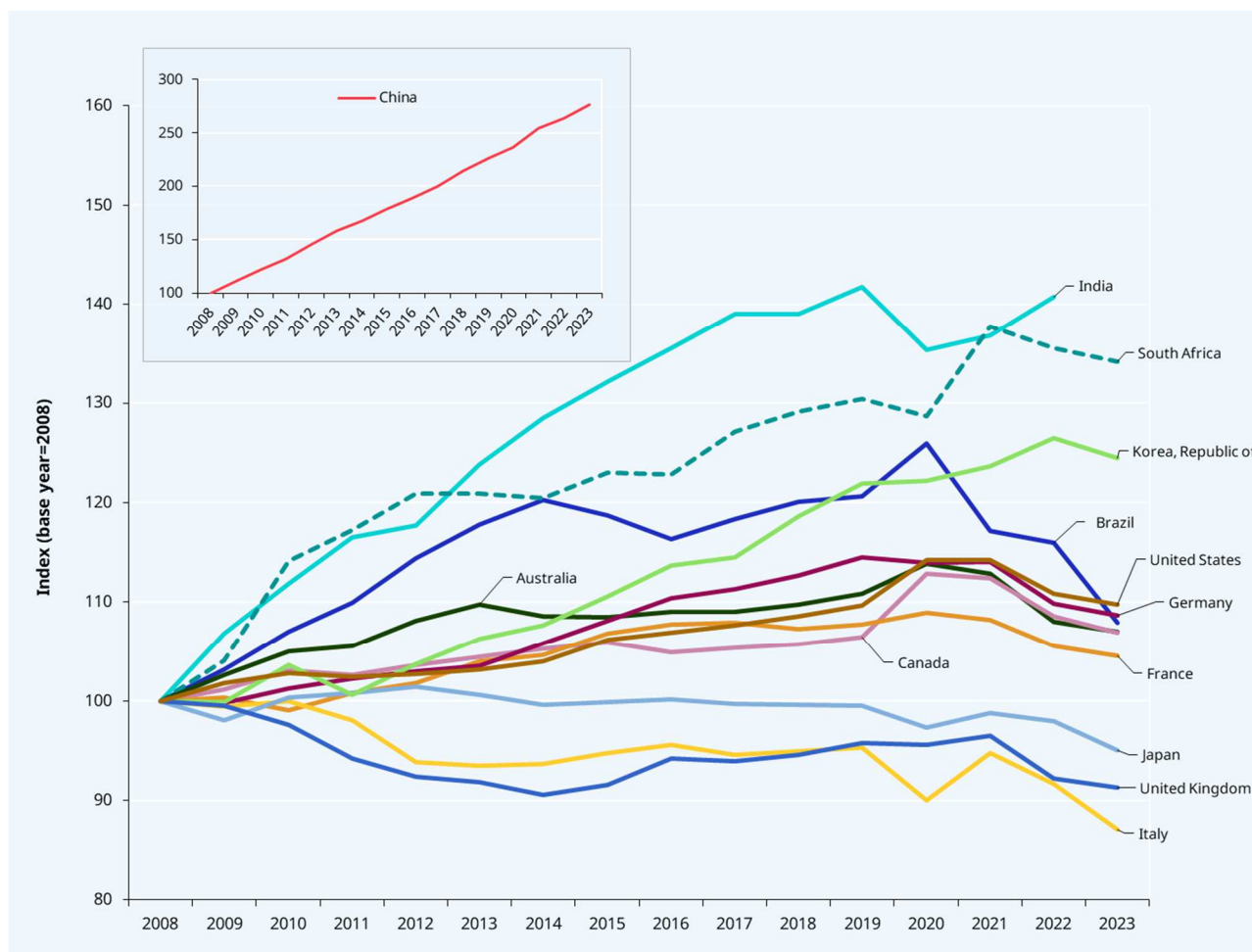
► **Figure 3. Annual average global real monthly wage growth 2006–22 (percentage)**

Note: Wage growth for 2022 was estimated by comparing the first two quarters of 2022 with the corresponding period in 2021.

Source: ILO estimates based on official national sources as recorded in ILOSTAT and the ILO Global Wage Database.

7. There are large differences across countries in cumulated real wage increases over the last 15 years. Figure 4 depicts an index of real wages in a selection of countries since 2008. While real wages increased by a total of 5 to 10 per cent in countries such as Australia, Canada, France, Germany and the United States of America, they increased by about 30 per cent in South Africa, 40 per cent in India and nearly tripled in the same period in China. In a few countries, such as Italy, Japan and the United Kingdom of Great Britain and Northern Ireland, real wages have decreased since 2008.

► Figure 4. Average real wage index for selected countries, 2008–23



Source: ILO, *Global Wage Report 2022–23: The impact of COVID-19 and inflation on wages and purchasing power*, 2022.

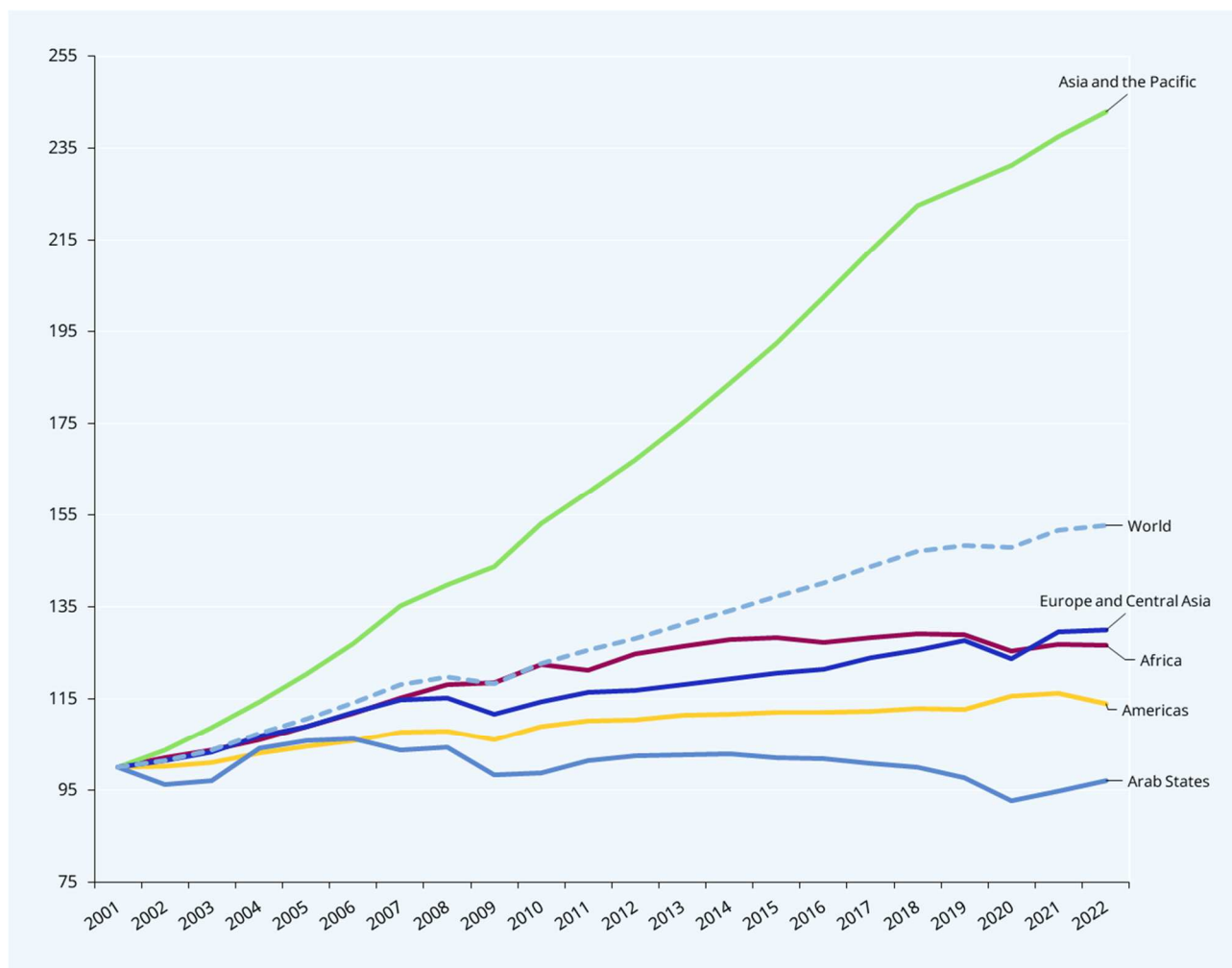
8. Average productivity growth has been a key factor behind real wage growth, particularly in Asia. Across countries, there is ample evidence of a positive correlation between the level of real wages and the average gross domestic product (GDP) per person employed (one measure of labour productivity).² Studies have also shown that differences in value-added per worker in the manufacturing sector can explain a large proportion of the cross-national variation in manufacturing wages.³ Hence, sustained wage growth over several years is only possible when the economy is expanding and when average labour productivity is growing.⁴ This, in turn, is usually the result of structural transformation and a comprehensive set of policy reforms that are conducive to economic growth, including in the areas of skills, public and private investments, and the establishment of an enabling environment for enterprises.

² Malte Luebker, "Labour productivity", in *Towards Decent Work in sub-Saharan Africa: Monitoring MDG Employment Indicators*, ed. Theo Sparreboom and Alana Albee (Geneva, ILO, 2011): 9–36.

³ Dani Rodrik, "Democracies pay higher wages", in *The Quarterly Journal of Economics* 114, No. 3 (1999): 707–738.

⁴ John Maynard Keynes observed in 1936 in *The General Theory of Employment, Interest, and Money* that it was not realistic to observe wage levels "beyond what the productivity of the economic machine was capable of furnishing", 13.

► Figure 5. Index of output per worker, by region, 2001–22

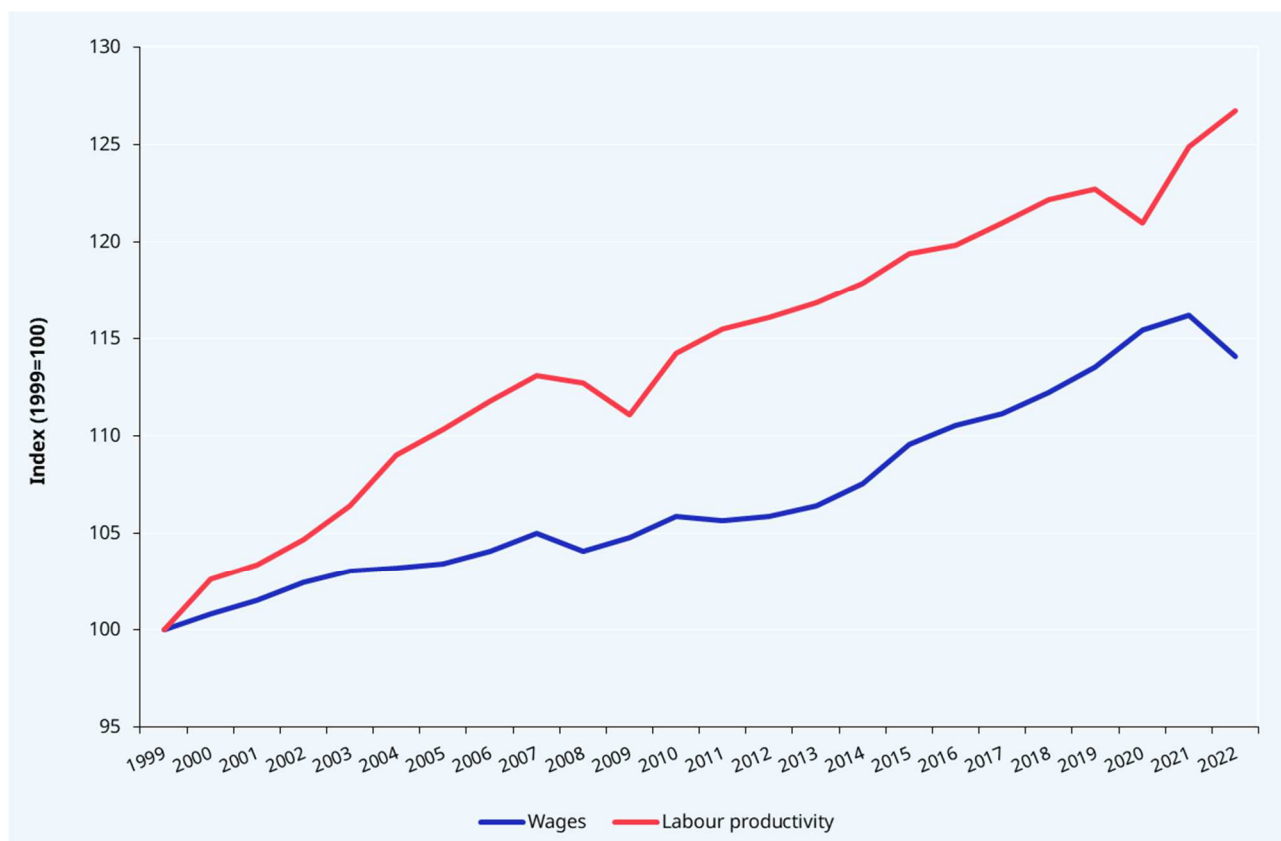


Source: ILO based on ILOSTAT; “Annual growth rate of output per worker (GDP constant 2017 international \$ at PPP)” transformed into an index with base 2001 (first year available).

9. In many high-income countries real wage growth has lagged behind the growth of labour productivity, resulting in a decline in the labour income share (the share of GDP going to labour compensation). Figure 6 illustrates that, on average, across 52 high-income countries, wage growth has lagged behind productivity growth since the turn of the century. By definition, this trend has resulted in a declining labour share in many countries across the world. The underlying causes of the decline in the labour share are varied and debated but are likely to include a combination of factors, such as technological change, globalization and the changing bargaining power of workers.⁵

⁵ McKinsey Global Institute, *A new look at the declining labor share of income in the United States*, Discussion paper, May 2019.

► **Figure 6. Trends in average real wages and labour productivity in 52 high-income countries, 1999–2022**



Note: Data for 2022 is based on the first and second quarters of the year.

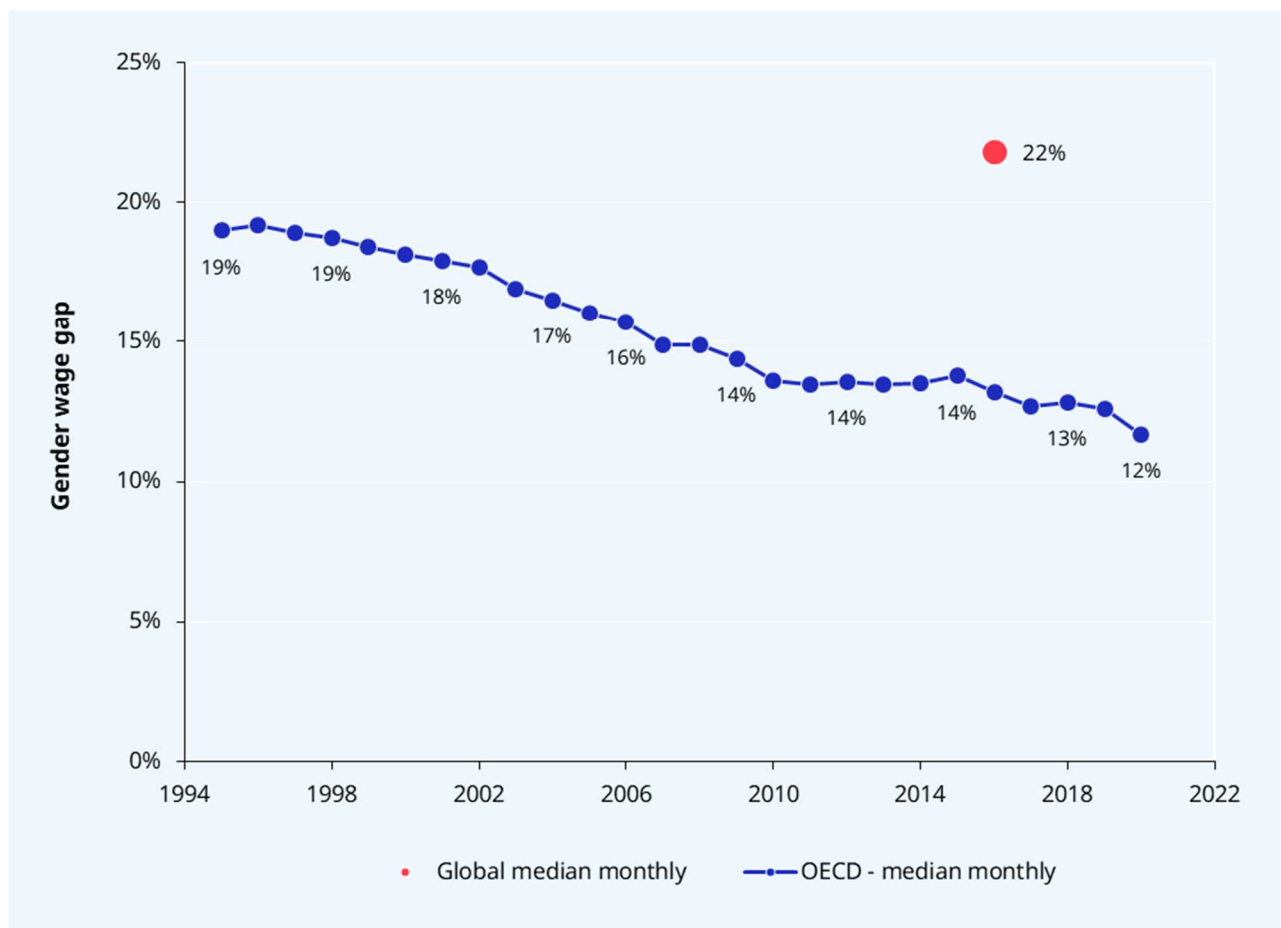
Source: ILO, *Global Wage Report 2022–23: The impact of COVID-19 and inflation on wages and purchasing power*, 2022.

10. In spite of the overall growth in average wages, many millions of workers across the world continue to earn very low wages, particularly in the informal economy. Globally, the earnings of workers in informal wage employment are 56 per cent of the earnings of wage workers in the formal economy.⁶ The ILO estimates that in 2022 there were 585 million working poor globally, including both wage and non-wage earners.
11. Although the gender pay gap has decreased in many countries, women continue to be over-represented among the lowest paid workers. Estimates from the *Global Wage Report 2018/19: What lies behind gender pay gaps* indicate that in 2018 the worldwide gender pay gap stood at close to 22 per cent, with a wide variation across countries. Among Organisation for Economic Co-operation and Development (OECD) countries, the median gender pay gap has declined since 1994 but women are still paid 12 per cent less than men. Among high-income countries, the gender pay gap is widest at the upper end of the wage distribution, while in low- and middle-income countries, it is at the low end of the wage distribution that the gender pay gap is wider. Compared with the average monthly wage of a man in formal employment taken as a reference (100 per cent), a woman in informal wage employment earns on average 42 per cent of the

⁶ ILO, *Women and men in the informal economy: A statistical update*, 2023.

reference wage, while a man in informal wage employment earns on average 58 per cent of that wage.⁷

► **Figure 7. Gender pay gap, 1994–2022 (percentage)**



Sources: ILO, *Global Wage Report 2018/19: What lies behind gender pay gaps*, 2018; and OECD, “Gender wage gap”.

12. To address the issue of low pay, minimum wages have been raised in many countries, but frequently remain inadequate. Minimum wages, either statutory or negotiated, have been adopted over the years in various countries and now exist in about 90 per cent of countries around the world. This still leaves 57 million wage earners in countries without a minimum wage. Furthermore, minimum wages are not always regularly adjusted: over the period 2010–19, only 54 per cent of countries adjusted their rates at least every two years. In some countries, minimum wages have not been adjusted for decades and remain below the poverty line.⁸ Although certain countries, such as India, have recently extended the coverage of their minimum wage system, an estimated 18 per cent of countries exclude either agricultural workers, domestic workers, or both, from minimum wage regulations. Compliance, particularly in the informal economy, also remains a major challenge. Out of the estimated 327 million wage earners who are paid at or below the minimum wage, 266 million wage earners around the world earn less than existing hourly

⁷ ILO, *Women and men in the informal economy*.

⁸ ILO, *Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19*, 2020.

minimum wages, either because they are not legally covered or, mostly, because of non-compliance.⁹

13. Collective bargaining coverage has declined in many countries in recent decades. According to the ILO *Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery*, wages remain one of the principal subjects of negotiations for employers and their representative organizations on the one hand, and trade unions on the other. Most of the agreements analysed in the report (95 per cent) include clauses on wages. However, among OECD countries, trade union density has decreased in recent decades (from around 33 per cent in 1975 to around 16 per cent in 2019), and the collective bargaining coverage rate¹⁰ has also decreased (from around 46 per cent in 1985 to around 32 per cent in 2020). Earlier, the ILO also found that bargaining coverage rates from 2008 to 2013 for 48 countries had declined, on average, by 4.6 per cent, compared with an average decline in union density of 2.3 per cent.¹¹ According to the *Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery*, there is significant variation across the 98 countries in which data was collected up to 2020: the collective bargaining coverage rate ranges from above 75 per cent in 14 high-income countries, including many European countries and Uruguay, to below 25 per cent in 48 other countries. The erosion of collective bargaining is probably also one of the factors explaining the declining labour income share.

1.2. Key ILO principles of wage policies

14. Wages policies have been a central subject on the agenda of the ILO since its creation in 1919, and over the years the ILO has adopted a large number of instruments, including several international labour standards related to wages – from which some key principles of wage setting can be derived and highlighted.

1.2.1. References to wages in the ILO Constitution and in ILO declarations

15. The ILO Constitution includes several references to wages.
 - “Adequate living wage”. The Preamble of the ILO Constitution adopted in 1919 considers that “universal and lasting peace can be established only if it is based upon social justice” and calls for an urgent improvement in conditions of labour, including, inter alia “the provision of an adequate living wage”.
 - “Equal remuneration for work of equal value”. The Preamble of the ILO Constitution also urgently calls for the “recognition of the principle of equal remuneration for work of equal value”.
 - “A just share of the fruits of progress to all” and “a minimum living wage”. In 1944, ILO Members adopted and later incorporated into the Constitution the Declaration concerning the aims and purposes of the International Labour Organisation (Declaration of Philadelphia), which affirms the “solemn obligation” of the ILO to further “policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection”.

⁹ ILO, *Global Wage Report 2020–21*.

¹⁰ OECD, *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, 2023.

¹¹ ILO, *Trends in Collective Bargaining Coverage: Stability, Erosion, or Decline?*, Labour Relations and Collective Bargaining, Issue Brief No. 1, February 2017.

16. Various ILO declarations adopted subsequently have reaffirmed the mandate set out in the ILO Constitution and/or have included new references to the question of wages.

- “Equal remuneration for work of equal value” in the 1975 Declaration on Equality of Opportunity and Treatment for Women Workers. The Declaration called for special measures to be taken to ensure equal remuneration for work of equal value and to raise the level of women’s wages as compared with that of men’s and eradicate the causes of lower average earnings for women possessing the same or similar qualifications or doing the same work or work of equal value.
- The 2008 ILO Declaration on Social Justice for a Fair Globalization reaffirmed the objective already stated in the Declaration of Philadelphia. It called for “policies in regard to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection”.
- “An adequate minimum wage, statutory or negotiated” in the 2019 ILO Centenary Declaration for the Future of Work. This most recent Declaration advocates “strengthening the institution of work ... taking into account (i) respect for [workers’] fundamental rights; (ii) an adequate minimum wage, statutory or negotiated; (iii) maximum limits on working time; and (iv) safety and health at work”. The reference to “negotiated” minimum wages clarifies and explicitly recognizes that minimum wages can also be set through binding collective agreements.
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (the MNE Declaration) provides the following guidance on wages (paragraph 41):

Wages, benefits and conditions of work offered by multinational enterprises across their operations should be not less favourable to the workers than those offered by comparable employers in the host country. Where comparable employers do not exist, they should provide the best possible wages, benefits and conditions of work. The elements to be taken into consideration should include: (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment. Where the employer provides workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard.

Paragraph 42 states that “Governments, especially in developing countries, should endeavour to adopt suitable measures to ensure that lower income groups and less developed areas benefit as much as possible from the activities of multinational enterprises”.

1.2.2. International labour standards on wages

17. In discharging its mandate, the ILO has adopted several international labour standards over the years relating to wages.¹² The following is a non-exhaustive list.

Minimum wages

18. The ILO Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), encourages Member States “to create or maintain machinery whereby minimum rates of wages can be fixed for workers employed in certain of the trades or parts of trades (and in particular in home working trades) in which no arrangements exist for the effective regulation of wages by collective agreement or

¹² ILO, *Rules of the Game: An introduction to the standards-related work of the International Labour Organization*, 2019.

otherwise and wages are exceptionally low". Convention No. 26 is complemented by the ILO Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99).

19. The ILO Minimum Wage Fixing Convention, 1970 (No. 131), calls for the establishment of minimum wage systems to protect workers against unduly low wages and which offer a broad scope of application, include machinery to fix and adjust rates from time to time, are based on the principle of full consultation with social partners, take into account both the needs of workers and their families and economic factors in determining the rates, and include measures to ensure the effective application of minimum wages. Specifically, Convention No. 131 calls for minimum wage setting to take into account:
 - (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
 - (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Collective bargaining

20. The Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), are fundamental international labour Conventions. Convention No. 87 recognizes the right of workers and employers to freely establish and join organizations of their own choosing. Convention No. 98 provides for the establishment of measures "to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers or employers' organisations and workers' organisations, with a view to the regulation of terms and conditions of employment by means of collective agreements".
21. The Collective Bargaining Convention, 1981 (No. 154), defines collective bargaining as:

... all negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other, for –

 - (a) determining working conditions and terms of employment; and/or
 - (b) regulating relations between employers and workers; and/or
 - (c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations.

Governments ratifying this Convention agree to adopt measures to promote the development of collective bargaining.

Equality of opportunity and treatment

22. The Equal Remuneration Convention, 1951 (No. 100). This fundamental Convention requires ratifying countries to ensure the application of the principle of equal remuneration for men and women workers for work of equal value.
23. The Discrimination (Employment and Occupation) Convention, 1958 (No. 111). Also a fundamental Convention, it calls for measures to eliminate discrimination, including in terms and conditions of employment. Discrimination is defined as "any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation".

Protection of wages

24. The Protection of Wages Convention 1949, (No. 95), and the Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173), contain provisions to guarantee: the full and timely payment of wages in legal tender, the fair and reasonable value of partial payments in kind, the freedom of workers to dispose of their wages, the prohibition of unlawful or abusive deductions, the duty of information, and the protection of wage claims in the event of employer insolvency.
25. The Conventions referred to in the paragraphs above are supported by Recommendations that provide non-binding guidelines, such as the Minimum Wage-Fixing Machinery Recommendation, 1928 (No. 30), the Minimum Wage Fixing Recommendation, 1970 (No. 135), the Collective Bargaining Recommendation, 1981 (No. 163), the Collective Agreements Recommendation, 1951 (No. 91), the Equal Remuneration Recommendation, 1951 (No. 90), and the Protection of Wages Recommendation, 1949 (No. 85).

► **Table 1. Number of ratifications by Convention**

Convention	No. of ratifications
Minimum Wage-Fixing Machinery Convention, 1928 (No. 26)	105
Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)	158
Protection of Wages Convention 1949, (No. 95)	99
Right to Organise and Collective Bargaining Convention, 1949 (No. 98)	168
Minimum Wage Fixing Machinery (Agriculture) Convention 1951 (No. 99)	54
Equal Remuneration Convention, 1951 (No. 100)	174
Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	175
Minimum Wage Fixing Convention, 1970 (No. 131)	54
Collective Bargaining Convention, 1981 (No. 154)	50
Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173)	21

Source: ILO.

1.2.3. Principles of wage policy and challenges

26. The above-mentioned Conventions and Recommendations provide solid foundations for the Office's extensive technical advice on wage policies. As many countries adopted new minimum wages, improved their existing minimum wage systems, adopted measures to reduce gender pay gaps, strengthened protection against the non-payment of wages, promoted collective bargaining over wages, or reformed public sector pay, this translated into a large increase in the number of requests from constituents for assistance from the Office on wages. In recent years, the Office has thus provided technical assistance on wages to numerous countries across the world. For example, the Office supported the adoption of new minimum wages in South Africa (2019), Qatar (2021) and Cyprus (2023) and provided technical assistance and training on wage-related issues, including wage bargaining, in many more countries.

27. During the last few biennia, the Office provided technical advice to about 15 to 20 countries per biennium, in all regions, including in developing, emerging and developed countries. This has included: capacity-building on designing effective statutory minimum wages and using empirical evidence to support governments and social partners in adopting an adequate minimum wage level for the first time, such as in South Africa, Cyprus and Cabo Verde; capacity-building on how to use empirical evidence to adjust existing minimum wages, including the evaluation of existing adjustment formulas, such as in Mozambique or Costa Rica; capacity-building of social partners on how to use empirical evidence on the needs of workers and their families and economic factors to negotiate wages levels in tripartite or bipartite settings; knowledge-sharing between countries on minimum wage systems or wage protection; ex-ante impact evaluations of the effect of possible minimum wage increases on variables such as employment, informality and gender pay gaps; review of existing technical documents or econometric analysis; and institutional improvements, including reviews of the structure of minimum wages and the number of rates, extension of the legal coverage of minimum wages, improvement in consultation mechanisms, and information campaigns to improve compliance. In addition, upon the request of Members, the ILO has also supported the improvement of wage statistics that are used in designing or evaluating the effects of minimum wages.
28. ILO capacity to provide technical advice has been strengthened over the years by the knowledge products developed by the Office. This includes: (a) the *Global Wage Report*,¹³ an ILO flagship report published every two years since 2008, which has not only provided information on wage trends globally by region and by country, but has also provided detailed analysis of wage policies, such as minimum wage systems, and developed new methodologies to analyse wage-related issues; (b) the *Social Dialogue Report*, a new ILO flagship report, whose first edition has focused on collective bargaining, including an analysis of wage-setting practices in collective agreements; (c) the *Minimum Wage Policy Guide*, which has been widely used in ILO country assistance, and which builds on years of accumulated experience;¹⁴ and (d) *A Review of Wage Setting through Collective Bargaining*, which expands the knowledge on wage bargaining by providing insights about wage clauses in collective agreements and about the dynamics of the wage bargaining process in the private sector across selected countries.¹⁵

Principles enshrined in ILO international labour standards and which the ILO promotes through its technical advice

Taking the needs of workers and their families and economic factors into account

29. The setting of adequate wages is an essential mechanism to foster decent living standards for workers and their families, while at the same time ensuring the sustainability of the enterprises which create the jobs for these workers. Hence both the needs of workers and their families and economic factors should be considered in setting wages. Considering only the needs of workers and their families may result in wages that are above the capacity of many enterprises to pay, possibly leading to job losses, increased informality, reduced investment and lower export competitiveness. Conversely, focusing only on certain economic factors, such as export competitiveness, might result in unduly low wages, working poverty or stagnating wages and aggregate demand.

¹³ See the [ILO web page on the Global Wage Report](#).

¹⁴ For more detail, the *Minimum Wage Policy Guide* can be found on the [ILO web page on wages](#).

¹⁵ ILO, *A Review of Wage Setting through Collective Bargaining*, 2023.

30. In practice, however, ILO technical assistance shows that minimum wages are often assessed against short-term rather than long-term indicators. Instead, the most widely used indicators are short-term economic indicators, such as the rate of inflation as measured through consumer price indices and the rate of economic growth or the growth rate of GDP per capita. Some countries use mathematical formulas to guide their annual adjustments. For many years, Brazil, for example, increased the federal minimum wage by the sum of price inflation and the previous year's GDP growth rate. Malaysia has a slightly more complex formula, which includes labour productivity growth, the change in the consumer price index and the unemployment rate. While these indicators or formulas are useful for short-term adjustments, minimum wage fixing authorities should also evaluate whether rates are adequate to start with. This can include an analysis of whether minimum wage levels are sufficient to cover the needs of workers and their families, as well as an analysis of whether minimum wages are adequate in light of the capacity to pay of the local economy.
31. The ILO has developed a cost-of-living methodology to estimate the needs of workers and their families, which can be used alongside economic factors to evaluate the adequacy of minimum wages (see box 1). This methodology estimates the needs of workers and their families by using data from national statistical offices and can be considered by governments and social partners when evaluating the adequacy of their minimum wages or evaluating the adoption of a new minimum wage. It has been tested in different country circumstances, including in Costa Rica, Ethiopia, India and Viet Nam.

► **Box 1. ILO methodology to estimate the needs of workers and their families**

Through a development cooperation project funded by the Netherlands from 2018 to 2021, the ILO has developed a methodology to estimate the needs of workers and their families. The methodology has the advantage of being transparent, of using available data produced by national statistical offices and of being easily adaptable to specific regional and country circumstances, thereby contributing to ensuring national ownership. The methodology assesses the needs of one individual by separately estimating the cost of four components: food, housing, health and education, in addition to other essential goods and services.

The first two components are calculated on the basis of absolute measures of an individual need to reach a minimum standard – a diet that meets the calorie and nutrient standards in the case of food, and national and international standards on adequate housing characteristics in the case of housing.

The remaining two elements are estimated following a relative approach, drawing on the national distribution of expenditure for the relevant expenditure group.

Whereas the absolute measures for food and housing draw from international standards (the World Health Organization (WHO) and the Food and Agriculture Organization of the United Nations (FAO) in the case of food, and the United Nations Human Settlements Programme (UN-Habitat) in the case of housing), relative measures can be estimated from local, regional or nationally available household expenditure surveys.

To convert individual needs into the needs of a worker and their family, country-specific assumptions with respect to family size and the number of workers per family are needed. At the same time, the use of both absolute and relative measures is in line with the philosophy of Convention No. 131 as it takes into consideration both the socio-economic realities of the country and the living standards of other social groups.

Source: ILO, *A methodology to estimate the needs of workers and their families*, 2021.

► **Box 2. Economic factors**

To evaluate the economic adequacy of minimum wages, one widely used statistical indicator is the ratio of the minimum wage to the median wage. As mean wages are affected by extreme values, median wages provide a more nuanced point of reference than mean wages. This indicator shows the level of the minimum wage relative to that of the “middle worker”, and – to the extent that wages levels reflect at least in part average productivity levels – provides information on economic factors. Among developed countries, a large majority of countries have their minimum wages set between 50 per cent and two thirds of the median wage. In developing countries, this indicator is more difficult to use, as the median wage frequently lies somewhere between the low wages paid in the informal economy and higher wages paid in the formal economy. There is thus a need to develop better indicators of the economic adequacy of minimum wage rates which takes country circumstances into account.

Source: ILO, “Ratio of minimum to average wages” in *Minimum Wage Policy Guide*, 2016.

32. While the ratio of the minimum wage to the median wage can be used as an indicator of the economic adequacy of the minimum wage (see box 2), it can also be used as a measure of social adequacy. A very low minimum wage (relative to the median wage) might point towards the irrelevance of a minimum wage to protect workers against unduly low pay in the particular country circumstances. While such indicators can be useful in evaluating minimum wage levels, they should be complemented by more refined country-specific analysis. Country-level ratios should also be calculated at a disaggregated level by sector, sex and region in order to identify the groups or regions most likely to be affected by the minimum wage.
33. Collective bargaining can consider the needs of workers and their families as well as economic factors when setting wages, in order to distribute the benefits from the gains generated. According to ILO research, the parties to collective bargaining often take inflation into consideration, usually measured using the consumer price index. Other macroeconomic information frequently consulted includes economic growth, labour market indicators such as employment and unemployment, and the wage and labour costs of neighbouring countries or key competitors. Some bargaining parties also consider developments related to product orders, capacity utilization of a sector, average earnings and labour productivity. Wage increases in relevant enterprises or sectors are used as points of reference as well. In some countries, the cost of living is also assessed by the cost of a consumption basket and other basic costs. At enterprise level, wage bargaining usually considers inflation, firm/sector performance and productivity, as well as the financial situation of the company.
34. When it comes to public sector pay, budget constraints represent an additional parameter. The public sector accounts for, on average, 16 per cent of total employment and over 30 per cent and 37 per cent of paid and formal sector employment, respectively.¹⁶ Because governments play a key role in the provision of critical services such as health, education and security, public sector pay also needs to attract motivated workers with the right skill set. At the same time, governments must ensure that the level of public expenditure remains sustainable and that wages attract talent. In those circumstances, the public wage bill as a share of GDP is often used as an indicator of the sustainability of public sector wages. In many countries, rising public debt and a high public wage bill are limiting the capacity of governments to adjust public wages to inflation. In many countries, public sector employees are excluded – in whole or in part – from provisions on minimum wages, as they are covered by administrative laws or arrangements.

¹⁶ World Bank, *Worldwide Bureaucracy Indicators: Methodology, Insights, and Applications*, 2021.

Empowering national institutions and social dialogue

35. Genuine social dialogue increases the chances of a wage policy responding to the needs of the various parties and contributes to national development.¹⁷ It can also contribute to securing greater legitimacy and support for the wage policies and to facilitating their effective implementation. Furthermore, social dialogue, including tripartite social dialogue and collective bargaining, can help to establish a fair share of productivity gains and economic growth, contributing to a more equitable distribution of income and wealth.¹⁸
36. Tripartite minimum wage commissions exist in many countries but should be strengthened. As shown in an ILO review of the institutional underpinnings of the minimum wage fixing machinery,¹⁹ there are different mechanisms to ensure consultation and the participation of social partners. The most frequent way is through specific institutions such as tripartite minimum wage commissions, wage boards or other tripartite bodies with general competence for economic and social affairs. In practice, however, such consultations are not always operational or effective. Numerous country examples continue to show that employers' and workers' organizations are not fully consulted in minimum wage fixing processes, including on the determination of the groups of workers to be covered, the selection of the criteria for fixing the wage levels, the rate of minimum wages and the period of their duration. As a response, in recent years the Office has continued to support numerous countries in improving the institutional aspects of minimum wage systems and the quality of consultation processes, in strengthening the evidence base for setting minimum wage rates, and/or in evaluating the compliance and impact of minimum wages.²⁰
37. Collective bargaining machinery for wage negotiation should also be strengthened. Convention No. 154 calls for measures adapted to national conditions to promote and progressively extend free and voluntary collective bargaining. The new ILO integrated strategy for the promotion and implementation of the right to collective bargaining (adopted by the Governing Body in November 2023) suggests priorities for action in this regard. Collective bargaining can set wage floors as well as setting wages above these floors where economic factors allow, and can institute wage adjustments to provide workers with a fair share of productivity gains while not impairing the capacity of employers to operate profitably.²¹ Collective bargaining on wages can include negotiations on the type of payment system (time-based pay, piece rate pay or a combination of the two), different components of wages such as fixed components (basic pay or base wages, fixed allowances, allowances for specific working conditions and in-kind benefits) and variable components, and the structure of wages (the range of wages paid in an enterprise or in a sector).
38. One example which promotes collective bargaining as a tool for wage setting is the new European Directive on adequate minimum wages. Indeed, Directive (EU) 2022/2041 requires European Union Member States to establish the necessary procedures to set and update these minimum wages on the basis of clear criteria and with the participation of the social partners and – in

¹⁷ ILO, *Minimum wage systems*, General Survey of the reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), ILC.103/III/1B, 2014, 119.

¹⁸ ILO, *Resolution concerning inequalities and the world of work*. International Labour Conference, 109th Session, 2021.

¹⁹ Igor Guardiancich and Wilko Artale Mattia, *Institutional underpinnings of the minimum wage fixing machinery: The role of social dialogue* (ILO, 2018).

²⁰ This was the case for example in Cabo Verde, Cambodia, Eswatini, Kenya, Mauritius, Mexico, Mozambique, Namibia, Peru and the Republic of Moldova.

²¹ ILO, *A Review of Wage Setting Through Collective Bargaining*.

countries where collective bargaining coverage is less than 80 per cent – to design an action plan to promote collective bargaining.²²

39. The ILO has recently stepped-up its support to social partners on wage bargaining. The new *A Review of Wage Setting through Collective Bargaining* was used to inform and support country-level activities on wage bargaining. This was the case, for example, in Argentina, Côte d'Ivoire, Guinea Conakry, Malaysia, Mongolia, Morocco, the United Republic of Tanzania and Viet Nam, where the Office support included technical assistance on the collective bargaining of wages; identification of data and evidence that could be used to inform those negotiations; support for the negotiation of wages in specific sectors; and development of training material/activities on wage bargaining for social partners.
40. Labour inspection services are also key for effective enforcement. The enforcement of wages usually falls within the scope and responsibilities of labour inspectorates. In many countries, however, labour inspectors are insufficiently staffed in relation to the size of the country. Hence labour inspectors generally intervene only when complaints are received rather than through proactive identification of inspection targets in the context of labour inspection programmes or strategies. Awareness-raising campaigns can also be effective at increasing compliance. As part of their role, labour inspection should also supply technical information and advice to employers and workers concerning the most effective means of complying with the legal provisions. Some studies have shown that workers who know their rights are also more likely to be paid according to their entitlements.²³ Similarly, enterprises that are more aware of their obligations and of the most effective means of compliance will be more likely to comply. The effectiveness, accountability and transparency of public institutions are also a key determinant of compliance with the laws.²⁴ Self-reporting services using technology could also help.

Using data and statistics for an evidence-based approach

41. Designing and implementing adequate wage policies requires timely and credible statistics and data analysis. Hence, sufficient resources should be devoted to supporting national statistical offices in the collection of wage statistics and other relevant information and data. This may include wage data from labour force surveys or establishment surveys, as well as data and information from household income and expenditure surveys. Without such data, evidence-based wage policy and wage setting are not possible, resulting in wage levels that do not take national circumstances adequately into account. Unfortunately, in many countries national statistical offices are under-resourced and timely data is not available. When data sources are outdated and surveys are only produced on an irregular basis, difficult assumptions must be made about the evolution of wages since the last available data.
42. Data and statistics can be used to undertake a deep analysis of wage-related issues, such as gender pay gaps. As part of the *Global Wage Report 2018/19: What lies behind gender pay gaps*, the ILO developed a new methodology to calculate and identify the factors that lie behind gender pay gaps, with a view to supporting countries in identifying adequate measures and policy initiatives to reduce or eliminate gender pay gaps. This method was subsequently used in various countries

²² European Union, [Directive 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union](#), 2022.

²³ Sangheon Lee and Deirdre McCann, "The impact of labour regulations: Measuring the effectiveness of legal norms in a developing country", in *Regulating for Decent Work: New directions in labour market regulation*, ed. Sangheon Lee and Deirdre McCann (Geneva, ILO, 2011): 291–312.

²⁴ ILO, [Resolution concerning the second recurrent discussion on labour protection](#), International Labour Conference, 111th Session, 2021.

to support the analysis of gender pay gaps, including in Italy, Montenegro, Portugal and Türkiye and has provided advice on the implementation of the related methodology in Iceland and Japan. It has also provided technical advice to estimate the gender pay gap in Colombia, Costa Rica, Egypt, the Republic of Moldova and Ukraine.

43. Data and statistics are essential for monitoring the effects of wage policies. The social and economic effects of wage policies are difficult to predict. There are many debates, for example, about the possible adverse effects of minimum wages on employment and informality. Although many studies in recent years have found the employment effects of minimum wages to be insignificant or small in some countries,²⁵ this obviously depends on country circumstances and on the level at which the minimum wage is set. Together with differences in findings across countries and studies, this points towards the importance of country-specific programmes for monitoring the effects of minimum wages, particularly on vulnerable workers and small and medium-sized enterprises. It is also why the ILO has supported the analysis of the effects of possible minimum wage increases on employment, informality and wage distribution in a range of countries, including in Mexico and Mauritius.

Ensuring gender equality and non-discrimination

44. Wage policies and wage-setting mechanisms should promote gender equality and non-discrimination. Structural barriers continue to hinder women's progress in the world of work across and within regions.²⁶ As shown in the ILO *Global Wage Report 2018/19: What lies behind gender pay gaps*, women are generally over-represented at the low end of the wage distribution and in most countries they earn less than men. It is estimated that women earn on average about 20 per cent less than men, although there are wide variations across countries. Some laws and wage policies, such as those related to pay transparency for example, directly address the lack of equal pay between men and women for work of equal value. Other wage policies and wage-setting mechanisms should also be reviewed in light of these objectives. Minimum wages, for example, have been found to be effective at reducing the gender pay gap in the lower parts of the distribution. In other instances, however, they may indirectly discriminate against women, for example by setting lower wage levels in sectors or occupations where women predominate, or even excluding female-dominated occupations or sectors from legal coverage. Wage bargaining can also contribute to reducing gender pay gaps, including by preventing gender biases in wage structures and by ensuring the principle of equal pay for work of equal value at the level of the enterprise.²⁷
45. Well-designed wage policies can contribute to reducing pay gaps affecting particular groups – ethnic or racial groups, indigenous and tribal peoples, young people and migrants – who tend to be over-represented among low-paid workers. In some countries, indigenous and tribal peoples, for example, continue to face discrimination, exclusion and marginalization around the world,²⁸ while migrant workers are also frequently underpaid when compared to nationals with similar characteristics. Particular dynamics of inequalities arise where people belong to multiple discriminated groups, generating intersecting and cumulative disadvantage. Hence wage policies should also be reviewed to ensure that they are inclusive and contributing to reducing these pay

²⁵ See for example Arindrajit Dube, *Impacts of minimum wages: Review of the international evidence* (London, HM Treasury, 2019).

²⁶ OECD, *The Pursuit of Gender Equality: An Uphill Battle*, 2017, 17.

²⁷ ILO, *A Review of Wage Setting Through Collective Bargaining*.

²⁸ World Bank, *Indigenous Latin America in the Twenty-First Century: The First Decade*, 2015.

gaps. Minimum wages covering all employees, transparent wage scales, and equal pay laws and regulations can be effective at reducing such inequalities.

Taking into account national circumstances and root causes of low pay

46. Overall, the level of wages in an economy is very much dependent on the levels of economic development and productivity, and a set of broader macro and institutional factors. Although wage-setting mechanisms are essential for adequate wages, ensuring that wages fully cover the material and societal aspirations and needs of workers and their families is a challenge that goes far beyond the realm of wage policies alone. In many countries, wages are low because the underlying productivity of workers and the enterprises in which they work is too low to allow for the payment of higher wages. This is particularly the case in the informal economy, where the vast majority of enterprises are micro and small units, and where productivity is on average much lower than in the formal economy. Hence, any sustainable strategy to promote adequate wages should go beyond the realm of wage-setting mechanisms alone and include broader consideration of factors to raise productivity and ensure that productivity growth actually results in wage growth – which is possible only where strong and effective labour institutions and social dialogue exist.
47. A high incidence of informality poses a major challenge for the rights of workers, including for the enforcement of wage policies, and this challenge must be addressed. Across the world, close to 60 per cent of the world's employed population is in informal employment.²⁹ This included not only many millions of own-account workers but also an estimated 606 million wage workers in 2019 – among them, many domestic workers, casual wage workers and workers in microenterprises. A common characteristic of these workers is that they are not recognized or sufficiently protected, in law or in practice, under the relevant legal and regulatory frameworks, and as a result tend to face a higher degree of vulnerability. Informal workers are likely not to be protected by labour rights such as the effective recognition of the right to collective bargaining, and tend to suffer poor working conditions, including pay below the minimum wage and earnings which are on average substantially lower than those of formally employed workers.³⁰ High rates of informal employment among women also undermine the role of minimum wages in protecting against gender-based wage discrimination. In countries with high levels of informality, if minimum wages are to be effective, they need to be accompanied by measures to encourage formalization.

²⁹ ILO, *Women and men in the informal economy*.

³⁰ ILO, *Women and men in the informal economy*, 41.

► 2. Recent initiatives on living wages

48. In recent years, the call for living wages has gained prominence. Although the preoccupation that wages should be high enough to afford a decent standard of living is not new, there has been a sharp increase in the number of initiatives for living wages. Many of these living wage initiatives have been created in response to the persistence of low pay and in-work poverty, including in supply chains.
49. The idea of a living wage relates to the needs of workers and their families and does not take economic factors into account in its definition, which – as the previous chapter emphasized – should also be taken into consideration in determining wages.
50. In this context, an increasing number of multinational enterprises, individually or as part of multi-stakeholder initiatives, have moved towards the commitment to pay living wages in their operations and/or to promote the payment of living wages in their suppliers. These voluntary efforts are at different degrees of advancement, with different approaches being taken.
51. The living wage commitments have also been driven by the response to emerging statutory requirements on responsible business conduct. Companies subject to the European Union Corporate Sustainability Reporting Directive (CSRD)³¹ (in force since 5 January 2023) and the related European Sustainability Reporting Standards (ESRS), will have to report on how they intend to ensure the payment of “adequate wages” to their own workforce and to workers in their value chain.³² According to the ESRS, the benchmark defining “adequate wages” for the geographic area outside the European Economic Area includes references to living wage initiatives.³³
52. The present chapter provides background information on recent living wage initiatives, showing their different approaches. The chapter highlights some of the most important current living wage initiatives,³⁴ reviews existing definitions of living wages and discusses efforts to estimate them. Finally, the chapter summarizes experiences to operationalize the concept of living wages and discusses the challenges faced in this regard, particularly in the light of the key principles of wage policy supported by the ILO, as identified in the previous chapter.

2.1. Overview of living wage initiatives

53. An overview of recent initiatives to promote living wages worldwide shows that there are two related but different dynamics at play in the “living wage landscape”. The first relates to efforts at the international level, including voluntary actions of multinational enterprises. The second relates to national or subnational activities, primarily in advanced and upper-middle-income economies, and includes voluntary accreditation schemes and the consideration of the living wage concept in the legal instruments that regulate minimum wages.

³¹ European Union, [Directive \(EU\) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation \(EU\) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting](#), 2022.

³² See [European Sustainability Reporting Standards](#) (for own workforce see page 157, for workers in the value chain see page 195).

³³ See [definition of benchmark on adequate wages](#) on page 184.

³⁴ It is important to note that the chapter presents a typology of living wage initiatives that aims to encompass the different types of initiatives, but it is not an exhaustive mapping of all existing initiatives; rather, it provides some examples of the most significant ones within each category. Furthermore, the initiatives included do not necessarily represent good practices according to ILO criteria, but rather examples that contribute to identifying the global landscape of living wage initiatives.

2.1.1. International living wage initiatives

54. The initiatives that constitute the current international living wage landscape can be classified according to a typology that considers different scopes of action. Table 2 presents this typology of international living wage initiatives.
55. A number of multinational enterprises have been engaged in recent efforts to address living wages. Companies from a range of sectors, including the agri-food, textile, garment and footwear sectors, and from the cosmetics and electronics industries, have made public or internal commitments to achieving living wages in their operations and/or with their suppliers.
56. A growing number of voluntary multi-stakeholder initiatives promote the payment of living wages. Membership-based organizations and platforms such as the Sustainable Trade Initiative (IDH), the Fair Labor Association and the Fair Wear Foundation have prioritized work on living wages. For example, the IDH has taken initiatives to accelerate and align action on living wages worldwide. In 2021, the IDH launched its Call to Action on living wages for business,³⁵ constituting a working group of companies under the umbrella of the IDH Roadmap on Living Wages.³⁶
57. Alliances that include businesses and international organizations have sought to establish the principle of a living wage as part of a more inclusive model of economic growth. In 2023, the United Nations Global Compact included living wages as a focus in its Forward Faster initiative, which calls for companies to publicly declare their commitments and highlight their actions to meet a set of targets.³⁷ Similarly, in 2021, Business for Inclusive Growth (B4IG), a partnership between the OECD and major global companies, called on corporations and business organizations to support efforts such as the IDH Call to Action on living wages “as a step towards a more equitable and more sustainable way to do business”.³⁸
58. A growing number of efforts to consolidate available knowledge and resources have provided living wage implementation tools. For instance, the IDH and the United Nations Global Compact have produced a range of capacity-building resources and guidance materials that align approaches, disseminate lessons learned and target diverse challenges on how to achieve living wages in practice. Despite this growing knowledge, experience in the operationalization of living wages is still scarce and there is hardly any evidence that can be extracted from the monitoring and evaluation of these incipient experiences.
59. In many cases, living wage requirements have been adopted by a range of private sustainability standards and certification systems whose purview covers broader environmental and social sustainability. This is the case for certification-based platforms, such as Rainforest Alliance, Fairtrade International and Social Accountability International (SAI), which require certified companies to pay living wages. Since January 2021, the International Social and Environmental Accreditation and Labelling Alliance (ISEAL)³⁹ has been working with sustainability standards to strengthen their systems to support supply chain action on living wages. Increasing efforts have also been made by sustainable commodity initiatives and round-tables, such as Bonsucro and the Roundtable on Sustainable Palm Oil, which have incorporated references to living wages. A

³⁵ See IDH, [Call to Action](#).

³⁶ See IDH, [Roadmap on Living Wages](#).

³⁷ In the case of living wages, there are the following two targets: (i) Target 1: 100 per cent of employees across the organization earn a living wage by 2030; (ii) Target 2: Establish a joint action plan(s) with contractors, supply chain partners and other key stakeholders to work towards achieving living wages and/or living incomes with measurable and time-bound milestones.

³⁸ [Business for Inclusive Growth](#).

³⁹ ISEAL has provided the secretariat for the Global Living Wage Coalition (GLWC).

number of multi-stakeholder initiatives also require member companies to ensure payment of a living wage to workers in their supply chains – such as the Ethical Trading Initiative (in Denmark, Norway, Sweden and the United Kingdom), Fair Labor Association and Fair Wear Foundation – often with internal accountability mechanisms to assess progress and track member actions towards achieving living wages.

60. A number of multi-stakeholder programmes follow a sector-wide approach to moving towards the payment of living wages, sometimes through social dialogue and collective bargaining. These initiatives promote efforts at the sectoral level. For instance, ACT (Action, Collaboration, Transformation) is a joint initiative between 19 international garment brands and retailers, and IndustriALL Global Union, which aims to support the development of living wages through sectoral collective bargaining.
61. Increasing efforts are focusing on purchasing practices in supply chains. These initiatives are developed in close collaboration with companies to identify specific actions that buyers can take to modify their purchasing practices, specifically in view of achieving wage improvements at supplier workplaces. Examples include the Better Buying Institute, the Common Framework for Responsible Purchasing Practices and the Sustainable Terms of Trade Initiative.
62. Emanating from initiatives to enhance reporting and disclosure, a series of initiatives are under way to integrate living wages into financial accounting. Engagement with companies aims to develop standardized model for companies to account for and disclose their progress towards paying living wages in their operations and suppliers. Some of the initiatives in this regard include the Accounting for a Living Wage project by Shift and the Capitals Coalition, the Global Impact Investing Network (GIIN) IRIS+ investor metrics, the Platform Living Wage Financials (PLWF) and the World Benchmarking Alliance.
63. This focus on living wages has also been reflected in regulatory initiatives and public policy initiatives to promote decent wage outcomes in supply chains. Examples include the European Union's recent regulatory initiatives and the Joint Declaration regarding Living Wage and Living Income signed by the Netherlands, Germany, Belgium and Luxembourg.⁴⁰ The Declaration calls for collaborative partnership and joint action towards realizing sustainable supply chains and highlights the importance of living wages and living incomes for the elimination of absolute poverty.
64. Many of the initiatives integrated into the living wage landscape rely on living wage estimates and diagnostic tools supported by a range of organizations. Section 2.3 presents a more detailed review of available methodologies to estimate living wages. Initiatives that provide living wage diagnostic tools and services to measure how living wage estimates compare with prevailing wages in specific supply chain contexts include the ALIGN tool, the Fair Labor Association's Fair Compensation Dashboard, the Fair Wear Foundation's Wage Ladder, the GIZ Living Wage Costing Tool, and the IDH living wage Salary Matrix tool.

► **Table 2. Typology of international living wage initiatives**

Type	Description of actions on living wages	Examples
Individual brands/buyer actions	Public and time-bound commitment to living wage payment in their supply chains, supported by implementation.	

⁴⁰ See [Joint Declaration regarding Living Wage and Living Income](#), 1 June 2023.

Type	Description of actions on living wages	Examples
to implement living wage in supply chains		
Multi-stakeholder action platforms/ accelerators	Multi-stakeholder groups comprising member companies which pledge to pay workers in their supply chain a living wage. These platforms may have internal accountability mechanisms to assess progress and track member actions towards achieving living wages.	<ul style="list-style-type: none"> • Ethical Trading Initiative (United Kingdom, Sweden, Denmark, Norway) • Fair Labor Association • Fair Wear Foundation • International responsible business conduct agreements, Netherlands • Private sector GIZ-led partnerships
Business-led strategic discussion platforms	Discussion forums for business to share good practices and develop shared pledges/calls to action, guidelines and other standards of practice for members to adopt. Living wages are either a central focus or defined workstream.	<ul style="list-style-type: none"> • AIM-Progress (fast-moving consumer goods (FMCG) supply chains – living wage tools/tip-sheets) • amfori/BSCI • B4IG • United Nations Global Compact Forward Faster initiative • Responsible Business Alliance (RBA)
Living wage implementation tools	Initiatives focused on providing tools and resources to support practical implementation of living wages globally.	<ul style="list-style-type: none"> • IDH Living Wage Action Tools • United Nations Global Compact Living Wage Analysis Tool • AIM-Progress: Living Wage Playbook for FMCG supply chains
Living wage certification in supply chains	Certification-based platforms that require wages paid by certified companies to meet (or for there to be a plan for them to meet) one or more internationally recognized living wage estimates.	<ul style="list-style-type: none"> • Aquaculture Stewardship Council (ASC – draft living wage approach) • Fairtrade International • Rainforest Alliance • SAI
Sustainable commodity initiatives, including living wage commitment	Sustainable commodity round-tables and initiatives including references to living wages in sustainability requirements.	<ul style="list-style-type: none"> • Bonsucro (sugar cane) • Roundtable on Sustainable Palm Oil
Sectoral/industry-wide approach with defined social partner participation and roles	Industry partnerships or multi-stakeholder programmes working to achieve sectoral-level transformation of wage-setting processes towards a living wage, especially through social dialogue and collective bargaining.	<ul style="list-style-type: none"> • ACT (apparel) • Malawi Tea 2020 • World Banana Forum – including Living Wage Advocacy Initiative (LIWIN)
Collaborative platforms focused on purchasing practices in global supply chains	Supplier-centred efforts through purchasing practices in supply chains.	<ul style="list-style-type: none"> • Better Buying Institute • Common Framework for Responsible Purchasing Practices • Sustainable Terms of Trade Initiative
Initiatives to promote reporting, benchmarking and disclosure on living wages in supply chains	Efforts focused on transparency and disclosure on supply chain wage outcomes for workers.	<ul style="list-style-type: none"> • Accounting for a Living Wage Project: Shift/Capitals Coalition • GIIN IRIS+ investor metrics • PLWF (Platform Living Wage Financials) • World Benchmarking Alliance

Type	Description of actions on living wages	Examples
Government-led policy efforts to promote living wages in supply chains	Public policy efforts to promote decent wage outcomes in supply chains.	<ul style="list-style-type: none"> • The Netherlands–Germany–Belgium–Luxembourg Joint Declaration • European Union regulatory initiatives (Corporate Sustainability Reporting Directive (CSRD)/European Sustainability Reporting Standards (ESRS S2) Workers in the Value Chain, Corporate Sustainability Due Diligence Directive (CS3D))
Provision of living wage estimates (for multiple jurisdictions)	Calculating living wage estimates tailored to the supply chain (country/sector/commodity) context.	<ul style="list-style-type: none"> • Asia Floor Wage Living Wage • Clean Clothes Campaign • Fair Wage Network • Global Living Wage Coalition/Anker • Wage Indicator
Living wage diagnostics and gap calculations	Providing and/or disseminating diagnostic tools or services to measure prevailing wages against living wage estimates and provide guidance on their usage.	<ul style="list-style-type: none"> • ALIGN Tool • Fair Labor Association – Fair Compensation Dashboard • Fair Wear Foundation’s Wage Ladder • GIZ Living Wage Costing Tool • IDH living wage Salary Matrix

65. Because living wage initiatives only apply to wage earners, there are also living income initiatives, which seek to improve the labour incomes of self-employed workers, such as smallholder farmers. Many self-employed workers face challenges such as fluctuating market prices, limited access to resources and environmental pressures, preventing them from obtaining an income that covers their needs and the needs of their families.⁴¹ As in the case of living wage initiatives, living income initiatives also include multi-stakeholder efforts, such as the [Living Income Community of Practice](#), and sector-specific alliances, such as [the Alliance on Living Income in Cocoa](#). In many cases, these initiatives focus not only on increasing labour income levels, but also on promoting social and environmental sustainability.

2.1.2. National initiatives

66. In parallel to the international living wage initiatives, there are other initiatives focused on the perceived inadequacy of applicable minimum wages (see table 3). In the United States, the movement was launched in Baltimore in 1994 by trade unions and religious associations, after an increase in the number of working poor.⁴² Initiatives for the adoption of a living wage have also emerged in the United Kingdom, revived in 2000 by the East London Citizens Organisation (TELCO), a coalition of trade unions and religious and community organizations.⁴³ A campaign

⁴¹ Farmer Income Lab, *Disrupting Commodities: Building Thriving Rural Communities and More Sustainable, Resilient Agricultural Supply Chains*, 2021.

⁴² This movement resulted in the City Council and Mayor passing a living wage ordinance. See Stephanie Luce, “Living wages: A US perspective”, *Emerald Insight* 39, No. 6 (2017): 863–874.

⁴³ See chronology here: [A chronology of the London living wage campaign 2001–2009](#), School of Geography, Queen Mary University of London.

was also launched in New Zealand in 2012 for the establishment of a living wage to reduce inequality and poverty in the country.⁴⁴

67. The most prominent forms of national-level initiatives to promote living wages are voluntary employer accreditation schemes. These include the Living Wage Foundation in the United Kingdom, Living Wage for US, and the Living Wage Movement Aotearoa New Zealand – whereby individual enterprises are accredited on the basis of their voluntary adherence to living wage payments. In the United Kingdom, for instance, 14,000 enterprises were accredited in November 2023 by the Living Wage Foundation as living wage employers.⁴⁵
68. A growing number of national advocacy and information-sharing initiatives have been fostered in a number of countries, specifically by research institutes and trade unions. These initiatives entail research, information dissemination and advocacy related to living wage concepts and the cost of basic needs at the national level. Examples include research institutes such as Centro de Estudios Espinosa Yglesias in Mexico, Living Wage Ireland and the Southern African Social Policy Research Institute, and trade union initiatives such as those of the Inter-Trade Union Department of Statistical and Socio-Economic Studies (DIEESE) in Brazil, the Federation of Trade Unions of Macedonia (SSM) (with its minimum consumers' basket) in North Macedonia, and the Confederation of Turkish Trade Unions (TÜRK-İŞ) in Türkiye.
69. Some countries refer to or have included references to a living wage in their national wage policies. In some instances, the living wage is not calculated based on the cost of living, but rather as a proportion of median earnings. This is the case in the United Kingdom, where the national minimum wage applicable to all workers aged 23 years and over,⁴⁶ which is set at two thirds of median earnings, is called the national living wage. References to living wages or minimum living wages are established in several national constitutions and labour codes worldwide, as shown in table 5.

► **Table 3. Types of national living wage initiatives**

Type	Description	Examples
Voluntary employer accreditation schemes	Voluntary accreditation of individual enterprises according to nationally determined living wage calculations.	<ul style="list-style-type: none"> • Living Wage Foundation UK • Living Wage for US • Living Wage Movement Aotearoa New Zealand
National advocacy and information-sharing initiatives	Research, information and advocacy on living wages and the cost of basic needs at national level.	<ul style="list-style-type: none"> • Centro de Estudios Espinosa Yglesias Mexico • DIEESE Brazil • Living Wage Ireland • Southern African Social Policy Research Institute • SSM Trade Union Minimum Consumers' Basket North Macedonia • TÜRK-İŞ Türkiye

⁴⁴ Living Wage NZ.

⁴⁵ Living Wage Foundation.

⁴⁶ As of April 2024, this national living wage will be adjusted to include those over 21 years old.

Type	Description	Examples
National regulatory initiatives	Consideration of living wage concept and definition within minimum wage-setting process.	<ul style="list-style-type: none"> • Argentina • Ecuador • Viet Nam

2.2. Review of available definitions of a living wage

70. An overview of the most widely used definitions of a living wage shows that all generally point towards the idea of a level of wages that enables workers and their families to reach a certain living standard (see table 4). For example, the Global Living Wage Coalition defines a living wage as “[t]he remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs, including provision for unexpected events.”

► **Table 4. Living wage definitions adopted by various initiatives**

Organization	Definition
ACT	“A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime).”
Clean Clothes Campaign	“A living wage should be earned in a standard working week (no more than 48 hours) and allow a garment worker to be able to buy food for herself and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens.”
Ethical Trading Initiative UK (ETI) Base Code	“Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.”
Fair Labor Association (FLA) Fair Labor Code	“Compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income.”
Fair Wear Foundation (FWF) Code of Labour Practices	“Wages and benefits paid for a standard working week shall ... always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131)”.
Global Living Wage Coalition (GLWC)/ Anker Research Institute	“The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”
Living Wage Aotearoa New Zealand	“The income necessary to provide workers and their families with the basic necessities of life.” “A Living Wage will enable workers to live with dignity and to participate as active citizens in society.”
MIT Living Wage Calculator	“The employment earnings ... that a full-time worker requires to cover or support the costs of their family’s basic needs where they live.”
SAI SA8000	“Wages for a normal work week, not including overtime ... shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.”

71. A number of aspects are common to most living wage definitions.

- (a) The living wage is a concept which, in its definition, relates exclusively to the needs of workers and their families. The fundamental principle underpinning all definitions is that a living wage should generate a “decent” or “socially acceptable” standard of living. However, as discussed in Chapter 1, the needs of workers and their families constitute only one of the elements that inform the setting of wages, alongside economic factors. The wider discussion on how to set wages also needs to consider economic factors.
- (b) Living wage definitions focus on wage outcomes for workers, rather than on particular wage-setting mechanisms. Hence the definition of a living wage leaves open the question of how living wages can be operationalized, including the role that economic factors – such as productivity growth – and labour market institutions – such as minimum wage systems, collective bargaining and labour inspection – could play in putting living wages into operation.
- (c) A living wage is a family-based concept, focused on the needs of workers and their families. Most – but not all ⁴⁷ – definitions converge around the principle that a living wage should be sufficient to provide a certain standard of living for not just an individual worker, but also for their family, recognizing that wages sustain the livelihoods not only of the wage earner but also of their economic dependants.
- (d) A living wage refers to pay for standard working hours, excluding overtime. Most living wage definitions explicitly establish that a living wage should be the compensation that a worker receives within standard working hours, excluding overtime. This linkage between wages and working hours is central to the concept of a living wage: the economic achievement of a decent standard of living should apply to normal hours of work.
- (e) A living wage is defined in relation to the context of place and time. According to most definitions, a living wage should be understood in relation to the context in which that wage is earned, both in terms of geographic location and prevailing socio-economic conditions at any particular time. Therefore, what constitutes a living wage in one country, region, district or industry may be quite different from what is considered in another.

72. While most living wage definitions have been developed by civil society organizations and multi-stakeholder initiatives, the principles underlying the living wage are established in several national constitutions and labour codes worldwide (see table 5).

► **Table 5. Living wage principles in national constitutions and labour codes**

Country	Legal instrument/policy	Reference to living wage principles
Argentina	Law of 1974 on the Employment Contract Regime (Article 116)	“Minimum living wage is the lowest remuneration that the worker must receive in cash without including family allowances, during his legal workday, so as to ensure adequate food, decent housing, education, clothing, health care, transportation and recreation, vacations, and foresight.”

⁴⁷ Note that the definitions included in the ETI Base Code, FLA Fair Labor Code and SAI SA 8000 do not expressly refer to the needs of a worker’s family. However, in practice all of these organizations have supported this interpretation.

Country	Legal instrument/policy	Reference to living wage principles
Brazil	Constitution 1988 (Title II, Chapter II, Article 7)	"National minimum wage, established by law, capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power."
Ecuador	Constitution 2008 (Title VI, Chapter 6, Section 3, Article 328)	"There shall be fair pay, with decent wages meeting the basic needs of the worker, and those of his/her family."
India	Constitution 1949 (Part IV, Article 43)	"The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers [...] a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities."
Indonesia	Indonesia Wage Policy 2021 (Article 2(1))	"Every Worker/Labourer has a right for a decent living for humanity."
Mexico	Constitution 1917 (Title VI, Article 123)	"The general minimum wage must be sufficient to satisfy the normal material, social, and cultural needs of a family, and to provide the compulsory education of children."
Namibia	Constitution 1990 (Chapter 11, Article 95)	"Ensurance that workers are paid a living wage adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities."
Viet Nam	Labour Code 2012 (Chapter VI, Article 91)	"Minimum wage is the lowest payment for an employee who performs the simplest work in normal working conditions and must ensure the minimum living needs of the employee and his/her family."

2.3. Main features of living wage estimation methodologies

- 73.** The past decade has seen the multiplication of estimation methodologies – or benchmarks – for living wages.⁴⁸ These estimates are intended as a means of translating the principles underlying the living wage concept into a monetary value. The list presented in table 6 is an indicative sample of estimation methodologies developed mostly by civil society organizations or commercial providers, but it also includes cost-of-living estimations developed by workers' organizations.

⁴⁸ This report uses the terminology "living wage estimation methodologies" to refer to methodologies that translate the principles of the living wage concept into a monetary value. These methodologies are traditionally known as living wage benchmarks. However, in the case of this report, cost-of-living estimations, developed mostly by workers' organizations, are also included.

► Table 6. Overview of living wage and cost-of-living methodologies

Estimation methodology	Consumption items included	Household assumptions	Coverage	Revision	Accessibility
GLWC/Anker Methodology	<ul style="list-style-type: none"> • Food • Housing • Transport • Communication • Household goods • Recreation • Other needs • 5 per cent discretionary 	<p>Typical family: two adults; number of children based on fertility rate.</p> <p>Wage earners: based on economic activity rate.</p>	45 cities or subnational regions, across 23 countries, applicable to 13 sectors.	Updated annually based on inflation.	Free, public access online .
GLWC/Anker Reference Values	Same approach as the GLWC/Anker Methodology	Same approach as the GLWC/Anker Methodology.	42 locations across 25 countries.	Updated annually based on inflation.	Free, public access online .
Asia Floor Wage Alliance	<ul style="list-style-type: none"> • Food • Housing • Clothing • Healthcare • Reproductive health • Fuel • Transportation • 10 per cent discretionary 	<p>Typical family: three adults; different combinations of number of children.</p> <p>Wage earners: one full-time adult earner.</p>	Available for garment industry in 11 Asian countries.	Last full-survey update in 2022, previously 2011.	Free, public access online .
Fair Wage Network	<ul style="list-style-type: none"> • Food • Housing and utilities • Healthcare • Childcare/education • Transport • Communication • Discretionary – percentage not known 	<p>Typical family: two adults; dependants based on national rates.</p> <p>Wage earners: consistent with employment rates.</p>	Nearly 200 countries, more than 2 500 regions, provinces and cities.	Updated annually based on inflation.	Available through paid access only.
Wage Indicator Foundation	<ul style="list-style-type: none"> • Food and potable water • Housing and utilities • Transport • Telephone costs • Clothing • Healthcare • Education • 5 per cent discretionary • Contributions and taxes 	<p>Typical family: Different household demographic options.</p> <p>Wage earners: Possibility to choose from different options.</p>	161 countries and 2 327 regions.	Updated annually based on inflation.	Available through paid access only – some estimates are accessible through a free trial.

Estimation methodology	Consumption items included	Household assumptions	Coverage	Revision	Accessibility
Clean Clothes Campaign	<ul style="list-style-type: none"> • Food • Housing and utilities • Healthcare • Clothing • Childcare • Education • Transport • Communication • Discretionary – percentage not known 	<p>Typical family: Different household demographic options (three adults, two adults and two children, one adult and four children).</p> <p>Wage earners: 2 options: (i) an income earner to dependent ratio set at 1:3; or (ii) one full-time worker.</p>	Available for European garment-producing countries mainly in Central, East and South-East Europe.	Last full-survey update in 2018.	Free, public access online .
NewForesight	<ul style="list-style-type: none"> • Food • Housing • Other non-food • 5 per cent discretionary 	<p>Typical family: two adults; number of children based on national data.</p> <p>Wage earners: based on labour force data.</p>	23 countries.		Available through paid access only.
Living Wage Foundation UK	<ul style="list-style-type: none"> • Food and water • Housing and utilities • Clothing • Childcare • Transport and fuel • Alcohol • Tobacco • Personal goods and services • Social and culture • Council tax 	Typical family: range of family types (with and without children of different ages).	United Kingdom excluding London, and for London specifically.	Updated annually – last official update in 2022.	Free, public access online .
Living Wage for US	<ul style="list-style-type: none"> • Food • Housing • Transportation • Healthcare • Retirement Savings • Childcare • Other necessities • 5 per cent discretionary • Taxes 	<p>Typical family: two adults, two children.</p> <p>Wage earner: one full-time worker.</p>	United States counties.	Updated annually based on inflation.	Free, public access online .
MIT Living Wage Calculator	<ul style="list-style-type: none"> • Food • Housing and utilities • Healthcare • Childcare • Transport • Clothing • Cleaning and personal care • Communications • Civic engagement 	<p>Typical family: Different household demographic options (one to two adults; zero to three children of various ages).</p> <p>Wage earner: Based on labour force survey.</p>	United States only, including 3 142 counties, 384 Metropolitan Statistical Areas and 50 states plus Washington, DC.	Last official update in 2022	Free, public access online .

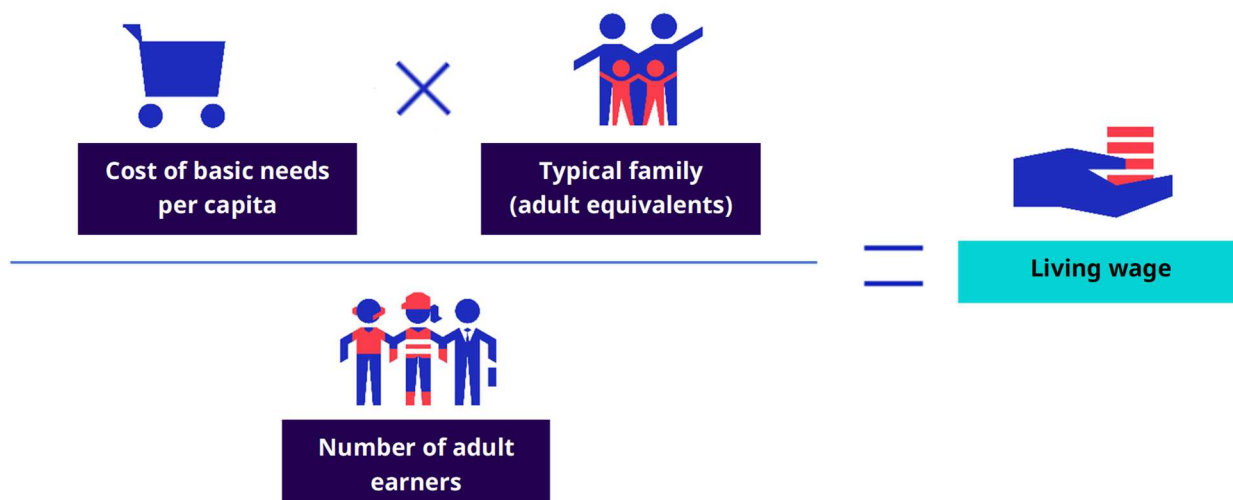
Estimation methodology	Consumption items included	Household assumptions	Coverage	Revision	Accessibility
Labour Research Services	<ul style="list-style-type: none"> • Food • Housing • Clothing • Communications • Healthcare • Energy • Funeral expenditures • Discretionary – percentage not known 	Not specified.	South Africa.	Last official update in 2021.	Free, public access online .
TÜRK-İŞ Confederation of Turkish Trade Unions cost-of-living estimate	<ul style="list-style-type: none"> • Food • Clothing • Housing and utilities • Transport • Education • Health • “Similar needs” 	Typical family: Family of four, with option to choose different combinations. Wage earner: not applicable.	Türkiye.	Last official update in 2023.	Free, public access online .
North Macedonia trade union cost-of-living estimate	<ul style="list-style-type: none"> • Food and potable water • Housing and utilities • Hygiene • Transport • Clothing • Healthcare • Culture 	Typical family: Family of four. Wage earner: not applicable.	North Macedonia.	Last official update in 2023.	Free, public access online .
Brazil trade union research centre (DIEESE)	Only food	Typical family: two adults and two children. Wage earner: not applicable.	Brazil.	Regularly updated for inflation. Last official update in 2023.	Free, public access online .

74. The common basic method used to calculate a living wage estimate by the majority of methodologies analysed here asserts that a living wage is a function of:

- the cost of needs to achieve a standard of living, per capita/adult equivalent;⁴⁹
- the number of persons/adult equivalents in a typical family;
- the number of wage earners in a family.

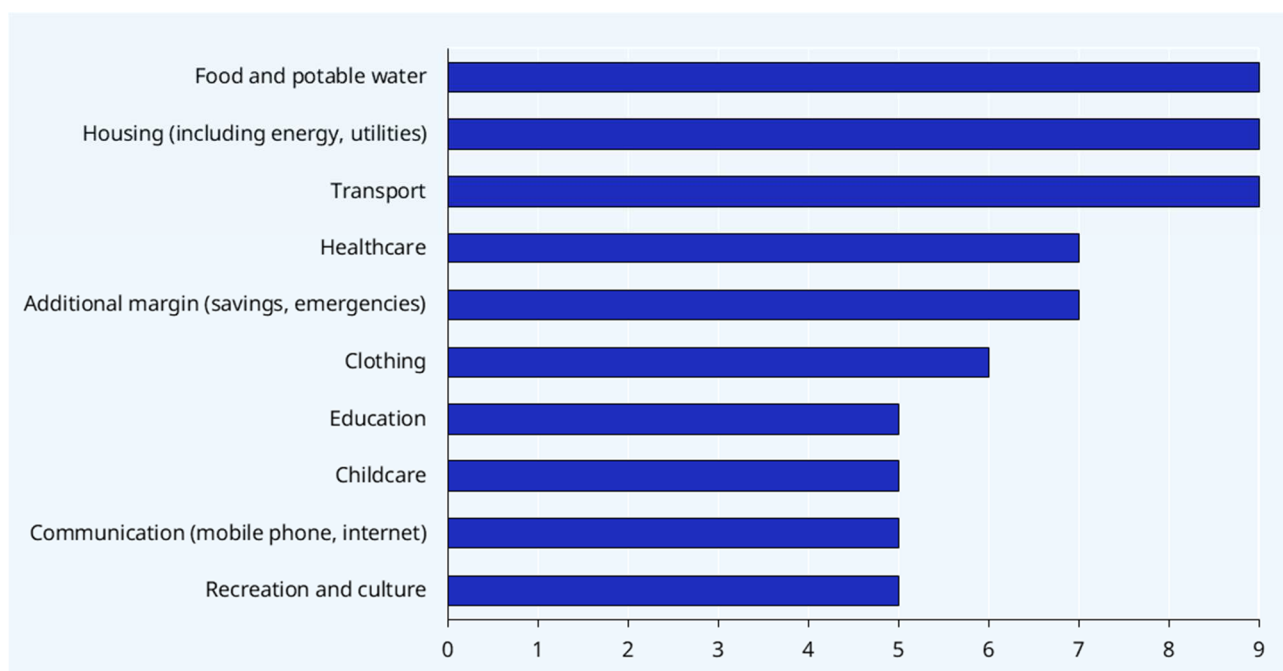
⁴⁹ Adult equivalence scales are used to estimate the cost per capita of some goods and services. Some examples include the Adult Equivalent Energy Intake (AEEI) based on Food and Agriculture Organization of the United Nations (FAO) and World Health Organization (WHO) calorie recommendations and the adult equivalence scale developed by the OECD (also known as the “Oxford scale”). Such scales are used to take into account the economies of scale that arise from people living together, as well as the fact that some family members may have fewer needs than others (for instance, children usually have a lower calorie requirement than adults).

► Figure 8. Common basic method used to calculate a living wage estimate



75. While most living wage methodologies share a common approach, there is some variation in a number of dimensions.
- (a) All living wage estimations define the quantities consumed and calculate the cost of different goods and services in a representative consumption basket, but methodologies vary in terms of the composition of this representative basket. Certain categories of spending, such as food (including potable water) and housing (rent and utilities), are included consistently across all living wage estimation methodologies. Other common categories include transport, health, and, to a lesser extent, clothing, childcare and education. Other items, such as communications (internet, mobile data and telephone costs), recreation and culture (newspapers, cinema), are only included in some methodologies (see figure 9)⁵⁰. Living wage estimates using the same estimation method will typically vary by location because the items included in each category of this representative cost-of-living basket vary significantly across countries and regions. Indeed, some methodologies use a focus group approach, where focus group members agree on the items without which a decent standard of living cannot be maintained.

⁵⁰ Cost-of-living estimates are excluded from this analysis.

► **Figure 9. Frequency of inclusion of specific consumption items within living wage estimates**

Source: ILO.

- (b) All living wage estimation methodologies include an explicit definition of a typical family, in order to accurately profile a family's consumption needs; but they differ on how an average family composition is determined. Some methodologies estimate the average size of the family based on available official data and surveys/censuses, while others are less statistically based, and assume a typical family from expert judgement and/or consultation with stakeholders. It is also noted that some methodologies offer the possibility of choosing among different family compositions, placing the responsibility on the user to select what it is understood as a typical family in each context.
- (c) Most living wage estimation methodologies derive the number of earners in the family from calculations using official statistics;⁵¹ but some methodologies include standard wage earner assumptions (for example, one full-time wage earner per family) or offer multiple options to choose from. Like family composition, differences in assumptions around the number of wage earners per family can have significant implications for the outcomes of living wage estimates. An assumption of one earner in a family of three adult equivalents, instead of assuming 1.5 wage earners, would increase the living wage estimate by 50 per cent. In addition, it is important to bear in mind potential gender biases that might arise from these assumptions. For instance, the needs of families headed by single females may be insufficiently accounted for in a typical family living wage approach and/or methodologies that consider more than one wage earner per household. Shift, for example, considers that living wages should be earned by a single earner.
- (d) Most methodologies estimate a living wage through a combination of primary research and secondary sources, but do not in most cases involve consultation with social partners on their design or validation, or established social dialogue processes. Living wage estimates are most commonly calculated by researchers who collect data through surveys and/or focus

⁵¹ Such as local labour force participation surveys, employment surveys or other economic activity statistics.

groups, and complement this information with secondary sources, including national statistics, experts' inputs or other forms of desk research. Although few methodologies seek to engage employers' and workers' organizations, where present, in data collection and validation, the vast majority tend to rely on input and/or validation through direct engagement with individual workers and/or employers and other local actors, such as civic organizations or community leaders.⁵² As such, involvement of social partners does not take place in established social dialogue processes.

- (e) While most living wage estimation methodologies intend to follow a context specific approach, the degree of specificity varies significantly across methodologies. Some methodologies adopt a highly locally specific approach, providing estimates for a given production site within a country. Other methodologies provide regional or national estimates. Sometimes, information on how local or area-specific living-wages are aggregated at a higher level is sparse in the documentation made publicly available.
- (f) As living wage estimates are inherently time sensitive, practically all living wage estimation methodologies include a mechanism for revision and updating, but they differ in the frequency of such adjustment. The value of a nominal wage may be impacted by changes in consumer prices. In this regard, many living wage estimates revisit their values annually, while others do it less regularly at intervals of a few years.⁵³ In addition, as countries develop, standards of living improve, and people's needs might change.⁵⁴
- (g) Living wage estimates vary depending on the availability of public services. Access to some goods and services, such as health and education, is (or should be) provided by public services, free of charge or at relatively low cost. However, it should be noted that in practice the availability of affordable, accessible and quality public services often remains poor. As it is essential for workers and their families to access such services as quality healthcare and adequate education, most living wage estimation methodologies estimate the costs of these needs. In some methodologies, the costs are estimated using a relative approach, so that they are representative of the expenditures of a reference group of households in the expenditure distribution.
- (h) While many estimates are available publicly with free and open access, others are only available through purchase or subscription, which does not allow for an open evaluation of them. Out of the living wage estimates profiled in table 6, three are available through paid access and the other ten are available publicly with free and open access. There are also open-access methodologies, which often include more detail regarding the step-by-step calculation methods and rationale for assumptions around their various components.
- (i) Living wage estimates are generally calculated as the amount of income a worker would need to earn to cover family living expenses without accounting for any deductions or taxes or social security. Likewise, living wage estimates are most commonly represented on a monthly basis, calculated in line with standard legal working hours and rest days in the

⁵² Living Wage Foundation UK and Living Wage for US consult extensively with members of the public and civic organizations to inform their estimation of living costs and family needs – although not with social partners.

⁵³ The GLWC/Anker methodology recommends using the consumer price index to update a living wage estimate at least every year, and more frequently than once a year in countries where inflation is more than 10 per cent annually. See Richard Anker and Martha Anker, *Living Wages Around the World: Manual for Measurement* (Northampton, MA: Edward Elgar Publishing United States, 2017).

⁵⁴ The GLWC/Anker methodology recommends that a new living wage estimation should be done five years after an original living wage study, at the earliest, and ten years after, at the latest.

jurisdiction and sector in question. However, depending on local circumstances or standard practice (such as how the statutory or negotiated minimum wages are expressed), living wage estimates are also established on a daily or weekly basis.

- (j) In most instances living wage estimates are considerably above minimum wages. Table 7 compares a selection of living wage estimates with prevailing minimum wages, showing that, in most instances, living wages are substantially higher than minimum wages. There can be multiple reasons for this, which would require further investigation. This difference also points towards the fact that, in some circumstances, implementing living wages can be a huge challenge, that they are possibly detached from economic and sustainability considerations, and/or that they can only be realized gradually.
- (k) Some efforts have been made towards harmonization between methodologies to estimate living wages, including actions by the IDH to promote alignment in the calculation of living wages.⁵⁵ Also, the WageMap⁵⁶ is a consortium of initiatives that promotes greater harmonization of living wage methodologies.

► **Table 7. Selection of living wage estimates and minimum wages**

Country	Year	Minimum wage (local currency)	Minimum wage notes	Living wage (local currency)	Living wage notes
Bangladesh	2023	12 500.00	Garments sector	19 255 – 25 497	Dhaka City and surroundings, garments
Belize	2023	975.00	National, 45-hour working week	1 027	Rural, bananas
Brazil*	2023	1 320.00	National	6 281	National
Bulgaria**	2023	780.00	National	1 402	National, family of 1
Cambodia	2023	200.00	National	230	Urban
Cameroon	2023	45 000.00	Agricultural sector	125 575	Rural
Chad	2022	51 173.00	Agricultural sector	73 234	Rural
Chile	2023	460 000.00	National, 18- to 65-year-old workers	782 549	Urban (non-metropolitan)
China	2023	1 860.00	Median, provincial wage	3 166 – 5 114	Urban, manufacturing
Colombia	2023	1 160 000.00	National	2 111 077 – 2 141 831	Rural, coffee and bananas
Congo	2022	90 000.00	National	108 338	Rural
Costa Rica	2023	300 255.79	Unskilled worker	484 917	Rural, bananas
Côte d'Ivoire	2023	36 000.00	Agricultural sector	143 236	Rural
Dominican Republic	2023	13 685 – 24 150	Micro-large enterprises	27 209 – 36 943	Rural and urban

⁵⁵ For instance, the IDH has developed an [IDH Recognition Process for Living Wage Benchmark Methodologies](#) to identify living wage methodologies that meet certain methodological criteria, 2020.

⁵⁶ The [WageMap](#) consists of the following initiatives: Business for Social Responsibility (BSR), Living Wage Foundation, Living Wage For US, Loughborough University Centre for Research in Social Policy, NewForesight, and WageIndicator Foundation.

Country	Year	Minimum wage (local currency)	Minimum wage notes	Living wage (local currency)	Living wage notes
Ecuador	2023	450.00	National	489	Rural, bananas
Egypt	2022	2 700.00	National	5 048	Rural
El Salvador	2022	243.46 – 365.00	Agricultural sector – Retail, services and industry	393 – 519	Rural and urban
Ethiopia	2023	n/a	n/a	14 611	Urban, floriculture
Gabon	2022	80 000.00	National	205 446 – 274 914	Rural and urban
Ghana	2023	322.40	National, 40-hour week	2 922	Peri-urban
Guatemala	2023	3 237.53	Agricultural sector, economic zone 2	3 659	Rural, bananas and coffee
Honduras	2022	9 181.12 – 14 347.45	Agricultural sector – Financial, real estate and business services	9 542	Urban
India	2022	5 340.00	National floor level	13 279 – 16 999	Rural
Indonesia***	2022	2 694 729.00	Median, provincial wage	8 107 632	Asia floor wage
Jordan	2022	260.00	National	361	Urban
Kenya	2023	8 109.90	General labourer	30 531 – 35 518	Rural and urban
Malawi	2019	25 012.00	National, 48-hour per week	101 361	Rural, tea
Mexico	2023	4 491.08	National, excluding free zone northern border	11 927 – 13 750	Rural, non-metropolitan
Morocco	2022	2 193.62	Agricultural sector	2 445	Rural
Mozambique	2022	6 885.18	National, sectoral weight	7 684	Rural
Nicaragua	2023	5 196.34	Agricultural sector	12 726 – 15 733	Rural and urban, bananas/coffee, manufacturing
Pakistan	2023	33 280.00	Skilled workers (applicable to tobacco and several manufacturing industries)	39 938 – 58 600	Rural and urban, manufacturing, tobacco
Panama	2023	326.31	Lowest sectoral wage, agriculture	610	Rural
Peru	2023	1 025.00	National	1 960	Rural
Philippines	2023	10 062.00	Median, regional wage	16 944	Rural
Rwanda	2022	2 600.00	National	174 290	Rural
South Africa †	2021	4 229.55	National, 45-hour working week	7 911	National
Sri Lanka	2022	12 500.00	National	84 231	Urban

Country	Year	Minimum wage (local currency)	Minimum wage notes	Living wage (local currency)	Living wage notes
Tanzania, United Republic of	2023	120 000.00	Lowest sectoral wage, domestic workers	342 926 – 462 868	Rural and urban
Thailand	2023	8 840.00	Provincial median, 48-hour working week	14 235	Urban
Tunisia	2020	429.31	Agricultural sector	695	Rural
Türkiye	2021	2 826.00	National	4 954	Urban
Uganda	2023	6 000.00	National	848 837	Rural, floriculture
Viet Nam	2018	3 310 000.00	Regional median	2 250 000 – 7 593 000	National, family of 1 – family of 4
Zambia	2023	2 313.00	General workers	2 726	Rural

Sources: For minimum wages, values were sourced from the respective local entity; for living wages, * Departamento Intersindical de Estatística e Estudos Socioeconômicos, ** Confederation of Independent Trade Unions in Bulgaria, *** Asia Floor Wage Alliance, † Labour Research Services South Africa. The rest of the estimates correspond to the Global Living Wage Coalition. n/a = not available.

2.4. How key principles of wage policy are considered in the operationalization of current living wage initiatives

76. An important question is how all these efforts to promote living wages consider the key principles of wage policy identified in Chapter 1 of the report.

2.4.1 Needs of workers and their families and economic factors

77. While the concept of a living wage refers only to the needs of workers and their families, economic factors are frequently not taken into account in the operationalization of living wages. As seen in the review of existing definitions of living wages, they only refer to the needs of workers and their families. However, implementation at any level, including the industry or national level, would mean considering economic factors such as productivity and the capacity of enterprises to pay living wages or the effects of doing so on firms' competitiveness and profitability, consumption and aggregate demand, employment creation and other labour market outcomes. When it comes to supply chains, economic factors include the ability of suppliers to pay living wages, which depends on many factors, including the prices paid by buyers and other purchasing practices – a consideration that is increasingly recognized.
78. In fact, there is hardly any consolidated evidence on the operationalization of living wages. It is therefore difficult to draw conclusions about their effectiveness and economic effects, or even to identify good practices. Often there are no monitoring and evaluation mechanisms in place to determine the impact of these initiatives and the transmission channels used to achieve their objectives. There are also few studies on the possible effects of paying living wages on productivity, the requirements of economic development, or on attaining and maintaining a high level of employment.

2.4.2 Empowering national institutions and social dialogue

79. Social dialogue and consultation with social actors in the design and operationalization of living wage initiatives are weak or absent in most cases, or take place outside of established social dialogue processes, hindering their legitimacy and ownership by national actors. In fact, defining wage levels without the involvement of social partners at local or national levels circumvents the recognized role of national social partners and acts as a disincentive for employers and workers to join employers' and workers' organizations, respectively, and to participate in social dialogue institutions such as minimum wage commissions or collective bargaining. This implies that living wage initiatives may negatively impact evidence-based social dialogue on wages. There are nevertheless some exceptions, such as the ACT initiative described earlier.

2.4.3 Using data and statistics for an evidence-based approach

80. There are large numbers of living wage estimates, but divergence in methodologies, data sources and outcomes remains. This may be detrimental to the perceived credibility of some of these methodologies. Transparency of methodology, assumptions and outcomes is diminished when methodologies and estimates developed by commercial providers are not publicly available.
81. The development of living wage estimates excluding national social partners, or taking place outside of established social dialogue processes, hinder their appropriation by local stakeholders. On the contrary, they can be seen as a technocratic substitute for social dialogue, including collective bargaining, rather than as an information tool to promote evidence-based social dialogue. Where evidence is owned by national governments and social partners, they can be effective at strengthening national wage-setting institutions, such as minimum wage systems.

2.4.4 Ensuring gender equality and non-discrimination

82. Some living wage efforts have included specific attention on gender as a determinant of wage outcomes for women. The IDH Roadmap on Living Wages recommends that companies should disaggregate data by sex when monitoring their progress on living wages.⁵⁷ Similarly, the IDH Salary Matrix collects data by sex and on the number of men and women per job category.⁵⁸ A focus on paid and unpaid care work⁵⁹ draws attention to the fact that, in many locations, families with young children and single-parent families may be vulnerable to poverty, even when adults in these families earn a living wage, due to high care needs relative to incomes.⁶⁰ A specific focus is required on the position of households headed by single females, whose needs may be insufficiently accounted for in a typical family living wage approach.⁶¹ Some of these gender-related concerns have been expressly addressed in several living wage methodologies, notably the Anker methodology.⁶²

⁵⁷ See [IDH Roadmap on Living Wages Recommended Key Performance Indicators](#), 2021.

⁵⁸ See [The IDH Salary Matrix](#), 2020.

⁵⁹ ILO, [Care at work: Investing in care leave and services for a more gender equal world of work](#), 2022.

⁶⁰ See Christa Luginbühl, [Will women workers benefit from living wages? A gender-sensitive approach to living wage benchmarking in global garment and footwear supply chains](#) (Clean Clothes Campaign and Public Eye, 2019).

⁶¹ This is why the Asia Floor Wage Alliance (AFWA) living wage formulation adopts a women-centred perspective by considering a single-earner family with specific earner-dependent ratio which takes into account unpaid household and care work. See AFWA, [Towards a Woman-Centred Living Wage Beyond Borders: The Asia Floor Wage Alliance's Methodology for Garment Workers](#), 2023.

⁶² Sally Smith, Richard Anker and Martha Anker, [How gender is embedded in the Anker Methodology and an exploration of care work and living wage](#), Anker Research Institute Working Paper Series Number 9, 2023.

2.4.5 Taking into account national circumstances and root causes of low pay

83. Living wage estimates provide information but have limited explanatory power and often their operationalization does not sufficiently consider national circumstances and the root causes of low wages. A living wage estimate alone has limited explanatory force, as questions such as why wages in a particular country or region are low remain mostly unanswered and not addressed by living wage initiatives. In their operationalization, living wages initiatives do not generally take the broader national economic context into account, such as levels of informality, education and skill development, which influence wage levels in a country.

► 3. Promoting convergence of living wage initiatives with ILO principles of wage-setting processes

84. While average wages are increasing in many countries, levels of poverty and informality across the world remain high and millions of workers continue to earn wages that are insufficient to cover their needs and the needs of their families. Addressing this situation involves addressing the root causes of low pay and strengthening wage-setting institutions and policies, actions in which the ILO is already engaged. Considering the heterogeneity of living wages initiatives and their growing number worldwide, ensuring convergence with ILO principles of wage-setting processes is necessary to ensure that these initiatives reinforce ILO principles rather than undermine them. This chapter therefore presents some possible pathways and reflections to promote such convergence.
85. It would be beneficial for living wage initiatives to respect the principles of the Organization, derived from its standards as well as from tripartite agreements on relevant subjects. The possible pathways intend to respond to this expectation while being responsive to the concerns of the living wage initiatives.
86. The proposals discussed in this chapter would be integrated into the already existing and ongoing ILO wage-related programme of work. Possible new work for the ILO arising out of the Meeting of Experts on Wage Policies, including Living Wages, should be integrated into the ILO programme of work under output 6.2 “Increased capacity of Member States to set adequate wages and promote decent working time” identified in the Programme and Budget for 2024–25 and the wage-related activities identified in the plan of action on labour protection for the period 2023–29, adopted by the Governing Body in November 2023 as follow-up to the resolution concerning the second recurrent discussion on labour protection.

3.1. Agreeing on a definition of “living wages”

87. A first step towards clarifying how living wages could fit into the broader context of wage policies would be to agree on a definition of the term “living wages”. In spite of the references to “adequate living wages” and “minimum living wages” in the ILO Constitution and several ILO declarations highlighted in Chapter 1 of this report, the ILO currently has no definition of the term “living wages”. No globally accepted definition of a living wage exists either. Given its mandate, the ILO would be well placed to work towards formulating such a definition at the international level.
88. In defining living wages, it is proposed to endorse the common understanding (see Chapter 2) that living wages refer to wages that are sufficient for workers and their families to afford a decent living standard. Ensuring the convergence of living wage initiatives with ILO actions would be easier if the ILO used the expression “living wage” in a similar way to how it is used in these initiatives. This would also be in accordance with the original wording of article 41 of the ILO Constitution⁶³ which called for “[t]he payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country”.
89. Considering the above, a possible ILO definition of living wage would build upon common elements in the most widely used and accepted definitions of living wages (see Chapter 2). A first constitutive element of the definition could be formulated as follows: “A wage level, payable in

⁶³ The original article 41 was subsequently replaced with the text of the Declaration of Philadelphia in 1946.

exchange for the work performed during normal hours of work, that is sufficient to afford a decent standard of living for workers and their families”.

90. Clarifying that the concept of living wage relates to the needs of workers and their families does not imply that economic factors are not equally important in setting wages. As pointed out in Chapter 1, taking both the needs of workers and their families and economic factors into consideration is a key principle of wage determination.
91. According to Convention No. 95, “wages means remuneration or earnings, however designated or calculated, capable of being expressed in terms of money and fixed by mutual agreement or by national laws or regulations, which are payable in virtue of a written or unwritten contract of employment by an employer to an employed person for work done or to be done or for services rendered or to be rendered”.
92. Normal hours of work are defined as full-time work, excluding overtime. In this regard it may be worth recalling that the Hours of Work (Industry) Convention, 1919 (No. 1), embodies a combination of two principles of 8 hours per day and 48 hours per week for normal hours. The Forty-Hour Week Convention, 1935 (No. 47), promotes the 40-hour working week.
93. Adding a reference to time and country – as in the latter part of the former article 41 of the ILO Constitution mentioned above (“as this is understood in their time and country”) – could be useful in clarifying two important aspects. Firstly, that what is considered as a living wage can change over time. Indeed, as countries develop, standards of living improve, and people’s needs might change. Secondly, that a living wage should be related to how people in a particular country understand the notion of a “decent standard of living”. The needs to be covered by a living wage may differ between countries according to cultural, historical and even environmental factors. This reference to “country” also highlights the importance of the involvement of national institutions and social partners in estimating living wages. This would be in line with the key principles of wage setting promoted by the ILO (see Chapter 1) and would contribute to involving key national actors in the process of determining living wages.
94. Adding the reference to “time and country” to the first element of the definition mentioned above, would result in the following proposal:

“A wage level, payable in exchange for the work performed during normal hours of work, that is sufficient to afford a decent standard of living for workers and their families, as this is understood in their time and country.”
95. This definition does not indicate or predetermine the parameters that should be used in calculating living wage estimates.

3.2. Strengthening the evidence base for wage setting

96. Evidence on living wages can provide useful information but should be understood in the broader context of setting adequate wages and should be used alongside information on economic factors, including productivity and the desirability of attaining and maintaining high levels of employment. Better estimating living wages and economic factors would be useful to inform wage-setting-processes and institutions. In particular, it could contribute to more adequate statutory minimum wages, could be used as information by the parties engaged in collective bargaining, and could contribute to rooting supply-chain-related living wage debates and initiatives in a more solid understanding of the realities of the country.

3.2.1. A possible tripartite-agreed methodology to estimate living wages

97. With a view to developing the evidence base on living wages, one possibility would be for the ILO to develop a tripartite-agreed methodology. It is proposed, in particular, to evaluate the extent to which the existing ILO methodology to estimate the needs of workers and their families – presented in Chapter 1 (see box 1) – could be further tested and strengthened, and then submitted to a process of tripartite peer review. This methodology could then be used and implemented by national institutions in partnership with national statistical offices, either with or without the technical assistance of the ILO. This means that ILO Members, in consultation with social partners, could use the ILO methodology to develop their own estimates of living wages, as this is understood in their time and country, and compare them with prevailing wages. Such a tripartite-agreed ILO methodology would strengthen the evidence base available for setting wages alongside economic factors, including through statutory mechanisms or through collective bargaining, and could be used in collective bargaining for setting wages above the minimum.⁶⁴ It could also strengthen the engagement of national institutions and social partners in the debate on living wages.
98. Such an ILO methodology should seek to comply with a number of requirements expected for any living wage estimate.
- (a) Measuring the needs of workers and their families. The methodology should measure the cost of living of a typical family in a region or particular context, taking into account the importance of good nutrition, decent housing, education for children, adequate healthcare and other essentials.
 - (b) Public availability. Some organizations produce benchmarks for sale which are thus not publicly available for employers and workers in producing countries. Living wage estimates should be publicly available.
 - (c) Transparency. The items and methodology used to estimate the needs and the cost of living should be transparent, open to scrutiny, comprehensive and replicable. The number of assumed wage earners should be clearly stated.
 - (d) Consultation with workers' and employers' organizations. Workers' and employers' organizations should be consulted on the living wage estimates and involved in their development.
 - (e) Robustness of the data. Data should be as representative as possible and data collection methodology should be transparent.
 - (f) Indication of whether living wage estimates are gross or net. Deductions, such as social security contributions, are taken out of workers' gross wages. It should thus be clearly indicated whether the estimated living wage is the net wage amount required to meet the needs of workers and their families or whether items such as social security contributions are included in the living wage estimate.
 - (g) Adjustments. Living wage estimates should be adjusted periodically to ensure that changes in the cost of living are accounted for. Furthermore, it is also fundamental to consider that the needs of workers and their families are in constant evolution and can change with the development and growth of economies.

⁶⁴ Recommendation No. 163 recognizes the importance of access to information for effective collective bargaining. Paragraph 7(1) provides that: "Measures adapted to national conditions should be taken, if necessary, so that the parties have access to the information required for meaningful negotiations".

- (h) Quality control. It should be indicated whether methodologies or particular estimates have been technically peer-reviewed or have followed any particular validation process.
- 99.** While living wage estimates can inform wage-setting processes, they should not be seen as a binding constraint and should be considered as one element that may inform wage setting. As already pointed out, minimum wages should be set by taking into account the needs of workers and their families as well as economic factors. Similarly, collective bargaining is a process of voluntary negotiation, which implies the autonomy of the parties. However, living wage estimates can constitute a milestone for wage-setting mechanisms over time, for example through gradual adjustments of minimum wages, taking economic factors into account.
- 100.** As with all other subjects of social dialogue, living wage estimates cannot be the prescribed outcome of a social dialogue process or pre-empt the outcome of a collective bargaining process. However, collective bargaining can be a vehicle for addressing the characteristics of particular companies, sectors, regions or countries, while also contextualizing living wage considerations as one input for evidence-based negotiations.

3.2.2. Developing a compendium of economic factors for wage setting

- 101.** In parallel, the ILO could also develop a compendium of economic factors that could be used alongside the needs of workers and their families in setting wages. In practice, many different economic indicators are being used across the world in wage-setting processes, including different measures of productivity, value-added and indices of competitiveness; GDP or GDP per capita; different types of inflation measures; the ratio of minimum to median wages; and various methods to simulate the possible impact of minimum wages on different employment and economic variables (see also Chapter 1). Yet the ILO has not recently published any compendium of economic indicators – and of the required data sources needed to compute them – and how they may be interpreted and used. The role and use of enterprise surveys could also be reviewed in this context. Producing such a compendium could support governments and/or social partners in undertaking a review of economic factors to be taken into account in setting wages, as well as undertaking a review of data availability.
- 102.** Economic factors are also key for paying wages above living wage estimates. Although providing at least a living wage for all wage employees could be a key milestone of wage policy and economic development, living wages should not be seen as the final objective for wages. Paying “only” a living wage when economic factors would allow the payment of higher wages would not be in line with the principle set out in the Declaration of Philadelphia of promoting “policies in regard to wages and earnings ... to ensure a just share of the fruits of progress to all”. Where economic factors allow, wage bargaining or other mechanisms may result in wages that are above living wages, ensuring a just share of the fruits of progress to all.

3.3. Developing ILO technical guidance on the question of living wages, consistent with ILO principles on wages

- 103.** ILO guidance on the question of the living wage, consistent with its principles on wages, would be made available to constituents and organizations which request advice from the Office. As reviewed in Chapter 2 of this report, many initiatives seek to promote living wages. In order to promote the convergence of such initiatives with ILO tripartite-agreed principles, it is proposed that the ILO will develop guidance on the question of the living wage and make this available to constituents and organizations which request advice from the Office. The guidance would be intended to support constituents in applying ILO definitions and principles on wages, including in supply chain contexts where additional complexities may arise. The proposed guidance would

include the identification of a living wage estimate through social dialogue, root-cause analysis of factors that may inhibit enterprises from paying wages at the level of the living wage, and the role and responsibility of tripartite constituents and enterprises in the determination and operationalization of living wages.

104. Guidelines developed by the ILO could cover the areas listed below.

- (a) A review of wage data and trends. The review of wage trends could include an analysis of average and median wages; labour productivity levels, as well as the relationship between average wages and productivity; the distribution of wages between men and women; pay gaps between different groups of workers; the evolution of wage inequality between high-, medium- and low-wage workers; the distribution of wages by sector and occupation, including in the public and private sectors; and trends in labour income shares.
- (b) A review of policies and wage-setting processes. This could include: a review of the adequacy of minimum wages considering the principles of Convention No. 131,⁶⁵ including the effectiveness of consultation mechanisms with social partners; estimates of collective bargaining coverage and different types of wage structures and wage composition that are negotiated in collective agreements; the coherence of public and private sector pay systems; an analysis of equal pay policies and the factors underlying the gender pay gap; and the adequacy of labour inspection systems in promoting compliance. The results from these reviews of wage trends, wage policies and wage-setting institutions could be disseminated through different channels and supports which could, in turn, inform wage policy and raise awareness among different actors, including social partners.
- (c) Guidance on living wage estimates. Currently, there are many producers of living wage estimates, as reviewed in Chapter 2. The ILO may – as proposed earlier in this chapter – develop a tripartite-agreed methodology for estimating living wages, which could be used by national institutions or social partners to estimate their own living wages, with or without technical assistance from the ILO. In addition, the ILO would take action to ensure that living wage estimates produced by other organizations follow the criteria identified earlier in this chapter, including the importance of social dialogue.
- (d) Guidance on economic factors. Once a solid living wage estimate that represents the needs of workers and their families and the local cost of living has been agreed, prevailing wages could be compared with the living wage estimates. Where prevailing wages are below estimates of living wages, economic factors should be considered in the assessment of the underlying causes of low wages, which may include low levels of productivity and other constraints that limit the ability of enterprises to pay living wages. The possible consequences of living wages on the domestic economy could also be evaluated. These assessments would require engagement and inputs from social partners.
- (e) Identifying macroeconomic factors, institutional frameworks and policies that could support and enable rising wages. It should also be kept in mind that, overall, the level of wages in a given country is very much dependent on a set of broader macro and institutional factors and policies, and possible improvements in wage policies should be socially and economically sustainable within this context. There are some policies that require particular attention. While this is not an exhaustive list, these include regulatory and policy frameworks that

⁶⁵ Namely the scope of application, the regularity of minimum wage adjustments, the adequacy of and underlying criteria used to determine the level of the minimum wage(s) – particularly whether both the needs of workers and their families as well as economic factors are taken into account, and the measures taken to ensure the effective application of minimum wages.

uphold freedom of association and the effective recognition of the right to collective bargaining; pro-employment macroeconomic policies that support aggregate demand, productive investment and structural transformation; employment policies aiming to contribute to the generation of full, productive and freely chosen employment; the creation of an enabling environment for sustainable enterprises and policies to enhance productivity growth, which determine the ability of enterprises to pay higher wages; strategies to support the transition to formality, which is also a necessary condition to the development of productive and sustainable enterprises and for workers to benefit from adequate labour and social protection; and the strengthening of compliance mechanisms to ensure that laws and regulations, including collective agreements, regarding wages are effectively applied.

- (f) Identifying, through social dialogue, possible avenues to improve wage policies and wage-setting processes. On the basis of the above-mentioned steps, dialogues could be organized to identify measures to improve wage policies and wage-setting institutions, including measures to promote voluntary collective bargaining at all appropriate levels in both the private and public sectors.⁶⁶ ILO guidance would include the important role of social dialogue – both collective bargaining and tripartite social dialogue – in tackling the challenges to achieve living wages. Dialogues would identify the role and responsibilities of all stakeholders involved, including governments, social partners and enterprises, and review the possible measures and actions that are necessary to address the challenge of paying living wages. Guidance would also include proposals for a monitoring and evaluation system of measures that are agreed.

105. Given the complexities that may be involved in ensuring convergence of living wage initiatives with ILO principles, factors and parameters, the development of training tools may be useful. Training materials could be developed, and training could be provided to accompany the guidance. A programme of technical assistance may also be developed to support constituents engaging in the piloting, development and/or implementation of the guidance.

3.4. Conclusions

106. Over the last decade, the ILO has provided technical support on wage policies in a large number of countries at all levels of economic development. In the past, the Office has supported its constituents in about 15 to 20 countries by biennium in all regions, including in developing, emerging and developed economies, with a view to improving wage policies and wage-setting processes. The ILO capacity to provide technical advice has been strengthened by the development of knowledge products such as the *Global Wage Report*, an ILO flagship report published in multiple languages every two years since 2008, and the related wage database.

107. ILO technical advice is grounded in existing international labour standards on wages. These include standards on minimum wages (Conventions Nos 26 and 131); fundamental standards on freedom of association and collective bargaining (Conventions Nos 87 and 98), equal remuneration (Convention No. 100) and non-discrimination (Convention No. 111); and standards on collective bargaining (Convention No. 154), the protection of wages (Convention No. 95) and the protection of workers' claims in the event of the employer's insolvency (Convention No. 173). The MNE Declaration also provides guidance on wages.

108. Through its technical advice, grounded in international labour standards, the ILO has promoted some key principles in wage policy. These include:

⁶⁶ See the [conclusions concerning the second recurrent discussion on social dialogue and tripartism](#), 2018.

- the importance of taking into account the needs of workers and their families and economic factors;
- empowering national institutions and social dialogue;
- using robust data and statistics for an evidence-based approach;
- promoting gender equality and non-discrimination;
- taking into account national circumstances, including macroeconomic factors, and addressing root causes of low pay, such as low productivity and informality.

- 109.** Across the world, initiatives that have developed in recent years to promote living wages do not generally reflect these key ILO principles of wage policy. In particular, the role of social dialogue in such initiatives is often weak, economic factors and the root causes of low pay are hardly ever considered, and these initiatives are often disconnected from national wage policy frameworks. Furthermore, many different living wage estimates are developed and used without consultation with governments and social partners at the national level.
- 110.** There is a strong and growing expectation that the ILO – the prime United Nations institution dealing with labour and wage issues – should play a key role in discussions on living wages. However, up until now the ILO has not been in a position to play this role. Although the concept of living wages is highlighted in the ILO Constitution, there has never been any tripartite agreement on a definition of living wages, nor on steps to operationalize this concept in a way that reflects the principles, factors and parameters promoted by the ILO in respect of wage policy. This is reducing the ability of the ILO to influence living wage initiatives and eroding its role as the prime United Nations institution dealing with wage-related issues. Therefore, ensuring the convergence of living wage initiatives with ILO principles of wage policy means strengthening its global leadership role on the question of wage policies, including living wages.
- 111.** The background report formulates some proposals for the consideration of experts to strengthen the role of the ILO on wage policy, including living wages. One proposal relates to adopting an ILO definition of the term “living wages”. Other proposals, presented in Chapter 3, include strengthening the evidence on living wages and economic factors, and the development by the ILO of technical guidance on the question of living wages consistent with ILO principles on wages.