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Policy Development Section

POL

Employment and Social Protection Segment

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Report of the Meeting of Experts on wage policies, including living wages (Geneva, 19–23 February 2024)

Purpose of the document

This document provides information on the Meeting of Experts on wage policies, including living wages that took place in Geneva from 19 to 23 February 2024. The Meeting adopted conclusions provided in the appendix. See the draft decision in paragraph 5.

Relevant strategic objective: All.

Main relevant outcome: Outcome 6: Protection at work for all.

Policy implications: Yes, see the draft decision in paragraph 5.

Legal implications: None.

Financial implications: None.

Follow-up action required: See the draft decision in paragraph 5.

Author unit: Conditions of Work and Equality Department (WORKQUALITY).

Related documents: [Conclusions concerning the second recurrent discussion on labour protection, 2023 \(ILC.111/Resolution IV\)](#); [GB.349/INS/3/2](#); [GB.349/INS/20](#).

► Background

1. At its 349th Session (October–November 2023), the Governing Body decided to convene a Meeting of Experts on wage policies, including living wages.¹ The decision was taken following the second recurrent discussion on labour protection, which took place during the 111th Session of the International Labour Conference (2023), and which provided the Office with a mandate to contribute with “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”.²
2. The Meeting of Experts took place in Geneva from 19 to 23 February 2024. It was composed of eight experts nominated by Governments, eight experts nominated by the Employers’ group and eight experts nominated by the Workers’ group. Some of the experts were also accompanied by advisors. The Meeting was chaired by an independent Chairperson, Ms Zaskia Nathalie Cely (Ecuador). The Vice-Chairpersons were Mr Matthias Thorns (Employer expert, Samsung), Mr Plamen Dimitrov (Worker expert, Confederation of Independent Trade Unions in Bulgaria), and Ms Charlotte Bernhard (Government expert from the Netherlands). There were also Government observers from 36 Member States, and representatives from the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC). In addition, representatives of intergovernmental and international non-governmental organizations attended the meeting as observers.³ In terms of gender composition, 32 per cent of the officers of the meeting, experts and advisors were women. Disaggregating by groups, 26 per cent of employers, 33 per cent of workers and 33 per cent of government experts and advisors were women. In the case of observers from governments, intergovernmental organizations and international non-governmental organizations, 65.3 per cent were women. In order to facilitate the work of the Meeting, the Office prepared a background report, which is available on the website of the ILO.⁴
3. In line with its objective which was to provide guidance on wage policies, including living wages, the meeting reviewed the points in the agenda approved by the Governing Body:
 - (a) Examine the key principles of wage-setting processes, as well as 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, such as labour productivity and the cost of labour; and the improvement of wage-setting systems.
 - (b) Review recent initiatives on living wages, including aspects such as the definition of living wages that these initiatives use, their geographical coverage, the type of actors involved, the mechanisms used in their implementation, methodologies used and more specifically whether they are based on the use of estimates or benchmarks.

¹ GB.349/INS/20, 4–6.

² ILO, [ILC.111/Resolution IV](#), para. 24(j) of the conclusions.

³ See the [Final list of participants](#).

⁴ MEWPLW/2024, 2024.

- (c) Provide guidance on a definition of living wages; on the role of living wages within the broader wage-setting process; on the key principles of wage-setting processes that living-wage initiatives should follow; on how to operationalize the concept of living wages from an ILO perspective and how they can be used in conjunction with efforts to take economic factors into account in wage-setting processes, as well as the role of social dialogue.
 - (d) Examine how the ILO could provide additional support to its constituents and strengthen its global leadership on the question of wage policies, including living wages.⁵
4. The Meeting unanimously adopted conclusions which: identify key institutions and ILO principles of wage setting; outline the concept of the living wage; identify principles that estimations of living wages should follow and general considerations regarding methodologies to estimate living wages; review current living wages initiatives; give guidance for the operationalization of living wages; and provide recommendations for future action by the Office. These conclusions feature in the appendix.

▶ Draft decision

5. **The Governing Body:**
- (a) **took note of the conclusions of the Meeting of Experts on wage policies, including living wages, and authorized the Director-General to publish and disseminate them;**
 - (b) **requested the Director-General to take account of its guidance regarding future ILO activities on wage policies, including living wages.**

⁵ The report of the Meeting will be finalized in April 2024.

► Appendix

Conclusions

1. Having met in Geneva on 19–23 February 2024, the meeting of experts on wage policies, including living wages, recalled that wage policies have been a central subject of the ILO since its creation in 1919 as reflected in its Constitution, several of its Declarations and international labour standards.
2. The preamble of the ILO Constitution calls for the provision of “an adequate living wage”. The Declaration of Philadelphia (1944) calls on the ILO to promote “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”. The ILO Centenary Declaration for the Future of Work (2019) states that “all workers should enjoy adequate protection in accordance with the Decent Work Agenda, taking into account ... an adequate minimum wage, statutory or negotiated”. The list of ILO international labour standards of general or sectoral application that are particularly relevant for wages are presented in the Appendix. While the ILO regulatory framework for wages is extensive, its effective implementation remains a challenge, including in supply chains.
3. Over the years, there have been positive trends in real wages. 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. During this period, on average, real wages have increased more rapidly in developing countries than in high-income countries. Structural transformation and a comprehensive set of policy reforms have resulted in average productivity growth as a key factor enabling real wage increases. However, in many high-income countries, there has been a decoupling between productivity gains and wages and a declining labour income share in GDP. Millions of workers – in the formal and informal economy – across the world continue to earn very low wages and they are still living in poverty. Decent wages are central to economic and social development and essential in reducing poverty and inequality, as well as in ensuring a decent and dignified life and in advancing social justice.

I. Key institutions and ILO principles of wage setting

4. In accordance with international labour standards, wage-setting practices should be based on the following institutions and principles:
 - (a) **Collective bargaining and tripartite social dialogue:** Collective bargaining and/or statutory minimum wage fixing through tripartite social dialogue should be the proper modality for setting and adjusting wages. National practices vary widely. While in some countries tripartite social dialogue takes place mostly in statutory minimum wage systems, in others wage setting is carried out solely by social partners through collective bargaining. In most countries, statutory minimum wages and collective wage bargaining coexist.
 - Collective bargaining, underpinned by freedom of association, is an important mechanism for determining wages. Good faith collective bargaining aimed at reaching mutually acceptable agreements can result in a more equitable distribution of economic growth. A strong and well-informed collective bargaining process requires that all social partners have access to the same information. Public and private

employers should, at the request of workers' organizations, make available such information on the economic and social situation of the negotiating unit and the undertaking as a whole as is necessary for meaningful negotiations. Where the disclosure of some of this information could be prejudicial to the undertaking, its communication may be made conditional upon a commitment that it would be regarded as confidential to the extent required. The information to be made available may be agreed upon between the parties to collective bargaining such that their autonomy is respected and an enabling environment for collective bargaining is provided for. Collective bargaining coverage has declined in recent decades.

- Tripartite social dialogue is at the heart of an adequate statutory minimum wage system. Wage-setting processes through social dialogue should preserve and respect the autonomy and critical role of employers' and workers' organizations. Although a majority of ILO Member States set minimum wages only after consultation with employers' and workers' organizations, such consultations should be more effective.
- (b) **Take into account the needs of workers and their families, and economic factors:** Both the needs of workers and their families and economic factors should be considered in setting wages. As provided in the Minimum Wage Fixing Convention, 1970 (No. 131), which remains the norm for the establishment of minimum wage systems, the elements to be taken into account when determining minimum wages are:
- 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 groups;
 - economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.
- (c) **Ensure gender equality and non-discrimination:** wage policies and wage-setting mechanisms should promote gender equality, equity, and non-discrimination.
- (d) **Utilize robust data and statistics for an evidence-based approach:** Designing and implementing adequate wage policies require representative data, timely and reliable statistics and data analysis. Unfortunately, in many countries, national statistical offices are under-resourced and timely data is not available.
- (e) **Consider national circumstances and root causes of low pay:** There is no one-size-fits-all solution when it comes to wage-setting processes. There is also a need to tackle root causes of low pay.

II. The ILO living wage

5. In line with the ILO Constitution and the Philadelphia Declaration, and consistent with the spirit of the Universal Declaration of Human Rights (UDHR), the ILO denotes that the concept of the living wage is:
- the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work;
 - calculated in accordance with the ILO's principles of estimating the living wage, as outlined below;

- to be achieved through the wage-setting process in line with ILO principles on wage setting.
6. The “normal hours” of work refers to the time at the disposal of the employer within the legal working time determined by regulations and national practices. This definition excludes overtime.
 7. The concept of a living wage is consistent with the spirit of Article 7 of the International Covenant on Economic, Social and Cultural Rights (The Covenant) where State Parties “recognize the right of everyone to the enjoyment of just and favourable conditions of work, which ensure, in particular: (a) [r]emuneration which provides all workers, as a minimum, with (i) [f]air wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work (ii) a decent living for themselves and their families in accordance with the provisions of the present Covenant”; and also with that of Article 23 (para. 3) of the UDHR which recognizes “...the right to just and favourable remuneration ensuring for himself [the worker] and his[/her] family an existence worthy of human dignity...”. The Covenant and the UDHR are internationally recognized human rights instruments. In line with the UN Guiding Principles on Business and Human Rights and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), States have an obligation to protect human rights; and all enterprises, regardless of their size, sector, operational context, ownership and structure, should respect human rights throughout their operations.

III. Methodologies to estimate living wages

Principles that the estimation of living wages should follow

8. Living wage estimates translate the living wage concept into a national monetary value. These estimates can contribute to and inform an evidence-based social dialogue for wage setting. Living wage methodologies should follow a number of principles:
 - (a) estimation of the needs of workers and their families through evidence-based methodologies;
 - (b) consultation with representative employers’ and workers’ organizations on living wage estimates and involvement of social partners throughout their development, with a view to ensuring national and/or local ownership;
 - (c) transparency, including details with regard to data sources and methods of processing, that are open to scrutiny, are comprehensive and replicable;
 - (d) robustness of the data in terms of representativeness and transparent data collection methods;
 - (e) timely public availability of the estimates, data and methodologies;
 - (f) specification on whether estimates are gross or net, namely whether items such as social security contributions are included or not;
 - (g) regular adjustments to consider changes in the cost of living and the patterns of consumption;
 - (h) quality control, including sound technical review, validation, as well as periodic review for continuous improvements;
 - (i) promotion of gender equality and non-discrimination;

- (j) consideration of the regional or local context and socio-economic and cultural realities.

General considerations regarding methodologies

9. Methodologies to estimate living wages should be based on an identification and assessment of a basket of goods, using local prices of the costs of at least the following components: food, housing, health and education, and other necessary goods and services, in accordance with national circumstances. This basket should provide for a decent living standard of the worker and his/her family. For some elements in this basket, international standards are well-established and should be used. Furthermore, the methodology should be clear on the family size and the number of wage earners. Living wage estimates should be disaggregated by components and presented in various wage units, including hourly, monthly, quarterly and annual figures, and should be the result of robust empirical analysis of the population, including surveys and censuses, at country or regional level.

IV. Review of current living wage initiatives

10. In recent years, there has been a sharp increase in voluntary initiatives on living wages, including by multinational enterprises, individually or as part of a multi-stakeholder initiative. These initiatives present different degrees of advancement, and they have given significant visibility to the concept of a living wage. Many of these initiatives produce estimates that are above the existing legal minimum wage. Consequently, in some cases, by paying a wage based on a living wage estimate, multinational enterprises have improved the living standard for some workers and their families. However, many of these initiatives do not yet take into account ILO principles of wage setting, particularly tripartite social dialogue and/or collective bargaining nor do they take into account other national institutions involved in such determination such as minimum wage commissions. Local context, and root causes of low pay, as well as economic factors are also not always considered, particularly in operationalizing living wages. Alignment of the living wage initiatives with the ILO principles of wage-setting processes is necessary.

V. The operationalization of living wages

11. The operationalization of living wages should not be a one-size-fits-all approach and should reflect local or regional differences within countries. Both tripartite and bipartite social dialogue, particularly collective bargaining, are crucial mechanisms to operationalize living wages. Social dialogue, including collective bargaining, contributes to the fair distribution of the gains generated through value-added along global supply chains.
12. Any sustainable strategy to promote living wages should go beyond the realm of wage-setting mechanisms alone and include a broader consideration of factors, such as sustainable economic growth and structural transformation, to raise productivity. It should also ensure that productivity growth results in wage growth – which is possible only through strong and effective labour market institutions and social dialogue.
13. The operationalization of the concept of a living wage within the broader wage-setting process should be evidence-based and take into account the ILO key principles of wage-setting processes already mentioned, in particular:
- (a) **Considering the needs of workers and their families and economic factors in wage-setting processes.** The needs of workers and their families and economic factors are the two pillars of wage-setting processes. Living wage estimates should follow the

principles or requirements identified earlier and should be used alongside information on economic factors.

- (b) **Strengthening social dialogue and empowering wage-setting institutions, particularly collective bargaining.** This includes strengthening the capacity of wage-setting institutions and the ability of social partners to bargain collectively on wage issues and/or to participate in tripartite social dialogue on wage policies. Collective bargaining can take place at different levels and can include different elements such as wage payment systems, wage structure, or wage composition.
- (c) **Promoting incremental progression from minimum wages to living wages.** Living wages should be achieved through wage-setting processes in line with ILO principles on wage-setting, either through the negotiation of statutory minimum wages or collective bargaining, taking into account national circumstances and economic factors. Minimum wage-setting systems should be strengthened in line with Convention No. 131.
- (d) **Ensuring national and/or local ownership.** The operationalization of living wages should be a process anchored at national level. National and local ownership, with participation of social partners, is required for successful implementation. This should ensure that national and local circumstances are considered.
- (e) **Ensuring gender equality and non-discrimination.** The operationalization of living wages should aim to close gender pay gaps and end wage discrimination, taking as a basis the principle of equal pay for work of equal value.
- (f) **Using robust and reliable data and statistics for an evidence-based approach.** Information and data are needed to support wage-setting institutions and the operationalization of living wages. Information and data on economic factors, labour market characteristics, sectoral context and enterprise performance are needed for an evidence-based wage-setting process and periodic living wage adjustments.
- (g) **Taking into account the root causes and challenges of low pay, such as unfair distribution of value, low total factor productivity, informality, weak institutions and compliance systems.** This also requires extending the coverage of minimum wage systems to all workers to redress the exclusion of certain categories of workers from legal coverage. Creating an enabling environment for sustainable enterprises, as well as measures to raise productivity, are key to allowing sustainable wage growth and supporting the payment of higher wages. Furthermore, efforts to operationalize living wages need to be accompanied by measures to encourage formalization, in line with the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).
- (h) **Recognizing the role of the State.** Governments should invest in the quality and delivery of public services, including health, education, social protection and infrastructure to contribute to realizing a decent standard of living. Furthermore, strengthening compliance systems, such as labour inspectorates and other relevant authorities, is key to ensuring that workers receive the wages to which they are entitled.

VI. Recommendations for future action by the Office

14. The Office should continue to provide support toward strengthening wage-setting processes by:
 - (a) promoting the ratification and implementation of all relevant Conventions and international labour standards;

- (b) providing technical assistance to tripartite constituents to strengthen wage-setting institutions, including minimum wage fixing through more effective social dialogue, including collective bargaining;
 - (c) producing guidelines covering a review of policies and wage-setting processes;
 - (d) assisting governments in gathering data and information for evidence-based wage-setting and meaningful collective bargaining in line with relevant international labour standards and the ILO integrated strategy for the promotion and implementation of the right to collective bargaining endorsed by the Governing Body at its 349th Session, and make it available to social partners.
 - (e) developing an assessment framework for wage setting taking into consideration Convention No. 131, including various economic factors, such as the requirements of economic development, levels of productivity, the desirability of acquiring and maintaining a high level of employment, economic sustainability of enterprises, industry-specific factors, macroeconomic conditions, and labour market conditions, including levels of informality;
 - (f) building on the ILO Strategy on Decent Work in Supply Chains endorsed by the Governing Body at its 347th Session, promoting the uptake of the principles of the MNE Declaration;
 - (g) producing guidance documents for employers and for workers for wage-setting processes and providing capacity building and technical assistance to constituents on wage setting.
15. The Office should carry out a set of activities related to living wages by:
- (a) raising awareness on living wage, including through guidance and information;
 - (b) engaging with living wage initiatives to promote alignment with ILO living wage principles;
 - (c) providing, upon request, technical assistance to constituents on the methodology developed by the ILO to estimate the needs of workers and their families for the purpose of a living wage;
 - (d) reviewing the ILO methodology to estimate the needs of workers and their families to align it with the principles for estimating a living wage;
 - (e) developing a communication strategy on living wage, the ILO principles for wage setting and the ILO methodology for living wage setting. The ILO Helpdesk for Business on international labour standards can be a relevant tool and source of information in this regard;
 - (f) undertaking further research on living wage trends and developments, sharing knowledge and lessons learned; and
 - (g) promoting the outcome of the meeting in the multilateral system, and through partnerships with other UN bodies, including through the Global Coalition for Social Justice.
16. The Office should continue its activities, notably by:
- (a) offering technical assistance to constituents on skills development, productivity improvement, and strengthening an enabling environment for sustainable enterprises, as well as employment, social protection and macroeconomic policies for decent employment generation;

- (b) providing technical assistance to support transition to formality in line with Recommendation No. 204;
- (c) supporting constituents on data collection, including through labour force and establishments surveys;
- (d) strengthening the effectiveness of labour inspectorates and other relevant authorities to enhance compliance;
- (e) supporting Member States in the development and provision of affordable, accessible and quality public services.

Annex

Non-exhaustive list of international labour standards related to wage policies and wage setting

Conventions

Fundamental Conventions

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Governance Conventions

- Labour Inspection Convention, 1947 (No. 81)
- Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)
- Labour Inspection (Agriculture) Convention, 1969 (No. 129)

Technical Conventions

- Minimum Wage-Fixing Machinery Convention, 1928 (No. 26) [SRM interim status]
- Labour Clauses (Public Contracts) Convention, 1949 (No. 94)
- Protection of Wages Convention, 1949 (No. 95)
- Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99)
- Plantations Convention, 1958 (No. 110)
- Minimum Wage Fixing Convention, 1970 (No. 131)
- Labour Administration Convention, 1978 (No. 150)
- Labour Relations (Public Service) Convention, 1978 (No. 151)
- Collective Bargaining Convention, 1981 (No. 154)
- Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173)
- Part-Time Work Convention, 1994 (No. 175)
- Home Work Convention, 1996 (No. 177)
- Private Employment Agencies Convention, 1997 (No. 181)
- Maritime Labour Convention, 2006, as amended
- Work in Fishing Convention, 2007 (No. 188)
- Domestic Workers Convention, 2011 (No. 189)

Recommendations

- Minimum Wage-Fixing Machinery Recommendation, 1928 (No. 30) [SRM interim status]
- Protection of Wages Recommendation, 1949 (No. 85)
- Labour Clauses (Public Contracts) Recommendation, 1949 (No. 84)
- Minimum Wage-Fixing Machinery (Agriculture) Recommendation, 1951 (No. 89) [SRM interim status]
- Plantations Recommendation, 1958 (No. 110)
- Minimum Wage Fixing Recommendation, 1970 (No. 135)
- Workers' Representatives Recommendation, 1971 (No. 143)
- Collective Bargaining Recommendation, 1981 (No. 163)
- Protection of Workers' Claims (Employer's Insolvency) Recommendation, 1992 (No. 180)
- Part-Time Work Recommendation, 1994 (No. 182)
- Home Work Recommendation, 1996 (No. 184)
- Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)