

Wage policy and the distribution of income

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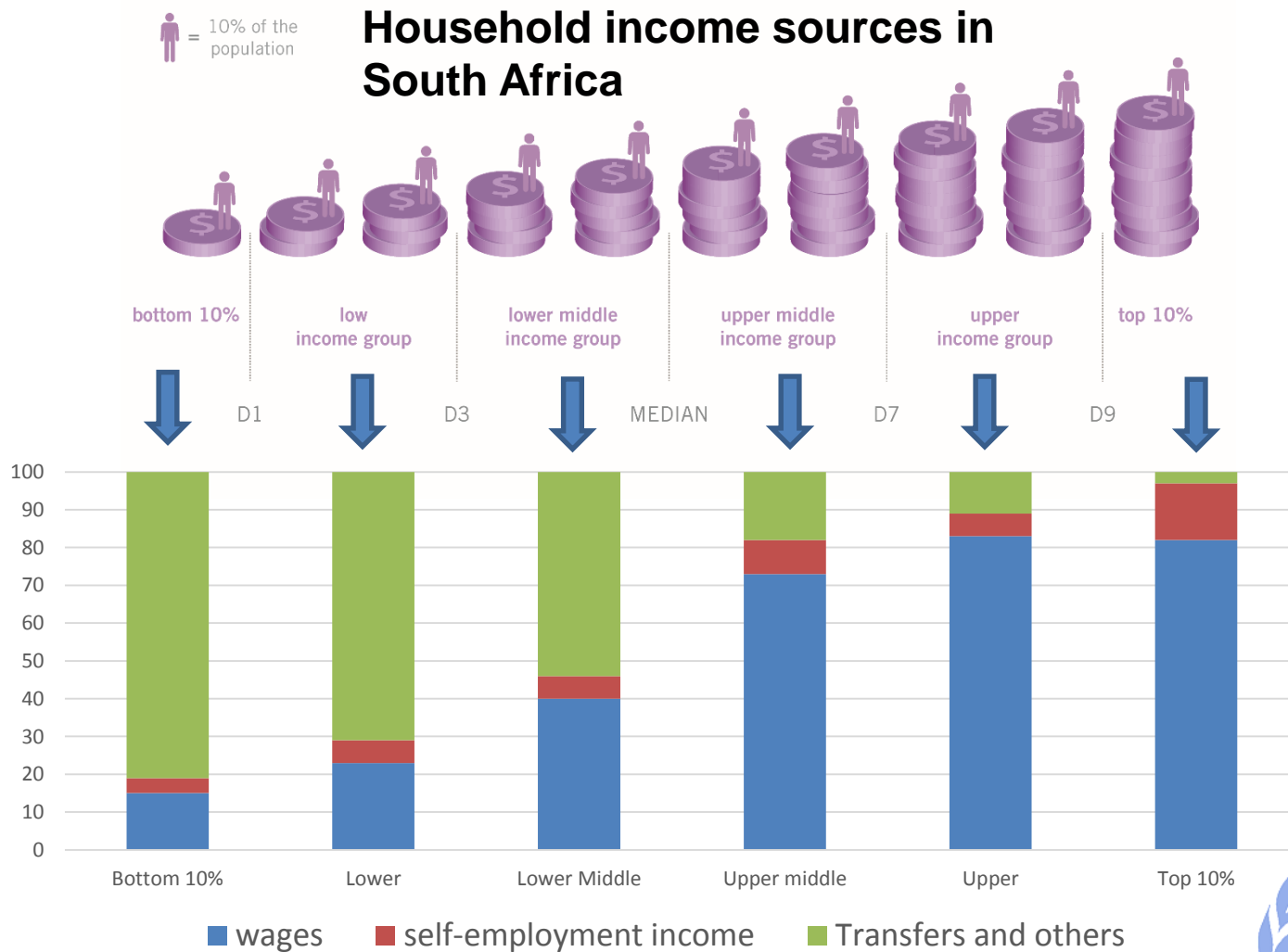
The objective of wage policies from the point of view of the International Labour Organisation

“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”.

ILO Declaration of Philadelphia, 1944, and ILO Declaration on Social Justice for a Fair Globalization, 2008



To achieve greater equality, SDG 10.4 calls for “fiscal, wage and social protection policies”



What can wage policies do? There are different types of wage policies

Minimum wages



Collective bargaining



Wage statistics

Equal pay policies



Public sector pay



In recent years many countries have established or strengthened minimum wages

- Concerns about the negative effects of high inequality and the lack of inclusive economic growth
- Recent experiences show that minimum wages, if set at an adequate level, can be an effective instrument to promote decent work



ILO policy advice to member States is based on:

- ILO Conventions and Recommendations, including ILO *Minimum Wage Fixing Convention* No.131 (adopted in 1970 and with currently 54 ratifications)
- Guidance from tripartite constituents of the ILO (governments and social partners)
- International experience and good practice



Keep it as simple as possible (and only as complex as necessary)

- Some countries have one single minimum wage rate, possibly with regional variations (e.g. France, the U.S., the Russian Federation, Brazil)
- Other countries have more complex systems, which may vary by sector and occupation (e.g. India or Costa Rica)
- Both approaches have their merits, but systems that are too complex lose their effectiveness



Exclusions should be kept to a minimum (...) particularly in relation to vulnerable categories of workers

Examples:

- Domestic workers
- Workers in agriculture
- Workers in the informal economy



There should be full consultation with social partners, and participation of experts

- This can take place in general national tripartite bodies or more specific minimum wage commissions
- National commissions are not only a means of undertaking consultations, but also serve as an instrument of policy coordination and of continuity over time



There should be a balanced and evidence-based approach for setting the level

Minimum wage levels should take into account :



**Needs of workers
and their families**

**Economic
factors**

Minimum wage rates should be adjusted from time to time

- Minimum wage rates should be adjusted preferably on a regular basis to take account of changes in the cost of living and other economic conditions
- If the “aspirational” minimum wage exceeds the economy’s immediate capacity, a medium term strategy can be adopted



There should be measures to ensure effective application of minimum wages

Measures should include:

- Labour inspections & hotlines
- Adequate sanctions
- Information campaigns
- Capacity building activities for employers and workers



Importance of monitoring the effects of minimum wages

- Effects on wages and incomes of workers and their families
- Effects on employment, the sustainability of enterprises, and informality
- Effects on government finances (public sector wage bill)



For further information ...



Minimum wages >

- Definition >
- Number of rates >
- The setting machinery >
- Beneficiaries >
- The level >
- Enforcement >
- Monitoring effects >
- Domestic workers >

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Minimum wages



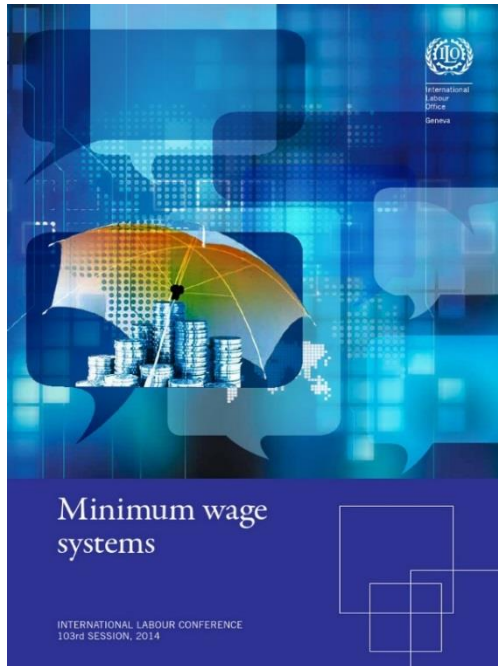
Welcome to the ILO Minimum Wage Policy Guide!

In recent years, many countries have established or strengthened minimum wages to eliminate unduly low pay and promote decent work.

In this context, governments from all parts of the world, as well as employers' and workers' organizations, have asked the ILO for information on a wide range of practical issues.

Based on existing ILO standards and the diversity of international practice, this website provides information on key questions of good practice and highlights different choices that

[How and why setting minimum wages? >](#)



www.ilo.org/minimumwage

