



## Living Wage for FMCG supply chains

December 2022

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## INTRODUCTION

# Welcome to the Living Wage Playbook

## Introduction

The following Living Wage Playbook was developed by Heartwood LLC for AIM-Progress and its members, who are committed to working toward improved livelihoods and working conditions globally. The playbook is designed as a “how to guide” to help companies at different stages of their living wage journey, with examples for each section. It is intended help companies build and implement a living wage strategy, whether for their employees, across their suppliers, or both.

A 2011 International Labour organisation (ILO) review revealed that there is a general consensus on the definition of living wage (R. Anker, Estimating a Living Wage: A Methodological Review, ILO 2011). Based on this consensus most global actors typically refer to the following definition:

## Definition of a Living Wage

“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.”  
From the [Global Living Wage Coalition](#)

The topic of “living income” is not addressed in this playbook. While the two concepts – living wage and living income – share similarities in definition and purpose, the implementation differs. Living wage is concerned with the remuneration that an employer pays to their employees. Living income, on the other hand, refers to the total household income that an individual family generates through various income-earning activities, and in practice is usually focused on small to medium sized family farms.

The Playbook is divided into 7 chapters, with linked resources and case studies. Each chapter is intended to support a core phase of company progress on the topic of living wages. The resource links that are provided represent those that are publicly available at this time. New resources are being developed regularly. Thus, to the extent possible, the playbook should be managed as a “living document”.

[Chapter 1: Build the Business Case](#)

[Chapter 2: Prioritise, Commit and Communicate](#)

[Chapter 3: Conduct a Risk Assessment](#)

[Chapter 4: Establish your benchmark and estimate your gaps](#)

[Chapter 5: Strategies for Closing Living Wage Gaps](#)

[Chapter 6: Due Diligence and Disclosure](#)

[Chapter 7: Broader Advocacy Around Living Wage](#)

[Resource Map](#)





Build internal alignment and understanding

Make the case for living wages (from a business /financial as well as human rights perspective)

Align with key policies, global trends, and best practices

## CHAPTER 1

# Building the Business Case

A crucial first step in the living wage journey is making the business case internally - to senior leadership, colleagues from different business teams, and potentially shareholders. This can also be one of the most challenging steps. Luckily, there are a growing number of resources available to help. It is important to keep in mind that certain aspects of the business case may appeal more to different actors. For example, procurement teams may want to know how living wages are addressed in upcoming legislation. Managers may be interested in links between living wages and productivity. Human resource teams may want to know how living wages affect retention. Everyone should be made aware that a living wage is fundamentally linked to many other human rights issues. It is by definition the antithesis to poverty wages, and poverty is a root cause of economic migration, [child labour](#), food insecurity, [forced labour](#), and other issues.

## Objectives



## Steps you can take

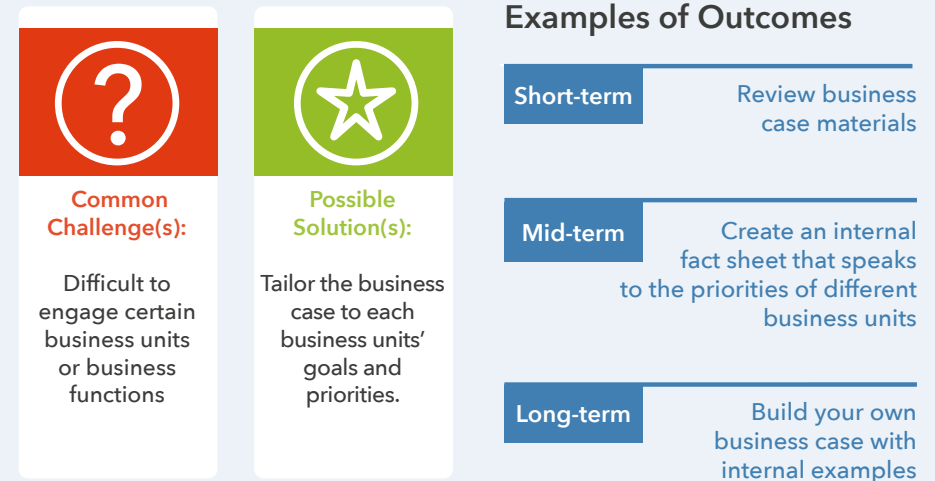


**"I studied four retail chains...Costco, Trader Joe's, QuikTrip, and Mercadona. They offer their employees much better jobs than their competitors, all the while keeping their prices low and performing well .... They have high productivity, great customer service, healthy growth, and excellent returns to their investors. They compete head-on with companies that spend far less on their employees, and they win."**

**Zeynep Ton, adjunct associate professor of operations management at the MIT sloan school of management, for [Forbes](#)**

1. Review the resources listed.
2. Self-assess your company to determine your starting point:
  - Survey colleagues to better understand their questions and priorities
  - Establish a baseline of current costs related to employee turn-over, absenteeism and/or switching between suppliers.
3. Share testimonials from other companies on the business case for living wages with your colleagues, and link these to the potential monetary and non-monetary benefits for your own company and its people.
4. Check with your preferred certifications to learn about their plans regarding living wage.
5. Understand what investors are looking for, and use this information to support leadership in making the case to shareholders.
6. Build your own internal business case over time.
  - Track cost savings from increased productivity and lower turn-over and absenteeism in your own operations.
  - Follow-up with colleagues to get their views on the impacts for their work and their work life.

## Examples of Outcomes



## CHAPTER 1

### Building the Business Case

#### Resources



“We want to help improve people's living standards... Of course that means ensuring that our own employees are paid a living wage. But it also means looking beyond our business, to the workers and small business owners who provide our goods and services and ensuring that they enjoy a decent standard of living and have the right support to grow their business – and ours... It's a natural next step for a business like Unilever, which is committed to equity, everywhere we operate. And it makes commercial sense – because more prosperous, more resilient societies are better places for a business like ours to thrive.”

**Unilever, Compass Goals on Raise Living Standards**

- [“The Case for Living Wages: How Paying Living Wages Improves Business Performance and Tackles Poverty”](#) by Business Fights Poverty, The University of Cambridge, CISL; and SHIFT is a compilation of data and testimonials on the business case for living wages.
- The paper, [“The Human Rights Opportunity”](#), by SHIFT and World Business Council on Sustainable Development (WBCSD) clearly illustrates the relationship between living wage and the UN Sustainable Development Goals.
- Within the financial sector, the [S&P Global living wage methodology](#) and the [Platform on Living Wage Financials](#) sector-based assessment methodologies are used to assess companies on their living wage performance.
- [ShareAction's Good Work Coalition](#), consisting of dozens of investors, provides investor tools and facilitates joint advocacy and education aimed at shareholders.
- The UK Living Wage Foundation's web page, [“The living wage is good for business”](#) provides testimonials from companies on the benefits of paying employees a living wage.
- The UN Global Compact Think Lab on Living Wage has launched in May 2023 [The Living Wage Analysis Tool](#), a free tool in form of a short and simple questionnaire to help companies self-assess current policies and programmes, highlight areas for improvement and identify opportunities to set future corporate goals and targets – for direct employees, contractors and suppliers' employees. The tool is applicable to wages in general.
- SHIFT and the Capitals Coalition is currently working on a model for [Accounting for a Living Wages](#), to enable shareholders to account for labour not just as a cost on the balance sheet, but also in terms of the human and social capital that is generated.



## CHAPTER 1

### Building the Business Case

#### Things to consider



#### Business case



#### Global trends toward 'decent wages'

- While the term 'living wage' may not always be used, there is a growing global discussion around the importance of "decent wages" that is increasingly finding its way into national legislation. The similarity between the 'decent wage' language to the definition of a living wage (i.e., wages that afford a 'decent standard of living') is likely not a coincidence. Examples include:
- In 2022, [European Union](#) member countries adopted legislation guaranteeing that "that their national minimum wages allow workers to lead a decent life, taking into account the cost of living and wider pay levels," – language that is synonymous with living wage.
- [Ecuador's Salario Digno](#) is an example of national legislation to improve minimum wage to "decent minimum wages".
- In October 2022, the ILO put out a briefing paper called, ["Setting adequate wages: The question of living wage"](#) which discusses how they will engage on living wages moving forward in their work related to minimum wage setting.
- Standard systems are increasingly including living wages in their standards and codes. Systems such as the UK Living Wage Foundation, Living Wage for US, FairWear Foundation, and Fair Labour organisation already include it. Others, like Rainforest Alliance, Fairtrade, Bonsucro, SEDEX and others are in various stages of roll-out.
- There is growing pressure on companies to address low wages and working poverty, aligned with corporate responsibilities outlined in the [UN Guiding Principles on Business and Human Rights](#).
- Living Wage is linked to [UN Sustainable Development Goals \(SDGs\)](#) 1-11 and 17.





## Building the Business Case

### Global Technology, Procurement and Creative Company

*"Our business case is founded on the principle that business for good is good business".*

This global company launched its second phase of sustainability targets in June 2021 and now has 12 targets underpinned by 4 UN SDGs, with living wage sitting under SDG goal #8.

The company took a holistic approach and felt that they needed a good representation across both people and planet. Looking both internally and externally, they decided that they could make a big difference on wages by working with their supply chain, but only after looking internally first.

*"Employees of our business will be paid a Living Wage and we will require confirmation of a Living Wage policy from 100% of our Tier 1 (direct) suppliers by 2025"*

While setting the ambition was relatively simple, as a busy organisation it was challenging to find dedicated time with internal stakeholders for the program. Socialising the business case has been an important step to start mobilizing stakeholders toward their ambition deadline. In 2023, the company will begin risk analysis and assessment of wages against living wage benchmarks.

*"We are on a journey of discovery here. It is exciting to see what we can learn and improve. The reduction of poverty is something everyone wants."*

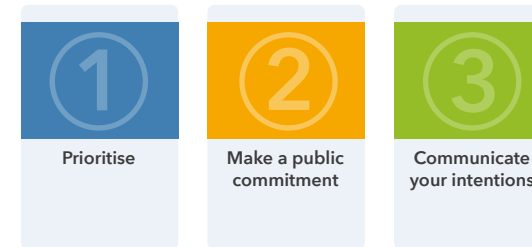


## CHAPTER 2

# Prioritise, Commit and Communicate

Once your company has made an internal commitment to work on living wages, the next consideration may be when and how to share this commitment with the world. The timing and scope of a public commitment will be different for each company. It is important to keep in mind that public commitments can be refined and made more specific or more ambitious over time. In general, it can be advantageous to make a high-level public commitment early in order to send the signal that this is an issue that your company cares about. Once you have honed in on your priorities, conducted a risk analysis, identified key challenges and opportunities, and further evaluated the scope and financial implications of your ambition, you can revise your public commitment accordingly.

## Objectives



## Steps you can take



Identify your company's high-level commitment to make progress on living wages





## CHAPTER 2

### Prioritise, Commit and Communicate

#### Steps you can take



1. Make a high-level commitment to manageable progress on the topic of living wage or “fair and decent wages” across your business.
  - Initially, this could be as simple as committing to finding partners, joining an industry platform, or conducting a risk analysis. Or, you might go further and commit to assessing employee wages over the next few months.
  - Be sure not to promise more than the company may be able to handle in the near term.

2. Prioritise. Decide where the issue of living wage is most salient for your business - geographically and across your business operations.
  - A risk assessment can help.
  - You can conduct an initial living wage gap for your own workforce by comparing living wage estimates to the wages of your lowest paid employees.
  - You can conduct an initial living wage gap analysis in your supply chains by comparing living wage estimates to minimum wages or sector prevailing wages.
3. Share progress and update your commitment and targets over time.
  - Don’t be afraid to share the challenges, missed targets and other “bumps in the road”, as well as the good stuff. Transparency is generally seen as a positive. And it can help others to also understand the complexity.



#### Common Challenge(s):

The company is hesitant to make a commitment without knowing how much it will cost



#### Possible Solution(s):

Make a commitment to analysing how your business is performing on living wages and

### Examples of Outcomes

#### Short-term

Make a public commitment based on what you know now

#### Mid-term

Determine your priorities and make an internal commitment that is more ambitious

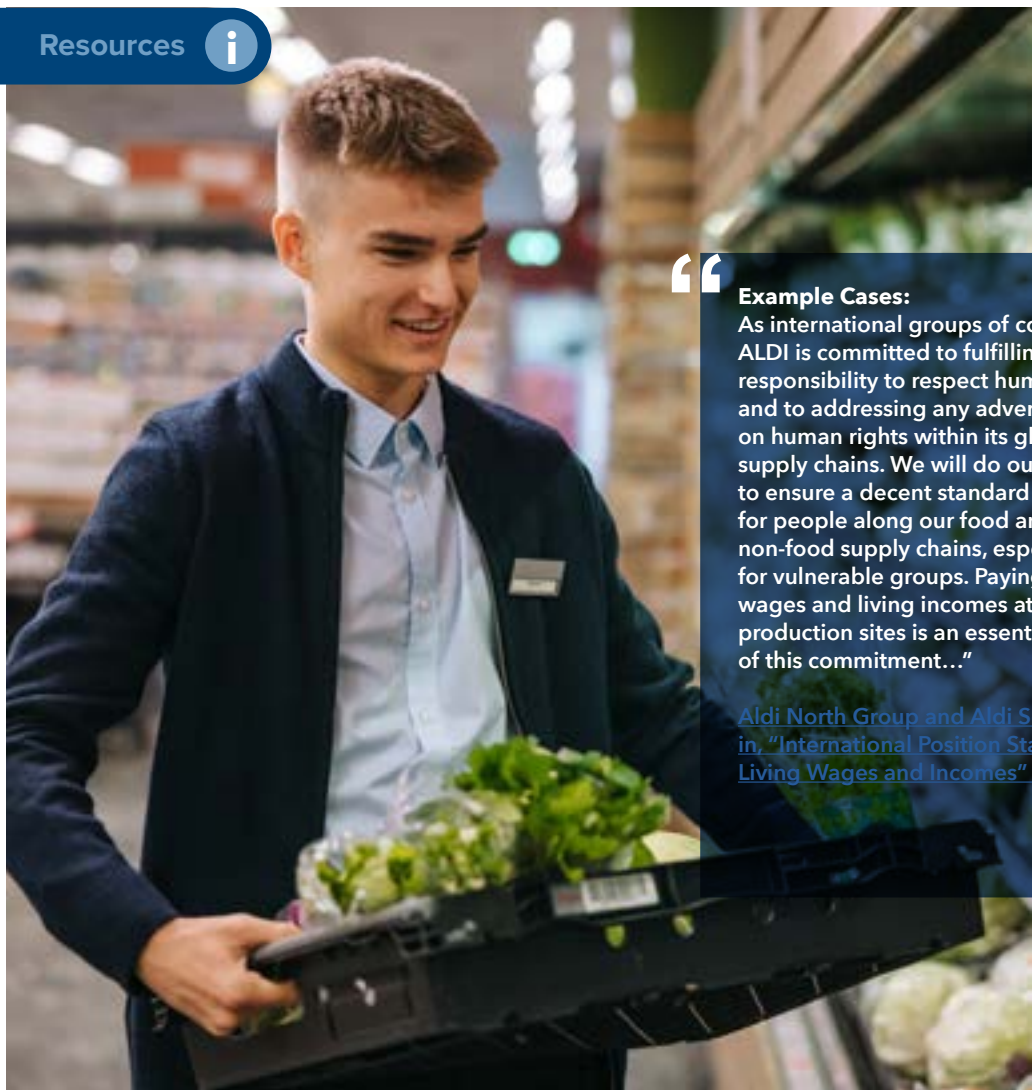
#### Long-term

Revise your public commitment with new data from risk analysis and wage analysis

## CHAPTER 2

### Prioritise, Commit and Communicate

#### Resources



#### Example Cases:

As international groups of companies, ALDI is committed to fulfilling its responsibility to respect human rights and to addressing any adverse impact on human rights within its global supply chains. We will do our part to ensure a decent standard of living for people along our food and non-food supply chains, especially for vulnerable groups. Paying living wages and living incomes at production sites is an essential part of this commitment..."

[Aldi North Group and Aldi South Group in, "International Position Statement on Living Wages and Incomes"](#)

- The [Align tool](#) shares topics that companies might consider including in a public commit or policy.
- The public commitments of the [Dutch, German](#) and [Belgian](#) grocery retailers provide examples of joint commitments made by a group of companies for one sector in one market.
- The commitment by members of the [World Banana Forum](#) is an example of a commodity-specific commitment on living wages among different supply chain actors across many countries.
- Examples of individual company commitments can be found on company websites (e.g., Mars and Unilever). Several companies demonstrate their commitments on standard systems' websites, such as members of the [Fair Labour Association](#), UK Living Wage Foundation, or adherents to the [Fair Wear Foundation](#) code of conduct.
- One way to communicate commitment to a living wage is to become a living wage certified (or accredited) employer through national certification programs such as the UK Living Wage Foundation, [Living Wage for US](#) or other members of the [Global Living Wage Network](#). Each program will have tools to help you build and realise your commitment over time.

## CHAPTER 2

### Prioritise, Commit and Communicate

#### Things to consider



#### Example Cases:

Building on our commitment to secure a living income for all our employees, we will ensure that by 2030, all of our strategic suppliers' employees\* are also paid a living wage, in line with best practices.

**L'OREAL**

- A public commitment does not have to mean doing it on your own. The path toward living wage often involves multi-stakeholder engagement, within your supply chains and beyond, and can include sector-based approaches and engagement with governments.
- A number of global companies have made public commitments to living wages as a first step on their journey. Others have chosen to first measure if and where living wage gaps exist before going public. However, these two approaches need not be mutually exclusive. It is possible to publicly commit to "working toward" living wage now, while you begin to further understand the scope of the issue for your company, and then update your commitment later with more specificity.
- AIM-Progress members have begun a positive trend of implementing living wage commitments. Nearly 65% of members have either committed to pay a living wage or have a commitment in progress for their own operations and their supply chains.<sup>1</sup>

**ACT brands** have committed to improving their purchasing practises globally in five areas where the biggest impact on wages and working conditions was identified.



Brands commit that purchasing prices include wages as itemised costs.



Brands commit to fair terms of payments.



Brands commit to better planning and forecasting.



Brands commit to undertake training on responsible sourcing and buying.



Brands commit to practice responsible exit strategies.

**ACT**

<sup>1</sup> Annual Benchmark Survey 2022



## Prioritise, Commit and Communicate

### Food Products Company

*In 2020, this global beverage company identified Fair wages for their own employees as one of the Social Sustainability priorities. This is based on internal and external recognition of paying a fair wage as crucial to a just pandemic recovery. They committed externally in March 2022, with the aim to close any pay gaps by 2023.*

*“Business case: We believe that all of our employees should be able afford a decent standard of living for themselves and their families. Unfortunately, the national minimum wage in many countries is often not sufficient to enable an employee to provide his or her family with a decent standard of living. We need to be legal and ethical. Doing the right thing also comes with benefits:*

- For employees: A fair wage affords colleagues the opportunity to send their children to school, resulting in a more qualified future workforce. We want to have a sustainable workforce and offering a wage sufficient to cover necessities is crucial.*
- For communities: Today, we live in a world still beset by income inequality and injustice, with many people struggling to afford a decent standard of living. We believe paying a fair wage is a first and practical step to help to break the cycle of poverty and support economic inclusion.*
- For us as a business: This is aligned with our values, heritage and principles in our manifesto, but can also secure higher motivation, morale and productivity. It helps us to attract talent too.*

### External Commitment

- Fair wage for employees: close any gaps by 2023*
- Fair living and working standards for 3rd party employees: we continue steps to be sure that they work reasonable hours in a safe, healthy and decent work environment and earn a fair wage”*

*The company uses Fair Wage Network (FWN) benchmarks for calculating living wage gaps among their own employees. A recalculation is performed annually to ensure the compliance with the current Fair Wages levels (FWN updates it database once a year). For 3rd party employees, the living wage gap has been calculated in one region so far. Other regions are in the process.*

*Living wage progress is reported in the company’s Annual Report and on their website. They also continue to engage in broader advocacy on living wage as part of many working groups on the topic. The company’s CEO also speaks publicly about the issues.*

*“[One of the most important results has been] positive feedback from our employees on their increased living and working conditions. It’s very rewarding to hear and see.”*

*The company advises others “To not be afraid to commit to this – select one of the well-recognized benchmarks and start calculating your gap. Once you know the gap, create an actionable step by step plan to close it.”*



## Prioritise, Commit and Communicate continued

### Fruit Company in Mexico

*This fruit company based in Mexico believes in Shared Value along the value chain. Aligned with this belief, the company seeks to implement the best labour practices, and to position their growers as the best agricultural employers that Mexico has to offer – through jobs that enable a dignified standard of living for agriculture workers and their families.*

*In 2015 the company launched a global commitment to ensure social compliance throughout the value chain, focusing primarily on agricultural workers. However, under the legal standards of Mexico, mere compliance does not provide the sufficient and necessary income to access a decent standard of living. Thus, work began to identify the living wage in each area where the company operates.*

*Studies were carried out to identify living wage benchmarks in the company's main areas of operation, with the support of academic institutions that are specialized in the subject area. A study in San Quintín, Baja California, Mexico, which is currently underway, was Prioritised because of its high percentage of migrant and indigenous workers.*

*While the company has not yet closed all of the living wage gaps, they have begun training producers and building a shared understanding of this important step for the value chain. Once the results from the San Quintín study are finalized, they will begin the process of adapting the worker's incomes toward the necessary levels.*

*One challenge shared by the company is that of identifying living wage benchmarks, given the high variability of costs across the many regions where they operate. Identifying living wage gaps is perhaps even more challenging due to the enormous variability among the independent growers with respect to compensation and payment mechanisms. The company suggests that it is important for companies to consider the large amount of data and variables that go into the process. Because the difference between current wages and the living wage can vary significantly from one community to another, the company recommends to carry out precise and rigorous studies. They also suggest that the support of institutions or individuals who are experts on the subject is essential for success.*



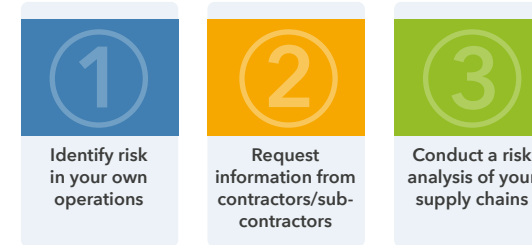


## CHAPTER 3

# Conduct a Risk Assessment

Risk analysis helps companies understand where low wages present the biggest risks and decide how best to Prioritise and implement actions. As discussed below, risk analysis should be conducted at different levels, during different stages of a living wage journey - from assessing the scope of the issue to building and implementing a strategy on improved wages.

## Objectives



## Steps you can take



Use the risk analysis to help you Prioritise your living wage efforts. It may be advantageous to start with lower risk geographies while you test and refine your strategy. On the other hand, you may wish to tackle the highest risk geographies or sectors first, in order to have the greatest impact.

### Start at a high-level

1. Map your value chain geographically
2. Identify the size of your supplier's operations - both in terms of number of employees and volumes purchased - to help understand the overall value and potential risks posed to your company, to the sector and to society. (Different sizes of operations can present different risks. For example, small businesses may have smaller margins and less capacity to increase labour costs. Larger businesses employ more people and may be more visible to the public)
3. Identify high risk countries and sectors using existing tools and databases
4. Compare minimum wage levels, or sector prevailing wage levels to living wage benchmarks to identify the geographies with the biggest differences (or gaps)

**Zoom in** by conducting an initial risk analysis with the information above to help identify your priority countries, and then:

5. Understand the composition of the labour force and high-risk labour norms for your priority sectors in each priority country
6. Understand the labour relations/role of independent unions.

**Refine** your risk analysis to guide strategy development in your priority locations



### Common Challenge(s):

Determining how to weigh different types of risk.



### Possible Solution(s):

Look at the other human rights priorities for your company. Determine if your living wage risk map shows overlap with one or more of these other priorities, and start there.

## Examples of Outcomes

### Short-term

Use existing tools to determine risk levels at country and/or sector level

### Mid-term

Conduct a deeper analysis on a sample of operations from your highest risk countries or sectors. This might include a comparison of facility wages to living wages.

### Long-term

Assess risk in all operations

## CHAPTER 3

### Conduct a Risk Assessment

#### Resources



**Risk analysis is useful beyond living wage**

Risk factors related to living wages are risk factors for low wages and poverty in general. Conducting a risk analysis for living wage can also help your company make important connections between low wages and other human rights priorities and actions.

- Wage Indicator has several tools that are helpful for risk analysis, including their [Global Labour Risk Index](#).
- [The Poverty and Inequality Platform](#) and the [Poverty and Equity Portal](#) from the World Bank are large public databases on poverty indicators globally.
- The [Align-tool section on risk mapping](#) identifies other resources to identify risk of adverse labour rights outcomes associated with poverty.
- The [ITUC Global Rights Index](#) maps the worst countries for workers' rights.
- SEDEX's Supplier Risk Assessment Tool ([Radar](#)) helps member companies assess wage risk in their supply chain.

## CHAPTER 3

### Conduct a Risk Assessment

#### Things to consider



#### Wage Indicator Global Labour Risk Index

Living wage is connected to many other labour rights issues. Because of this, risk analysis can be done simply and quickly, or it can be a deep dive into labour issues at country, sector and operation level.

Wage Indicator's [Global Labour Risk Index](#) is a good and accessible starting point. The tool maps the country and regional risk based on minimum wages, labour rights, inflation, and civil and political rights. Results are provided visually and in tabular form. It even provides the "percentage of living wage that is covered by minimum wage" (based on their own living wage benchmarks).



Risk analysis can be performed at different levels:

#### RISK ASSOCIATED WITH STRUCTURAL ISSUES

- Low minimum wage
- High levels of poverty
- Civil and political rights
- High inflation
- Poor labour rights policies and/or practices

#### RISKS TO MEASUREMENT OR VERIFICATION OF WAGE GAPS

- Poor labour relations and/or lack of independent unions
- High reliance on seasonal or migrant labour
- High reliance on labour brokers or middlemen
- Complex remuneration legislation, policies or standards at country or sector level
- Accessibility (i.e., due to conflict)

#### RISK THAT MAY BE PRESENT AMONG YOUR WORKFORCE

- Relationship between wages/benefits and retention
- Relationship between wages/benefits and absenteeism
- Analysis of employees' wages compared to living wages or minimum wages (e.g., percent above minimum wage).

#### RISK THAT MANIFESTS AS A RESULT OF POVERTY

- Child labour
- Forced labour
- High out-migration or high in-migration
- Conflict

#### RISKS TO IMPLEMENTING LIVING WAGE STRATEGIES

- Discrimination
- Excessive working hours
- High labour migration and poor migrant labour policies



## Conduct a Risk Assessment

### Food Products Company

This food products company made an internal commitment to work on living wages at the end of 2021. Living wage has been included in their commitment to the UN Guiding Principles on Business and Human Rights, embedded in their Code of Conduct and Human Rights Policy. They believe this to be essential for sustainable development.

The company has conducted a human rights risk assessment and spot checks which has led them to determine that the best place to start is with gaining more knowledge about wages in their own business and outsourced labour. They are working with Fair Wage Network (FWN) benchmarks and have conducted pilots in three countries to compare these benchmarks to wages amongst their own and outsourced employees.

The company plans to soon disclose that they are working on these pilots, although it is too soon to report on specific progress. One challenge that the company has faced is the time requirement to complete such projects. Another is gaining acceptance of living wage benchmarks by pilot countries

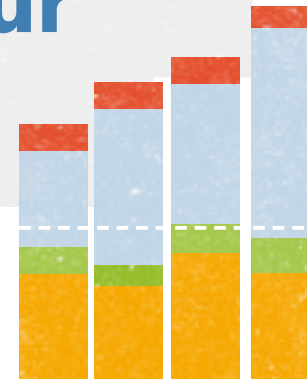


# Establish your benchmark and estimate your gaps

Estimate living wage gaps

Select living wage benchmarks

Verify results



## CHAPTER 4

# Establish Your Benchmark and Estimate Gaps



There are several methodologies currently used to estimate living wages and establish living wage benchmarks. Until now, the Anker Methodology has been viewed as the leading methodology for living wage benchmarks for countries that are the primary producers of commodities which are considered high-risk from a human rights perspective. The Anker Methodology - which is described in the book, "Living Wages Around the World" - is the most well documented and referenced methodology available, and has been developed based on decades of research by its authors. At the same time, other living wage methodologies have similarities in terms of the guiding principles and some methodological steps. In large consumer countries, such as the United States and the United Kingdom, organisations have developed other methodologies through stakeholder engagement and academic research. These methodologies tend to align on principles and definitions with the Anker Methodology, and are working through the Global Living Wage Network to align even closer with one another. **There is currently an initiative underway to bring some of the leading methodologies together to align further, and to tackle emerging issues together which are not yet fully addressed (e.g., childcare). (more information expected in Q1 2023).**

More recently, tools have emerged to help assess actual wages against living wage benchmarks. A few tools exist exclusively for members of certain platforms or sustainability schemes, and may be designed for a specific sector. The IDH Salary Matrix is currently the only tool that is freely and publicly available; it is sector-agnostic. The Salary Matrix follows the principles of the Anker Methodology, but it allows users to select benchmarks from different living wage benchmarking methodologies that IDH recognises as meeting a set of minimum criteria. Users can also graph results against other reference points (such as minimum wage) if they choose.

## Objectives





## CHAPTER 4

### Establish Your Benchmark and Estimate Gaps

#### Steps you can take



#### **True price: towards a living wage**

In 2018, True Price conducted research to compare wages of workers on flower farms in Kenya, Ethiopia and Zambia to living wage benchmarks for those countries. The roses were sold by large Dutch retailers.

The study found that workers earned low wages, and that the average wage gap - calculated per rose - was 1,3 eurocents.

This means that on average, 13 eurocents (US\$0.13.4) is needed per bouquet of ten roses to reach a living wage for the workers producing the roses.

#### **Dutch banana retail commitment on living wage**

Members of the Dutch retail commitment, with support from IDH and consultants, used the Salary Matrix to conduct wage gap analysis across hundreds of banana suppliers for the Dutch market. The wage gap analysis was conducted two years in a row using farm self-reported data from 2019 and 2020 respectively.

The results have been published in aggregate on the IDH website, and illustrate the type of analysis that is possible. The retailers plan to conduct another wage gap analysis with 2021 data.

1. Define the scope of the analysis.  
For example:
  - Will you focus on your own employees, contractors or supply chain?
  - What countries/regions?
  - If looking at your supply chain, how many suppliers and producers will be involved?
2. Find the right living wage benchmarks for your company
  - Is there a benchmark available for your locations?
  - Do you want to use the same methodology across your operations, or can you use a different methodology when your first choice is not available.
  - If there is no benchmark available that meets your criteria, find an organisation that can support you to estimate the benchmark. It is important that they have local contacts, and can collect primary data.
3. Build strong relationships with all the partners involved, and be as transparent as possible with your intentions.
- Collecting and processing data, especially for supply chains, can be time consuming and scary for supply chain partners. Without a solid foundation of trust, partners may be hesitant to engage due to the level of effort and concerns about privacy and how their data will be used.
4. Review labour laws and policies applicable to the region and find out if there is a minimum wage, if Collective Bargaining Agreement (CBAs) are in place, and if there are active unions.
5. Select a tool to measure the living wage gap.
6. Make sure that partners receive comprehensive training on the tools that they will use. Consultants can help provide one-on-one support to partners if needed.
7. Make sure that the gaps are verified by trained professionals.
8. Communicate results with partners, and if possible, with the public.

## CHAPTER 4

### Establish Your Benchmark and Estimate Gaps

#### Steps you can take



#### Keep in mind:

Timing is important. Collect data when partners are more available (e.g., low production seasons) or soon after the end of a fiscal year so that the data is recent. It is also advantageous to collect data in conjunction with planned audits.

If data have been collected with the IDH Salary Matrix, IDH can help to prepare an aggregate report of the results.

Living wage benchmarks are updated for inflation annually. If possible, it is a good idea to assess living wage gaps annually as well. If this is not feasible - for example, with large supply chains - consider updating the analysis every 3 years (following a common audit cycle). You might also choose to conduct self-assessments annually, and conduct verification of supplier data every 3 years.



#### Common Challenge(s):

Our suppliers are not responding to requests for them to use tools to estimate wage gaps.

Our suppliers are struggling to fill in the wage calculation tool.



#### Possible Solution(s):

Hold a meeting with suppliers to clearly explain the process and how their data will be used. Discuss their fears and challenges, as well as your intentions openly. Focus on shared responsibility.

Ask the tool owner if they have guidance, training or technical support available and, if not, hire a consultant to assist.

#### Examples of Outcomes

##### Short-term

the scope of the project is defined and the living wage benchmark known

##### Mid-term

data is collected and the living wage gaps calculated

##### Long-term

living wage gaps are verified; trends are identified, and lessons learned collected

## CHAPTER 4

# Establish Your Benchmark and Estimate Gaps

## Resources



### Definitions

**Living Wage:** “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.” (Anker 2011)

**Living Wage Gap:** the difference between the monthly worker remuneration and the Living Wage estimate for that region and moment in time.

### Living Wage Principles

From the Anker Methodology:

- Remuneration should be anticipated by workers and guaranteed
- Remuneration should be received within a year
- Workers should be able to earn a living wage within a standard workweek, not to exceed 48 hours. Overtime pay is additional.
- In-kind benefits must be considered of benefit and value to workers or their families
- All in-kind benefits must meet basic needs at international standards of decency

These principles are also followed, to variable degrees, by other living wage benchmarking methodologies, and they guide the development and implementation of the IDH Salary Matrix are:

### NOTE

The IDH Salary Matrix is being adopted by Fairtrade and RFA, and other certification schemes, for the verification of living wage gaps.

### Global living wage benchmarks and methodologies

- The [Anker Living Wage and Living Income Research Institute](#) estimates credible, widely accepted, and internationally comparable living wages for countries and regions, following the methodology described in “[Living Wages Around the World: Manual for Measurement](#)” by Anker and Anker (AKA “Anker Methodology”).
- [The Global Living Wage Coalition](#) publishes for free the living wage estimates by the Anker Research Institute and affiliates.
- [Wage Indicator](#) and [Fair Wage Network](#) also produce living wage benchmarks globally, and will share these estimates for a cost.
- Some consultancy groups, such as NewForesight and BSR also have methodologies for estimating living wages when benchmarks are not otherwise available.

### Country-specific living wage benchmarks methodologies

- Members of the [Global Living Wage Network](#) work on estimating living wages - primarily in large consumer countries where the methodologies above are either not present or not robust. In most cases these methodologies are designed for the accreditation of “**living wage employers**” and represent the only accreditation programs specifically focused on living wages. Members include, the [UK Living Wage Foundation](#); [Living Wage for US \(USA\)](#); [Living Wage New Zealand](#); [Living Wage for Families BC \(Canada\)](#); [Ontario Living Wage Network \(Canada\)](#); and [Caritas Jersey](#).

### Tools to measure wages against living wage benchmarks (i.e., calculate living wage gaps)

- The [Salary Matrix](#) is a freely available tool, offered by IDH, for calculating living wage gaps according to the principles described in the Anker Methodology. The tool uses living wage benchmarks that have been recognized by IDH according to a set of common criteria, and which can be found in the [IDH Benchmark Finder](#). IDH also provides guidance for auditing Salary Matrix results, and recognises organisations that have been trained through IDH partners to [audit and verify living wage gaps](#).
- Other organisations that offer member-only tools to calculate living wage gaps include Fair Labour Association’s [Fair Compensation Toolkit](#) and [Fair Wear Foundation \(garments\)](#).

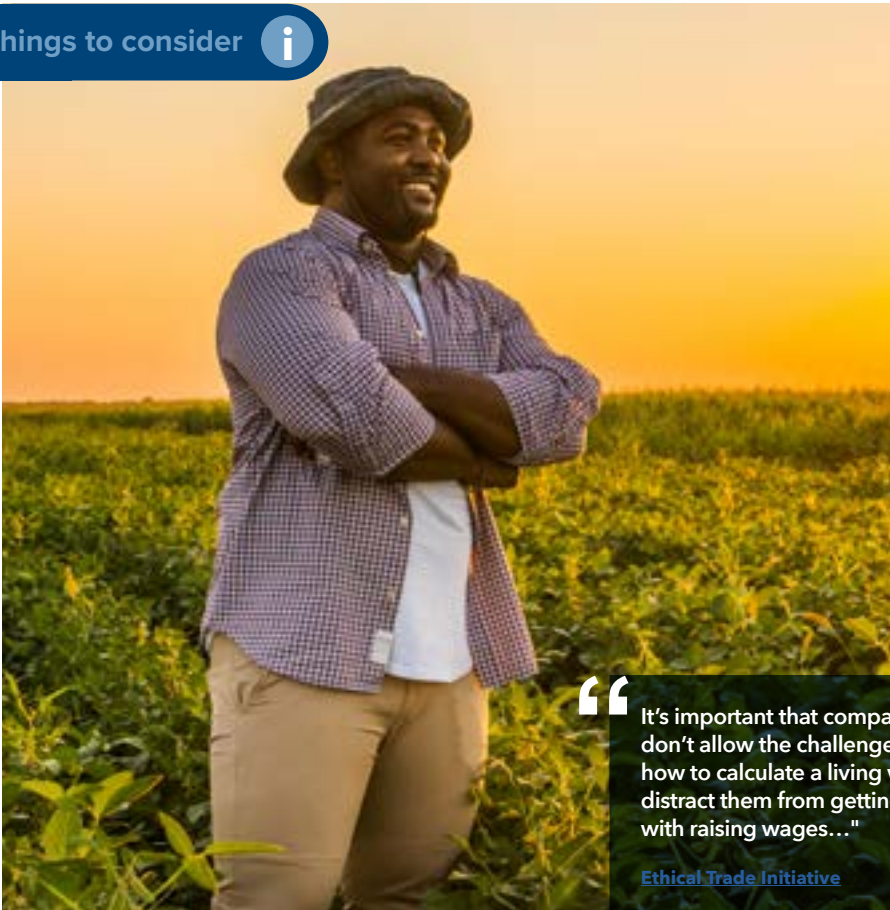
### Other resources

- The [Fair Wear Wage Ladder](#) offers companies the ability to compare a wage to various wage measures, including living wage, Asia Floor Wage, and minimum wage.
- This [ILO brief](#) explains how the ILO engages on living wage and uses the concept for its work on minimum wages.
- The [ALIGN Resource Library](#) offers a database of living wage and living income figures for 40 countries - drawing on others’ existing methodologies.
- Some social compliance schemes include living wage-related criteria within their broader human rights requirements for certification, and may provide tools to support gap analysis.



## Establish Your Benchmark and Estimate Gaps

### Things to consider



It's important that companies don't allow the challenges of how to calculate a living wage to distract them from getting on with raising wages..."

[Ethical Trade Initiative](#)

- Data on the actual remuneration (wages, bonuses and in-kind-benefits) may seem straightforward at first. However, it can be challenging, particularly when considering how to account for variable pay, such as piece rates, or the eligibility of contributions to remuneration from bonuses and in-kind benefits. Because of this complexity, it is important to provide sufficient time for wage gap calculations, and consider working with a technical expert to support your teams and partners.
- If assessing wage gaps within your own operations, third-party assessment can offer additional credibility. When working with suppliers or other third-parties, it is important that living wage gaps are verified based on on-site assessments. Supporting data review, observations and worker interviews are paramount to credible analysis. Worker or union representatives should be involved in the verification whenever possible.

## Establish Your Benchmark and Estimate Gaps

adm Group made a public commitment to work on living wages in their 2021 Sustainability report. The reasons for this include:

- ➔ As part of their Community pillar (one of their Global Sustainability strategy's pillars) - which is about shaping the culture of their organisation and ensuring a safe, inclusive, respectful, and engaging working environment for all - adm is constantly working on developing their employee value proposition to ensure all employees feel that they are recognised by the organisation.
- ➔ They acknowledge the importance of living wages in workplaces and the supply chain and wanted this to be part of their Human Rights agenda.
- ➔ They recognize the benefits of such initiatives, not only from a business reputation point of view, but also as a sustainable way to reduce attrition within their organisation.
- ➔ They are willing to ensure to their suppliers that they are a living wage employer, to demonstrate that they are "walking the walk" before engaging them in such a program.

adm has committed publicly to become a Certified Living Wage Employer by 2025 to ensure 100% of their employees across the organisation earn a living wage (they may be on target to achieve this sooner, by the end of 2023).

"Being a global company working across multiple geographical areas, supporting the welfare of our diverse employee base through initiatives such as the Living Wage has become a key commitment to our team members. The adm Community Pillar is all about shaping the culture of our organisation and ensuring we respect and nurture the very people that make us the company we are today."

The company decided early on to work together with Fair Wage Network (FWN) because they offer benchmarks that cover almost every country and which are updated each year. "FWN has provided key support and has been essential in bringing our program forward and allowing us to begin our benchmarking process this autumn (2022). We are currently in the process of calculating living wage gaps for our adm employees with the support of FWN in 3 pilots offices.

Rather than holding off on initiating the process, adm recommends taking a phased approach, starting with defining the company's objectives and aligning on methodology. Because data collection can require significant resources and time, it was important for them to work with a 3rd party provider to adequately collect data and align with Living Wage standards.

*"Defining an internal cross-divisional working group is also hugely important to allocate responsibilities in bringing the project forward, as well as ensuring that the objectives are widely owned and known throughout the organisation."*

# Strategies for Closing Living Wage Gaps

Build a global strategy (own employees, contractors and supply chains)

Set short-, medium- and long-term goals

Find the right partners and/or collaborators

Identify your options for closing living wage gaps

Share responsibility with supply chain partners





## CHAPTER 5

# Strategies for Closing Living Wage Gaps

While few examples are publicly available on how exactly companies are closing living wage gaps, many companies are working to do just that, through internal pilot projects and confidential collaborations. Fortunately, corporate responsibility platforms are beginning to provide guidance as tools based on the lessons that these initiatives are drawing out. As more lessons are learned, more companies are also willing to share their own experiences - if not in writing, then in collaborative spaces that will protect their anonymity.

## Objectives

1

Build a global strategy

2

Set short -, medium - and long-term goals

3

Find the right partners and/or collaborators

4

Identify your options for closing living wage gaps

5

Share responsibility with supply chain partners



## CHAPTER 5

### Strategies for Closing Living Wage Gaps

#### Steps you can take



“Living wage is only one part of our larger company-wide commitment to promote equity and build a more diverse and inclusive workplace. Competitive and fair pay plays a central role in this commitment, including the promotion of gender pay equity, where we currently have closed our gender pay gap with U.S. salaried women and people of colour, in aggregate, earning dollar for dollar with male colleagues. To incorporate a living wage into our approach to compensation for Hershey employees, we partnered with [BSR](#) to undertake an assessment of wages in our company operations. This assessment looked at all full-time Hershey employees across our global locations.

All Hershey employees currently meet BSR’s living wage benchmarks in their respective locations. To continue our commitment to paying Hershey employees a living wage, we will:

- Review employee wages against the BSR benchmark on an annual basis and adjust any pay levels that would fall below the living wage level.
- Continue our efforts on promoting equity for people of colour.
- Ensure that all regional compensation managers are trained on the concept of a living wage and that it is incorporated into our annual review process and wage requirements.
- Continue to assess the scope of our living wage efforts, relevant benchmarks and methodologies for measurement, which are continuing”

1. Understand how your employees’ wages compare to living wage benchmarks, and the living wage gaps in your key supply chains, as discussed in chapter 4.
2. Look at the size of living wage gaps, but also consider possible structural issues that might contribute to those gaps, such as:
  - Distribution of gaps across gender, ethnicity, race, age, and work status (e.g., migratory labour).
  - How workers are paid that have the largest wage gaps (e.g., based on productivity, hourly, salary, etc.).
  - Duration of contracts.
  - Benefits they receive.
3. Identify the strategies that your company will focus on to work toward a living wage.
  - Review the resources provided, consider a variety of strategies and develop a step-wise approach that uses different tools for each step.
4. Set overarching goals, as well as goals for each strategy.
5. Find the right partners (see chapter 7)
6. Engage your suppliers and contractors.
  - Prioritise based on the most important factors for your business. For example, you might start with direct suppliers, high risk countries, or low risk suppliers.
  - Communicate actively with all suppliers about your short-, medium-, and long-term goals.
  - Seek supplier and contractor input, and co-design solutions whenever possible.

## CHAPTER 5

### Strategies for Closing Living Wage Gaps

#### Steps you can take



7. Engage with worker representatives, local trade unions, and organisations that work with unions. You may want to work with consultants or business knowledgeable civil society groups to help gain context and appropriate contacts.
8. Look to peers and others for inspiration. Find more case studies at the IDH Road map step 5 or the UN Global Compact Living Wage Microsite.



#### Common Challenge(s):

Price escalation

Limited impact of living  
wage support

How to best deliver benefits

Structural issues are  
preventing good analysis;  
price alone isn't working



#### Possible Solution(s):

Good relationships with supply chain partners, with a commitment to shared responsibility, including the possibility of "ring-fencing" labour costs.

If impact is diluted due to share of volume purchased, advocacy and collaboration with other buyers can help

Consult with trusted suppliers and workers (and their representatives), and verify proper distribution of funds

[World Economic Forum/IDH](#)

Policies to affect change related to inequality, proper labour management systems, sound labour relations, and transparency may be needed first to ensure that other cost related solutions are supported by the systems and structures to make them fair and sustainable.

#### Examples of Outcomes

##### Short-term

A phased approach and implementation plan has been developed in consultation on with key partners

##### Mid-term

2 of the implementation strategies have been pilot tested and lessons learned gathered

##### Long-term

Successful pilot tests are being scaled, and joint advocacy is beginning to foster systemic change



## CHAPTER 5

# Strategies for Closing Living Wage Gaps

## Resources



### Case Example: Unilever

We're taking a phased approach to implementing our living wage commitment, focusing on the most vulnerable workers in manufacturing and agriculture and mapping countries and commodities to understand gaps between minimum and living wages. We're also revising our Responsible Sourcing Policy in 2022 to include a new requirement for suppliers to pay living wages, a requirement that we'll introduce in stages across different portfolios.

Alongside this, we're working with stakeholders to create systemic solutions to raise living standards through our purchasing practices, through collaboration with partners, and through advocacy wherever we operate. We know we need to take a systemic approach, as wages must be addressed alongside interlinked human rights issues such as working hours, health and safety and discrimination.

### Unilever Strategy and Goals

### Guidance and case studies on finding solutions

- The [IDH Living Wage Roadmap](#) offers a 5-step process that is linked to tools that help measure wage gaps and estimate costs to close them, as well as [best practices](#) and collaboration opportunities to address wage gaps through both price and non-price solutions. They also share [case studies](#) from companies that are well on their way.
- The [IDH Living Wage Action Guide](#) provides an interactive map with 12 potential interventions that can be undertaken depending on the actors involved, the impact areas and the challenges that need to be addressed. Examples of cases are also provided for the interventions.
- AIM-Progress, with Ergon, have developed a "[Tip Sheet](#)" for buyers and brands on implementing a living wage in their supply chains. The guidance is geared toward companies that already have internal buy-in, have made commitments, and are progressing beyond analysis.
- [Ethical Trade Initiative](#) (ETI) [base code guidance](#) on living wage can illustrate steps a company can take toward living wage.
- The UN Global Compact [Living Wage Microsite](#) includes a call to action, with steps that a company can take to start acting on living wages now, including links to resources. The "What Can Be Done" section further addresses "what multinationals and their suppliers can do to improve wages". The site identifies activities, outputs, outcomes and potential impacts for 1. buyers; 2. sectors; and 3. suppliers. They also provide examples in practice.
- The UN Global Compact [SDG Ambition Reference Sheet for SDG 8: Decent Work and Economic Growth](#) also speaks directly

to the steps needed to address living wages as a key to fulfilling SDG ambitions.

- UN Global Compact's [Decent Work Toolkit for Sustainable Procurement](#) is a resource for mitigating risk and advancing decent work holistically in your supply chain.
- ACT [Global Purchasing Practices Commitment](#) - gives steps that a company can take that are not price-specific.

### Tools to assess costs

- Fair Wear Foundation's [Labour-Minute Costing Tool](#) helps companies calculate their share of living wage costs.
- ACT [Labour Cost Protocol](#) helps brands determine if prices are sufficient to cover a vendor's cost of labour.
- GIZ's costing tool helps buyers analyse prices that would help close gaps relative to purchased volumes. (not public yet, still checking on it).

### Guidance for engaging suppliers

- The UN Global Compact (UNGC) provides guidance for engaging suppliers in, "[Improving Wages to Advance Decent Work in Supply Chains](#)".
- The [Align tool](#) also provides suggestions for engaging supply chain partners.

### Guidance for suppliers

AIM-Progress, with Ergon, have developed a "[Supplier Tip Sheet](#)" for supplier companies that are working with one or more companies or customers that have an interest in working together to address low wages. It clearly articulates the view that improvements to supplier wages require action and support from both suppliers and buyers.

## CHAPTER 5

### Strategies for Closing Living Wage Gaps

#### Things to consider



#### Case Example: Fairphone

Fairphone reviewed the living wage estimates from the Global Living Wage Coalition (GLWC) and Asia Floor Wage, and consulted workers through a survey and dialogue, before setting the target wage. Next, the company calculated how much they would need to pay in order to achieve this wage on their production line.

Fairphone determined that a fixed bonus of 1.50 EUR per phone would bring workers closer to a living wage and incorporated this into the product price. With a final shelf price of 450 EUR, the cost of paying a living wage accounts for just 0.33 percent of the total price. Each year the size of the bonus is re-evaluated to integrate new information and changes in living costs..."

[Read more at IDH Roadmap step 5](#)

[Look to peers best sharing learning at the AIM-Progress Living Wage & Living Income Working Group.](#)

- A global strategy is one that focuses on your employees, your supply chains, and contractors. The living wage definition and guiding principles provide a common thread to weave these pieces together.
- It can be helpful to set goals for each strategy or workstream. For example, advocacy might be one strategy. Others might include improving employee benefits; strengthening procurement policies; partnership building; and price adjustment, etc.
- Closing living wage gaps sustainably over the long-term, especially in supply chains, requires partnership. In addition to company-specific programs, it is useful to engage with others in advocacy that can help to change national policies, market trends, and industry norms.
- There may not be one single option for closing living wage gaps. Likely, several strategies deployed together will have the best and most long-lasting result. While it is fairly well recognized that buyers need to contribute through higher buying prices, it is also true that this often needs to be accompanied by structural changes that help improve transparency; strengthen trade relationships; and lift worker voices throughout the supply chain.
- When considering strategies to close living wage gaps, it is useful to think about how these strategies can weave into other corporate responsibility priorities. The link with other human rights issues is clear. However, there may also be opportunities to link to climate and other environmental issues - for example, through smart transportation, efficient use of resources, and climate smart production practices that can simultaneously reduce production costs (freeing up resources) while also providing valuable remuneration to employees through in-kind benefits.



## Strategies for Closing Living Wage Gaps

“As a result of its human rights saliency assessment and program establishment in 2019, The Hershey Company kicked off internal dialogue on living wage and income in 2020. Using the guidance of the UNGPs, Hershey conducted a risk assessment to identify the greatest opportunities for influence and impact, as well as for improvement. As a result, Hershey Prioritised action on living wage in its own operations and living income in its cocoa supply chain.

In 2021 Hershey partnered with BSR to validate all full time employees on a global basis were being paid a living wage. Working with its HR analytics team, Hershey built a real-time database of employee wages and living wage benchmarks to allow for real-time data analysis. This investment ensures timely remediation of any employee wages that do not meet benchmarks. Hershey also collaborates with The Sustainable Trade Initiative (IDH), the Fair Wage Network and Living Wage for U.S. to further its understanding of living wages in different geographical contexts.

Hershey is a leader in supporting an environment for further action on living wages through participation in the IDH Business Call to Action and the UNGC Impact Accelerator. Hershey co-funded the IDH Salary Matrix and supports the development of other remuneration tools for industry and suppliers with the goal of creating a space for more companies to discuss the issues and share best practices for living wage gap measurement and remediation.

*“The living wage journey at Hershey has been about taking practical and meaningful steps towards progress on the issue. There is a lot of work to do to advance living wages globally, but the team is focused on learning and iterating as the program progresses and to sharing our progress with others.”*



# Due Diligence and Disclosure



International frameworks  
for disclosure of living  
wage activities

Key indicators



## CHAPTER 6

# Due Diligence and Disclosure

Due diligence is important internally to monitor impact and mitigate risk. Due diligence and disclosure on living wage performance is also increasingly a topic of discussion among global reporting frameworks and financial institutions. This is evidenced by the growing number of indicator sets and due diligence frameworks that these organisations are creating. While much is still voluntary, this type of reporting could become obligatory in certain spaces in the future.

## Objectives



## Steps you can take



### Case Example: SDG 8: 100% of Employees Across the organisation Earn a Living Wage

UN Global Compact's SDG #8 Ambition Benchmark Fact Sheet is an important resource on implementing living wage among a company's own employees and beyond. It provides steps for implementation, which can also serve as key measures of progress. Among other things, the Fact Sheet includes the following fundamental and aspirational indicators:

#### Fundamental

- Number of employees below a living wage by location and across the entire company; Percentage differential between lowest wage and the living wage.

- Adoption of sustainable procurement practices by department; Contractors engaged on living wage policies; Suppliers engaged on living wage policies.

#### Aspirational

- Annual breaches of living wage policy; Average time to identify and resolve breach.
- Suppliers providing a living wage; Contractors hired on/above living wage.

The document also advises on assessment into core HR systems?" and "How might you evaluate your supplier network's compensation policies and encourage supplier improvement?" with practice examples from several companies.

## CHAPTER 6

### Due Diligence and Disclosure

#### Steps you can take



1. Review existing data sets and due diligence frameworks discussed above.
2. Build living wage indicators into your social responsibility management system to ensure that your initiatives are subject to continuous improvement. If you don't have such a system, consider building one.
  - In addition to measuring the Living Wage Gap, identify and use other indicators that can help you to monitor intended and unintended outcomes.
  - Make sure to monitor lagging indicators to assess the current status (e.g. how many suppliers have a living wage gap) and also leading indicators to predict future conditions (e.g. number of purchasing contracts under a responsible purchase program).
  - Collect qualitative data to help you understand the root causes of problems.
3. Measure against different thresholds
  - In addition to the living wage, consider measuring progress against the minimum wage, sector CBA wage or other wage statistics with the help tools such as the [Fair Wear Wage Ladder](#).
  - If you are implementing changes in your purchasing practices, you can use the [Better Buying Ratings](#) to obtain an independent assessment of which purchasing practices you need to focus your improvement efforts on. By monitoring your scores year-on-year, and over time, you can measure the effectiveness of your efforts, and continually improve your purchasing practices.
4. Remember that Living Wage Benchmarks are updated annually for inflation, so you'll need to update your reference points accordingly.
5. Report progress, including both data and context information.
6. Consider an independent audit of sustainability reports for assurance concerning your data and claims.



#### Common Challenge(s):

Overloading producer partners or local staff with data collection

Required data are not available



#### Possible Solution(s):

Involve your suppliers to define the data collection process and collect feedback and suggestions for improvement

Support your suppliers in the implementation of HR platforms and management systems

#### Examples of Outcomes

##### Short-term

indicators identified and aligned with your priorities and objectives

##### Mid-term

data collection systems are in place and data is routinely collected and evaluated

##### Long-term

data management system ensuring monitoring, review, continuous improvement and public reporting on progress is in place



## CHAPTER 6

### Due Diligence and Disclosure

#### Resources



#### Role of certification

Certification schemes and member organisations that include living wage can offer a means to support due diligence and communicate progress toward living wage. These vary widely. Some, like Fair Wear Foundation provide due diligence reporting guidelines for their members, as described in their [Due Diligence Fact Sheet](#). Others like UK Living Wage Foundation; Living Wage for US; Living Wage New Zealand, and others provide a “Living Wage Employer” seal. [Fair Wage Network](#) assesses and certifies wage practices through worker and management surveys.

- The Danish Institute of Human Rights has published a [full set of business indicators](#) consisting of 200 questions and 1000 indicators covering the full range of human rights. You'll find some living wage indicators under Chapter 2 Human rights.
- SHIFT is working on an [Accounting Model to Report on Progress Towards Living Wages](#).
- The World Benchmark Alliance's [Corporate Human Rights Assessment Methodology](#) document lays out the indicators and benchmarks that they use to assess companies' performances, including on living wage. These indicators and criteria are also useful for a company's own living wage disclosures.
- [S&P Global](#) provides a useful methodology to assess companies' living wage performance, as a material human rights issue.
- [The Platform on Living Wage Financials](#) has an assessment methodology - developed or in-development - for different sectors.
- The [Fair Wear Foundation due diligence factsheet](#) offers a limited set of useful questions for performing due diligence on operations in your supply chain. While developed with garment factories in mind, the questions are also relevant for other sectors.
- The [ALIGN](#) tool chapter on how to track progress, provides useful information on how to track progress, including an explanation of different types of data collection and examples of useful indicators.
- The UN Global Compact's [Human Rights Due Diligence Portal](#) is a tool to help companies self-assess against human rights goals. While living wage is not specifically addressed yet, aspects of human rights that are relevant to living wage are. More resources are expected soon which are more specific to decent work.

## CHAPTER 6

### Due Diligence and Disclosure

#### Things to consider



**The Ethical Trade Initiative's Review of H&M Group Roadmap to Fair Living Wages recommends to:**

Establish an effective monitoring and evaluation system that measures not only actions and outputs (e.g. number of training sessions delivered, or factories/workers reached) but also the outcomes of the actions (e.g. increased awareness, changes in behaviour, and - above all - changes in wage levels), and to communicate these clearly."

"Monitor impact of improved purchasing practices by developing tools and methodologies to measure improvements in purchasing practices... [Surveys] should be designed so as to help H&M group uncover the root cause of any related production, working conditions or pay issues."

- [IDH recommends](#) that, at a minimum, companies monitor and publicly report progress against the following 2 indicators that can be directly derived from the IDH Salary Matrix.
- Workers with total remuneration below a living wage (# and %), disaggregated by gender.
- Average size of living wage gap (%), disaggregated by gender.
- Another useful indicator is the change in living wage estimates over time due to inflation (or deflation) and other economic factors that affect costs of living.
- While most of the widely accepted ESG reporting frameworks, such as GRI and SASB do not include living wages indicators as of yet, the [GRI General Disclosures Standard](#) sets out reporting requirements on contextual information about an organisation and its sustainability reporting practices that can be generally useful.
- [OECD](#) is an international organisation that works to build better policies for better lives and provides one of the most trusted sources of comparative socio-economic data and analysis, which may be helpful for identifying useful indicators or providing context in your reports.





## CHAPTER 7



# Broader Advocacy Around Living Wage

A company's individual sphere of influence is limited. While companies have the power to make big changes within their own operations, their ability to completely change practices among their suppliers or across sectors will vary depending on many factors. Widespread progress on living wages will require a coming together of like-minded companies and other stakeholders that want to influence change at a global scale. Companies large and small are taking steps to join with others in broader advocacy, whilst at the same time refining their own policies and practices.

## Objectives

1

Identify and engage in relevant advocacy coalitions

2

Peer to peer support

## CHAPTER 7

### Broader Advocacy Around Living Wage

#### Steps you can take



#### Case example: H&M

The H&M Group has been simultaneously working on its own supply chain while also working with others to change the value chain dynamics that constrain wage growth systemically. In 2013, H&M launched its Roadmap to Fair Living Wages with the following key activities:

#### Wage Management System Program:

Capacity building to raise awareness of workers about wages and to support suppliers to develop transparent and progressive pay structures, called wage grids.

**Workplace Dialogue Program: Factory level** engagement to promote social dialogue and the representation of workers in wage negotiations.

#### Sustainability Relationship Management (SRM) status:

A strategic supplier status program which preferences suppliers according to performance outcomes in their supplier code of conduct.

**Purchasing practices:** Working with their suppliers and with ACT, H&M committed to ring-fence the labour cost when negotiating prices with its supply base, enabling longer-term relations and purchase orders to have a positive impact on wages.

Collective bargaining agreements: Engaging with ACT to promote industry-wide collective bargaining agreements.

UN Global Compact Living Wage Microsite.

1. Join initiatives that not only measure living wage gaps, but that are also committed to take action to reduce the gap by:
  - Promoting freedom of association, social dialogue and collective bargaining on terms and conditions of employment.
  - Engaging with international organisations such as the [ILO](#), via employers' organisations, to lobby for higher wages or better minimum wage-setting machinery and enforcement in low-income countries.
  - Work to improve purchasing practices in the areas with the biggest impact on wages and working conditions such as terms of payment, planning and forecasting, pricing based on itemized costs and exit strategies.
2. Consider participating in annual global living wage events, such as the Living Wage Summit organized by IDH or Living Wage week, organized by the UK Living Wage Foundation and Global Living wage Network. These events bring together change makers across stakeholder groups, to share successes; engage in peer-to-peer learning; and discuss how to accelerate practical action.



#### Common Challenge(s):

Choosing the right group to join, when resources and time is limited



#### Possible Solution(s):

Look to the platforms that you are already a part of to see if there is a working group on living wage. If you are not part any group that works on living wage, consider joining one that focuses on very practical steps toward living progress and helps you on the journey.

#### Examples of Outcomes

##### Short-term

map the existing collective action initiatives relevant for your living wage commitments

##### Mid-term

choose, join and be an active member of a collective action initiative

##### Long-term

monitor the collective action impact and support continuous improvement



## CHAPTER 7

### Broader Advocacy Around Living Wage

#### Resources



**There is a wide variety of multi-stakeholder initiatives working on systemic changes to enable living wages, including coalitions of companies, investors, social compliance schemes and social dialogue organisations.**

**Some coalitions work with governments to advocate for and change national legal frameworks including minimum wages. Others focus on changing sector-wide norms and practices, some of which stem from a long history of human rights abuses. Others focus on implementing changes specific to commodity supply chains by, for example, promoting collective bargaining and responsible purchasing practices.**

**Peer to peer learning is a common element often found across different coalitions.**

- In 2022, The UN Global Compact launched the [Think Lab on Living Wages](#) which will shape thought leadership on this critical sustainability issue.
- The [IDH Living Wage Roadmap](#) brings together companies in multiple sectors to strengthen international alignment and work on living wages. They also co-finance pilot projects. The [IDH Call to Action](#) is both an example and invitation.
- Organisations such as the [Asia Floor Wage Alliance](#), the [World Banana Forum](#), [AIM-Progress](#), [INA](#) or [ACT](#) promote sector wide living wage initiatives.
- The Share Action [Good Work Coalition](#) helps investors to collaborate, learn and advocate to drive up standards in the workplace.
- [Business for Inclusive Growth \(B4IG\)](#) is a partnership between the OECD and major corporations from across the globe, all committed to reduce inequalities, including providing workers in supply chains with the opportunity to earn a decent income.
- The [GIZ](#) organizes sector platforms for collaboration on living wage, and also collaborates with other platforms (such as IDH).
- The [Global Living Wage Coalition](#) and [ISEAL Alliance](#) engage companies to help fund living wage benchmarks and work on joint advocacy.
- This [Ethical Trading Initiative report](#) provides reasons for collaborative action at industry level.
- The [Align Resource Library](#) identifies numerous multi-stakeholder initiatives that are addressing living wages. Filter by multi-stakeholder initiatives to identify the ones relevant to your sector.



## CHAPTER 7

### Broader Advocacy Around Living Wage

#### Things to consider



#### Before joining a collective initiative consider:

##### Feasibility

- Is the commitment ambitious enough, yet also feasible?
- Is there a mid and long term strategy?
- Is the initiative properly financed?
- Are there enough members for the initiative to fulfil the commitment and have an impact?

##### Alignment

- Are the target products or services relevant for your company/purchasing volumes?
- Is the focus geography relevant to your priorities?
- Is the initiative focusing at a level that is right for you (e.g., own employees or supply chain)?

##### Readiness

- Do you have internal buy-in?
- Do you have the time and resources?
- Do you have a good understanding of your operating context relevant to wages (e.g., number and location of your own employees, or a map of your supply chain)?

- In many supply chains, it is unlikely that individual companies will be in a position to effect systemic change by themselves. The best response to inadequate wages will almost always require sector-wide and/or multi-stakeholder collaboration.
- By working collaboratively and aggregating positive buying power with the express aim of addressing poverty wages, companies can send a strong signal to suppliers and governments that the market will respond positively to improved wages.
- To respect competition laws, cooperation initiatives do not involve any company-to-company exchange on purchase prices, other costs, production quantities or margins. There are no mandatory minimum prices or price mark-ups to be agreed between the members of the working group.
- Platforms have the potential to act as a clearing house for ideas and potential solutions to common challenges with achieving living wage commitments.
- New country-based platforms are increasingly being launched, (e.g., in the UK and Brussels).

## RESOURCE MAP

Resource Link	Type	Owner	Useful for	Chapters
<a href="#">The Case for Living Wages: How Paying Living Wages</a>	Research Study	Business Fights Poverty	Defining the business case	1
<a href="#">The Human Rights Opportunity</a>	Case Studies and SDGs	"Shift & World Business Council on Sustainable Development (WBCSD)"	Defining the business case: SDGs	1
<a href="#">S&amp;P Global Living Wage Methodology</a>	Methodology	S&P Global	Indicators, disclosure and monitoring progress	1, 6
<a href="#">Platform on Living Wage Financials Sector Based Assessment Methodologies</a>	Methodology	Platform on Living Wage Financials (PLWF)	Indicators, disclosure and monitoring progress	1, 6
<a href="#">Share Action's Good Work Coalition</a>	Investor Tools and Joint Advocacy	Share Action	Indicators and disclosure	1
<a href="#">Methodology Guidance for the PLWF Living Wage Assessments</a>	Methodology	Platform Living Wage Financials (PLWF)	Indicators and disclosure	1, 6
<a href="#">Unilever, Compass Goals on Raise Living Standards</a>	Business Case	Unilever	Defining the business case	1
<a href="#">The Living Wage is Good for Business</a>	Business Case	UK Living Wage Foundation	Defining the business case	1
<a href="#">Accounting for a Living Wage</a>	Accounting Model	SHIFT and The Capitals Coalition	Indicators, disclosure and transparency	1, 6
<a href="#">Good Jobs in Retail, A Toolkit: How to Move to a Living Wage and Maximize the Benefits</a>	Toolkit	The Living Wage Foundation	Defining the business case, Guidance to Close the Gap	1, 5
<a href="#">The Living Wage Employer Experience</a>	Research Study	Cardiff University	Business Case	1
<a href="#">Case Studies - Companies</a>	Case Studies	Fair Wage Network	Business Case	1, 5
<a href="#">Case Studies - Industry</a>	Case Studies	Global Living Wage Coalition	Business Case	1
<a href="#">What's a 'living wage' and why's paying it good for business and workers?</a>	Case Studies	World Economic Forum	Business Case	1
<a href="#">Align Action Process</a>	Roadmap with Tools	Align	Links to a range of resources with explanations	All
<a href="#">Dutch Banana Retail Commitment on Living Wage</a>	Public Commitment	IDH Sustainable Trade Initiative	Sector level commitment	2
<a href="#">German Retailers Living Wage Commitment</a>	Public Commitment	German Federal Ministry for Economic Cooperation and Development (BMZ) and GIZ	Sector level commitment	2
<a href="#">Belgium is Committed to a Living Income</a>	Public Commitment	Kingdom of Belgium	Sector level commitment	2
<a href="#">World Banana Forum Declaration to Living Wages for Men and Women Working in the Banana Industry</a>	Public Commitment	Food and Agriculture Organisation of the United Nations	Sector level commitment	2
<a href="#">Fair Compensation Strategy Status: Public Commitment</a>	Public Commitment	Fair Labour Association	Public commitment via certification	2
<a href="#">Understanding Fair Wear's Approach to Living Wages</a>	Standard	Fair Wear Foundation	Links to a range of resources with explanations	All
<a href="#">Living Wage for US Certified Employers</a>	Public commitment	Living Wage For US	Public commitment via certification	2

## RESOURCE MAP

Resource Link	Type	Owner	Useful for	Chapters
<a href="#">A Guide to Becoming a Living Wage Employer</a>	Standard	Ontario Living Wage	Roadmap with instructions	All
<a href="#">UK Living Wage Foundation Accredited Employers</a>	Public Commitment	UK Living Wage Foundation	Public commitment via certification	2
<a href="#">Living Wage Network</a>	Public Commitment	Global Living Wage Network	Public commitment via certification	2
<a href="#">Global Labour Risk Index</a>	Risk Assessment	Wage Indicator Foundation	Risk Assessment Tool	3
<a href="#">The Poverty and Inequality Platform</a>	Risk Assessment	The World Bank	Risk Assessment Tool	3
<a href="#">The Poverty and Equity Portal</a>	Risk Assessment	The World Bank	Risk Assessment Tool	3
<a href="#">ITUC Global Rights Index</a>	Risk Assessment	ITUC	Risk Assessment Tool	3
<a href="#">Sedex Supplier Risk Assessment Tool (Radar)</a>	Risk Assessment	Sedex	Risk Assessment Tool	3
<a href="#">Roadmap on Living Wages</a>	Roadmap with Tools	IDH Sustainable Trade Initiative	Links to a range of resources with explanations	All
<a href="#">Setting adequate wages: The question of living wages.</a>	Position Paper	ILO	Position paper	1, 4
<a href="#">Anker Methodology Living Wage Benchmarks</a>	Benchmarks	Global Living Wage Coalition and Anker Research Institute	Benchmarking living wage	4
<a href="#">Living Wages Around the World: Manual for Measurement</a>	Benchmark Methodology	Edward Elgar	Benchmark methodology	4
<a href="#">Global Living Wage Database</a>	Benchmark Finder Tool	Fair Wage Network	Identifying living wage benchmarks	4
<a href="#">Living Wages: Available Countries and Regions from October 2022</a>	Benchmarks	Wage Indicator	Benchmarking living wage	4
<a href="#">IDH Recognized Benchmark Finder</a>	Benchmark finder tool	IDH Sustainable Trade Initiative	Identifying living wage benchmarks	4
<a href="#">Wage Ladder</a>	Benchmarks	Fair Wear Foundation	Benchmarking living wage	4
<a href="#">U.S. Living Wage Benchmarks</a>	Benchmarks	Living Wage for US	Benchmarking living wage	4
<a href="#">BC Canada Living Wage Benchmarks</a>	Benchmarks	Living Wage for families BC	Benchmarking living wage	4
<a href="#">Ontario, CA Living Wage by Region</a>	Benchmarks	Ontario Living Wage	Benchmarking living wage	4
<a href="#">Living Wage Aotearoa New Zealand 2022 Update</a>	Benchmarks	The Family Centre Social Policy Research Institute	Benchmarking living wage	4
<a href="#">Asia Floor Wage 2022</a>	Benchmarks	Asia Floor Wage Alliance	Benchmarking living wage	4
<a href="#">"Calculating the Real Living Wage for London and the Rest of the UK: 2020-21"</a>	Benchmarks and Report	Resolution Foundation	Benchmarking living wage	4
<a href="#">IDH Salary Matrix</a>	LW Gap Assessment Tool	IDH Sustainable Trade Initiative	Finding the gap to living wage	4
<a href="#">Verifying Calculations of Living Wage Gaps</a>	Guidance for Auditors	IDH Sustainable Trade Initiative	Verification	4
<a href="#">FLA Wage Data Collection ToolFair Compensation Toolkit</a>	Wage Analysis Tools	Fair Labour Association	Collecting supply chain wage data	3,4



## RESOURCE MAP

Resource Link	Type	Owner	Useful for	Chapters
<a href="#">Wages in Context</a>	Measures of Progress	Wage Indicator Foundation	Benchmarking Progress	4
<a href="#">ALIGN Resource Library</a>	Living Wage Benchmark Database	ALIGN	Benchmarking living wage	4
<a href="#">ACT Labour Costing Protocol</a>	Costing Tool	ACT - Action Living Wages	Closing the Gap	5
<a href="#">Living Wages in Global Supply Chains: a new agenda for business</a>	Guidance	Ethical Trading Initiative	High-level Action Roadmap	3, 5
<a href="#">"Putting the Living Wage to Work: Strategies and Practices in Small and Medium Sized Enterprises (SMEs)"</a>	Guidance	Barrow Cadbury University, Middlesex w of Liverpool	Closing the Gap	5
<a href="#">Labour Costing Protocol</a>	Guidance	ACT - Action Living Wages	Closing the Gap	5
<a href="#">Collective Bargaining at Industry Level</a>	Guidance	ACT - Action Living Wages	Closing the Gap	5
<a href="#">Labour Minute Costing Tool</a>	Costing Tool	Fair Wear Foundation	Closing the Gap	5
<a href="#">Base Code Guidance: Living Wage</a>	Code of Conduct	Ethical Trading Initiative	Links to a range of resources with explanations	All
<a href="#">Living Wage Microsite</a>	Roadmap with Tools	UN Global Compact	Links to a range of resources with explanations	All
<a href="#">SDG Ambition Reference Sheet for SDG 8: Decent Work and Economic Growth</a>	Roadmap with Tools	UN Global Compact	Living wage steps for SDG ambitions	5
<a href="#">Decent Work Toolkit for Sustainable Procurement</a>	Roadmap with Tools	UN Global Compact	Links to a range of resources with explanations	5
<a href="#">Human Rights Indicators for Business</a>	Business Indicators	Danish Institute for Human Rights	Questions and Indicators for Human Rights	6
<a href="#">Corporate Human Rights Benchmark Methodology</a>	Business Indicators	World Benchmarking Alliance	Performance assessment	6
<a href="#">Fair Wear Foundation Due Diligence Factsheet</a>	Due Diligence Questions	Fair Wear Foundation	Guidance on due diligence	6
<a href="#">Human Rights Due Diligence Portal</a>	Due Diligence Guidance	UN Global Compact	Info portal	6
<a href="#">Think Lab on Living Wage</a>	Shaping Thought Leadership	UN Global Compact	Collaboration	7
<a href="#">IDH Call to Action</a>	Sample Advocacy	IDH Sustainable Trade Initiative	Encouraging action among others	7
<a href="#">Living Wages in Global Supply Chains</a>	Call to Action Report	Ethical Trading Initiative	Advocacy guidance	7
<a href="#">Business 4 Inclusive Growth (B4IG)</a>	Call to Group Action	B4IG	Working groups	7