

# The Living Wage: A global overview of initiatives and regulations



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ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. It offers business relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **188,000** members and **480,000** students in **178** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **100** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that, through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

In June 2016 ACCA formed a strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). The alliance represents the voice of 788,000 members and future professional accountants around the world, who share the commitment to uphold the highest ethical, professional and technical standards.

More information is available at: [www.accaglobal.com](http://www.accaglobal.com)

## About the Living Wage Foundation

The Living Wage Foundation is the organisation at the heart of the UK's independent movement of businesses, organisations and people that campaign for the simple idea that a hard day's work deserves a fair day's pay.

Established in 2011, the Living Wage Foundation celebrates and recognises the leadership of responsible employers who choose to go further than the minimum wage by offering accreditation to employers that pay the real Living Wage by awarding the Living Wage Employer Mark.

The real Living Wage rates are based on the cost of living and are independently calculated every year based on the best available evidence about living standards in London and the UK. The Living Wage rates are currently £8.45 per hour in the UK and £9.75 per hour in London.

To become accredited all employers must pay all directly employed staff the independently-calculated Living Wage and have a plan in place for all contracted staff. There are nearly 3000 organisations signed up with the Living Wage Foundation as accredited Living Wage Employers and it has lifted the pay of at least 120,000 employees.

Every year, the Living Wage Foundation announces the Living Wage rates in November during Living Wage Week, a UK-wide celebration of the Living Wage movement. It also provides advice and support to employers and service providers implementing the Living Wage rates. This includes best practice guides, case studies from leading employers, model procurement frameworks and access to specialist legal and HR advice.

The Living Wage Foundation is an initiative of Citizens UK and it receives guidance and advice from the Living Wage Foundation Advisory Council.



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This report provides an overview of global Living Wage developments and identifies the legal frameworks that have evolved to support it.

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Despite the existence in many countries of a nationally determined 'minimum wage', examples of 'in-work poverty' abound, evidenced by a profusion of government funded subsidies. The concept of the 'Living Wage' builds upon the existing 'minimum wage' by focusing on and capturing issues such as the family unit (as opposed to the individual) and social participation and mobility (as opposed to survival or social exclusion).

ACCA and the Living Wage Foundation are jointly sponsoring research aimed at facilitating the global applicability of the Living Wage concept. The aim of the research is two-fold: to document the historical development and take-up of the Living Wage and, through a series of international roundtable discussions, to establish a set of broad principles which can be used both globally and locally when entering into multi-party discussions on this subject.

Employees and trade unions probably need little persuading that the Living Wage is preferable to the usual National Minimum Wage (NMW) because the former is almost invariably superior (in simple monetary terms) to the NMW, but employers need more convincing.

From the research conducted by ACCA and the Living Wage Foundation, and other earlier research, the business case for paying the Living Wage rather than the statutory NMW is based on these four reasons:

1. decreased employee turnover, which leads to cost savings on staff hiring and training;
2. lower absenteeism, which leads to improved job quality, productivity and service delivery;
3. the benefits that flow to the broader economy by stimulating consumer spending; and
4. the stimulation of greater corporate responsibility and firm reputation.

Nonetheless, as Cardinal Nichols says in his thought piece, 'it is not just the wage that is important. The dignity of work itself and the quality of the human relationships fostered through work are crucial'. This is something ACCA has always believed, and that ambition – to nurture the individual and further their life opportunities – is applied to ACCA's staff, students and global membership. And that's why, in the UK, we are accredited as a Living Wage employer.

**Helen Brand OBE**  
**Chief executive**  
ACCA



Global interest in the Living Wage has grown rapidly in recent years and a range of different initiatives are taking root around the world.

In the UK, the Living Wage movement is well established and enjoys broad-based support from civil society, the business community, trade unions and governments. In 2011, the Living Wage Foundation was established to work with and celebrate employers who choose to pay the Living Wage – an hourly rate independently - calculated based on what employees and their families need to live.

Five years on and there are 3,000 accredited Living Wage employers across the UK ranging from FTSE 100 companies to small, independent firms. This has impacted the lives of hundreds of thousands of employees and their families. Employers adopting the Living Wage also

report a range of business benefits in the form of improved recruitment, retention, reputation and productivity. The Living Wage employer mark has become an ethical badge for responsible pay that benefits both individuals and businesses.

This report provides an overview of Living Wage initiatives around the world including the different frameworks that have evolved to support the Living Wage in different contexts. It is one of two reports produced by ACCA and the Living Wage Foundation to inform discussions about how to apply the Living Wage and understand its benefits from an international perspective.

We hope that these papers will stimulate debate, action and shared learning about the Living Wage so that ultimately many more people can enjoy a decent and dignified standard of living.

**Katherine Chapman**  
**Director**  
Living Wage Foundation

# Thought piece:

by the Cardinal Archbishop of Westminster, Vincent Nichols



**‘We are not powerless before economic change. We can all help to shape the future. We can decide what we value most, and how others should be treated and respected.’**

**Vincent Nichols**  
Cardinal Archbishop of Westminster

Like many people I have been heartened and encouraged by the way the Living Wage movement has grown in recent years in the UK.

The Catholic Church in England and Wales, our schools and agencies have committed to being supporters of the Living Wage and I am particularly delighted that the Diocese of Westminster is an accredited Living Wage employer.

It is good to see more businesses of all sizes adopting the Living Wage. There is strong evidence of the business case for doing so. Momentum is clearly growing, but it is not just the wage that is important. The dignity of work itself and the quality of the human relationships fostered through work are crucial. Labour is never just a cost, and everyone is a someone, not a something.

Technological change and globalisation will dramatically affect the demand for jobs and the nature of work, putting an ever-greater premium on education and skills.

The more people are self-employed, or work for a range of employers, the greater the risk of exploitation, jeopardising many of the rights currently enjoyed by employees and some of the gains made recently. Safeguarding and promoting the rights of people to a Living

Wage will not be easy. It will require a strong and enduring social and political commitment. We will need to see the emergence of the Living Wage contractor.

We are not powerless before economic change. We can all help to shape the future. We can decide what we value most, and how others should be treated and respected. Employers can decide what are the fundamental purpose and responsibilities of business. Customers and consumers have some freedom to support responsible businesses with their trade. State authorities, through their budgeting decisions, have a major role in determining wage rates.

Initiatives such as Blueprint for Better Business are strongly encouraging companies, large and small, to adopt principles enshrining a fundamental purpose to serve society and respect human dignity. Fair pay is a key element of that. This must become a basic social expectation of all businesses. Businesses are part of society. They cannot succeed in a society that fails. We can all help to promote such a broad and deep sense of responsibility through our own action and commitment in whatever sector we work in, whether as colleagues, customers or citizens. It is a task for us all.

**Vincent Nichols**  
Cardinal Archbishop of Westminster

With nearly 3,000 accredited Living Wage employers (December 2016 figures) in the UK alone, it is clear that it is time for a deeper analysis of the Living Wage issue.

This report is one of two issued jointly by ACCA and the Living Wage Foundation; it provides an overview of Living Wage developments globally and identifies the legal frameworks that have evolved to support the Living Wage lobby. It should be read in conjunction with *The Living Wage: Core principles and global perspectives* which provides a 'real world' global perspective on Living Wage issues derived from views expressed by mixed stakeholder groups at seven roundtable discussion events held in 2015 (in London, Brussels, Hong Kong, New York, Kampala, Johannesburg and Shanghai).

The main issues arising from both reports can be summarised as follows.

1. The debate over the Living Wage is a worldwide issue but in many countries there is a lack of momentum because those arguing in favour are doing so in a fragmented fashion, or because some important stakeholder groups (eg trade unions) are not properly represented, or because of ineffective implementation of existing minimum wage legislation.
2. The business case for paying a Living Wage (as opposed to the lower statutory minimum wage) would benefit from further research exploring the impact on enterprises that have voluntarily embraced the Living Wage concept. Some sectors (the elderly care sector and retail, for example) can be identified as being particularly problematic.
3. Enhanced productivity, a more motivated and content workforce, living up to their stated values and reduced reputational risk are currently the main drivers for organisations to become Living Wage champions.
4. Although big brands have influence all the way down the supply chain, the fragmentation and fluidity of the supply chain at the furthest ends make brand enforcement of Living Wage commitments complex and costly. Consolidation of suppliers at the furthest reaches of the supply chain and buyer alliances may be one way of dealing with this problem.
5. Public sector bodies can play a major role in influencing their own supply chains through the use of Living Wage clauses in procurement contracts. Set against this is the possible internal split (particularly in the private sector) between those responsible for governance and reputational risk, and those responsible for securing input materials at the lowest possible price rather than best value.
6. Local cultural and economic factors (such as the varied nature of extended families, the widespread use of employer-funded non-wage benefits, the prevalence of migrant workers and even seasonal cost of living variations) can make the calculation of a Living Wage based on the cost of living a complex matter that is often best handled on a regional basis.

# Thought piece:

Professor Jane Wills, Queen Mary University of London



‘Fifteen years after the start of the Living Wage campaign in east London, there is much greater recognition that increased wages have wider benefits for the whole of society.’

Professor Jane Wills  
Queen Mary University of London

Over the last fifteen years, I have seen the idea of a ‘Living Wage’ take off across the UK. There are now more than 3,000 organisations that are fully accredited as Living Wage employers but many more have also adopted the Living Wage rate. Over the next 10 years, the challenges are to implant the Living Wage in important sectors such as retail. If this were to happen, customers could shop to support the Living Wage, knowing that their hard-earned money was being spent in a store where the workers were paid an ethical wage.

Fifteen years since the Living Wage campaign started in east London, there is much greater recognition that increased wages have wider benefits for the whole

of society by increasing the incentives to work, reducing in-work benefits, improving the welfare of families and increasing aggregate demand. Somewhat counter-intuitively, it can be argued that a Living Wage economy is a cornerstone in the creation of a lower-cost society where the demands on the Exchequer actually fall. This is being recognised by politicians across the political spectrum and many of our leading employers are meeting the challenge and adopting the rate. Over the next ten years, the Living Wage may yet become the new minimum rate.

**Professor Jane Wills**  
**Queen Mary University of London**





Around the world – though in some regions faster than others – interest is growing in the concept of a ‘Living Wage’: a wage rate that should provide households with a minimum acceptable standard of living.

Around the world – though in some regions faster than others – interest is growing in the concept of a ‘Living Wage’: a wage rate that should provide households with a minimum acceptable standard of living. The concept of a Living Wage or a desirable level of pay is not new. The philosopher Plato considered the idea when writing about the dignity of work. Adam Smith’s *Wealth of Nations* argued that growth achieved through increasing productivity could bring higher wages, and in turn provide benefits for society (Smith 1776).

*The Constitution of the International Labour Organization (ILO)* refers in the Preamble to the ‘provision of an adequate Living Wage’ (ILO 1996–2012: para. 1). The 1944 ILO Declaration of Philadelphia concerning the aims and purposes of the ILO emphasises the need for ‘policies in regard to wages and earnings, hours and other conditions of work [to be] 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’ (ILO 1944).

According to the ILO, ‘The notion of a Living Wage, although not the phrase itself, is found in the Minimum Wage Fixing Convention, which speaks of ‘the needs

of workers and their families’ (ILO 1970). The ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) has explained that ‘the establishment of a minimum wage system is often portrayed as a means for ensuring that workers (and in some cases, their families) will receive a basic minimum which will enable them to meet their needs (and those of their families); hence the frequent use of the term ‘minimum Living Wage’. Efforts to implement such a concept imply an attitude or a policy aimed at improving the material situation of workers and guaranteeing them a basic minimum standard of living compatible with human dignity or sufficient to cover the basic needs of workers. Such a policy is in line with the International Covenant on Economic, Social and Cultural Rights as regards to every person’s right to receive remuneration equivalent at least to a wage which makes it possible for workers and their families to lead a decent life (OHCHR 1966).

The Universal Declaration on Human Rights adopted by the United Nations states in Article 23 that ‘Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection’ (UNDHR 1948).



There is also a growing sense of ethical concern that in the modern era some individuals still have to work long hours in multiple jobs to earn enough money to pay for food, accommodation and basic staples.

### **REASONS FOR RECENT INTEREST**

Recent interest in the concept of a Living Wage is being stimulated by a number of factors, including unease about the growing disparity between the income of the highest- and lowest-paid employees in mature Western markets. For example, according to the Organisation for Economic Co-operation and Development (OECD), the gap between rich and poor is now at its highest level for 30 years in most OECD countries – and this increasing income inequality has curbed economic growth significantly.

At a more general analytical level one reason for the growing interest in the Living Wage is that in the light of the significant growth of the low wage sector and in-work poverty in many countries, traditional tools such as the minimum wage (too low) and social security systems (too inefficient) have proved inadequate.

There is also a growing sense of ethical concern that in the modern era some individuals still have to work long hours in multiple jobs to earn enough money to pay for food, accommodation and basic staples. According to Oxfam (2014a), if the federal minimum wage in the US were raised to \$10.10 an hour it would benefit more than 25 million workers and lift 5 to 6 million people out of poverty.

The 2011 UN Guiding Principles on Business and Human Rights (UNGPs) assert that business has a responsibility to protect and respect human rights, which include the right to decent pay (UN 2011). This means that companies that source from suppliers in countries where prevailing wage levels are significantly lower have a responsibility to help improve those wages.

A number of countries, including the UK, are developing National Action Plans for the UNGPs, which will make this responsibility legally binding.

Other factors stimulating interest in the Living Wage concept include changing perceptions about the purpose of a business, macroeconomic debates about the drivers of growth, and concern that some workers in emerging economies are being exploited as cheap labour. Oxfam (2014b) estimates, for example, that a typical CEO of a UK FTSE 100 company earns 2,000 times as much as a typical Bangladesh garment worker (on the basis of purchasing power parity).<sup>1</sup>

### **MAKING THE BUSINESS CASE**

The Living Wage is not only an economic and social issue; it is also a business matter. As of December 2016 nearly 3,000 UK businesses had already committed to paying all employees and contracted staff, nationally, a Living Wage based on the cost of living (Living Wage Foundation n.d.).<sup>2</sup> For such businesses, the Living Wage is seen as bringing positive benefits through enhanced reputation and a strengthened employer brand, making it easier to recruit and retain staff, and leading to improved staff motivation and lower absence rates. For some employers, however, concerns over increasing wage costs are a barrier.<sup>3</sup> Many issues need to be considered before committing to the Living Wage, including potential impacts on areas such as planning and operations, and supply chain and contractor relationships. In addition, human capital is increasingly being seen as an asset – one that businesses need to manage and develop if they are to maximise their potential. So how does the Living Wage feed into that debate?

1 For completeness it seems as well to add that a report by the UK High Pay Centre in August 2015 shows that FTSE 100 chief executives (CEO) earn on average 183 times more than a full-time UK worker. That compares with £27,195 median pay for a full-time UK employee in 2014, according to official figures.

2 Accredited Living Wage Employers use the Living Wage rate set by the Living Wage Foundation that is independently calculated based on the cost of living. This is separate and higher to the government's 'National Living Wage' which is a mandatory minimum wage rate for over 25 year olds (see below).

3 See for example the responses of some UK Healthcare providers to the news that UK Chancellor of the Exchequer intends to introduce a £9.00 National Living Wage by 2020 <[www.bbc.co.uk/news/health-33986252](http://www.bbc.co.uk/news/health-33986252)>, accessed 30th January 2017.

# Thought piece:

by Dominic Johnson, Employee Relations Director, Barclays PLC



‘The perceived costs of paying this higher wage are, in our experience, outweighed by increased productivity and morale and reduced recruitment costs.’

Dominic Johnson, Employee Relations Director, Barclays PLC

Barclays has supported the Living Wage since 2003, and we were proud to announce our formal accreditation as a national Living Wage Employer in 2013.

This development, as well as making good business sense, demonstrates how our Purpose and Values permeate our day-to-day decisions and make a positive contribution to society. Not only is paying people who work on our behalf a wage that supports a decent standard of living a responsible thing to do, there are also clear business, societal and economic benefits to doing so. The perceived costs of paying this higher wage are, in our experience, outweighed by increased productivity and morale and reduced recruitment costs.

In 2015 we were pleased to support a knowledge exchange project conducted by the University of Strathclyde and the Living Wage Foundation, which investigates further the qualitative and quantitative benefits to businesses of paying the Living Wage.

Paying a higher wage encourages workers to stay and explore different career opportunities. We have also heard first hand from our contracted staff how receiving the Living Wage improves their quality of life both at work and home. We are pleased to support this and hope that the Living Wage continues to gain increased support from the business community.

Multi-stakeholder initiatives such as the Fair Labor Association, Fair Wear Foundation and the Ethical Trading Initiative are supporting their corporate members in making the business case and working to improve wages in their global supply chains.

**Dominic Johnson**  
Employee Relations Director  
Barclays PLC

## THE BUSINESS CASE: UNIVERSITY OF STRATHCLYDE / LIVING WAGE FOUNDATION RESEARCH

### Covering costs of the Living Wage is fundamental to the business case

Direct financial cost to the business is undeniable. A cost mitigation strategy is needed.

Case evidence provides examples of how the financial costs of Living Wage adoption can be offset by cost mitigation strategies, and considered alongside investment commitments designed to achieve value creation.

There are a number of potential benefits that specific businesses can realise from implementing the Living Wage, which include financial savings such as: reducing staff turnover; increasing worker morale and loyalty; reducing absenteeism; productivity improvements; strengthening recruitment opportunities; and providing reputational benefits.

### A business case based on value creation

In the first instance, adopting the Living Wage encourages organisations to re-evaluate their business model, and to adjust conditions and working practices of employees – such as moving to day shifts work that has previously been done on night shifts, using workers to undertake other tasks that are more socially convenient for them, and offer more job variability/skill development. Such changes potentially lead to both financial value creation and social welfare improvements.

Of particular note from a profit perspective, the cases studied provide emergent evidence of how investment in the Living Wage leads to brand value creation.

In order to inform the debate, this report provides a simple overview of the key stakeholders trying to build momentum behind the Living Wage in different regions: Europe, North America, Africa and Asia.

### **STIMULATING GLOBAL ACTION THROUGH DEBATE**

In considering these and other questions, ACCA and the Living Wage Foundation identified the potential for a more global discussion to address the concept of the Living Wage and its benefits from an international perspective. Although the context may differ across jurisdictions there are Living Wage movements in many countries, so a common approach or framework may add value. In order to stimulate the debate, this report, informed by research undertaken in 2015, provides an overview of the key stakeholders trying to build momentum behind the Living Wage in different regions: Europe, North America, Africa and Asia. It shows that experience in these regions is very different both in the range of stakeholders involved and the impacts being achieved.

ACCA and the Living Wage Foundation have also prepared a summary of legislative frameworks around the world that relate to minimum or basic employee wages. This is also intended to give interested parties a high-level overview of the extent (or limited nature) of current legislative frameworks relating to the Living Wage (see Annexe 1).

As with efforts to improve the gender balance in senior management and board structures, achieving support for a Living Wage around the world will take time and will require far greater consensus about what is meant by 'Living Wage' and its potential benefits. This document aims to be one step on the road towards building that consensus.

The remainder of this report will consider the question of the Living Wage on a regional basis.



Living Wage legislation varies depending on a range of regional and national contexts.

### 2.1 THE REGIONS CONSIDERED IN THIS REPORT

#### Europe

Until recently, most activity in continental Europe in relation to low pay has occurred at the level of the European Union, when national governments have discussed updates to the Treaty on the European Union. These have, for example, led to Article 3 of the Treaty, committing the EU to work for the sustainable development of Europe. Economic ministries have also debated economic theories, such as whether increasing low wage rates leads to growth, or whether productivity gains need to be achieved first.

The UK is unusual, not only in the EU but also globally, in the extent of the multi-stakeholder activity taking place in support of instituting a Living Wage. The Living Wage campaign in the UK is strong and generating considerable interest both in the media and among political parties.

#### North America

Activity around supporting a Living Wage takes different forms in the US and in Canada. In the US, for example, Living Wage campaigns have been underway for some 40 years. Although on occasions the US government has worked with unions, in general the dominant form of action has been isolated initiatives by individual cities – resulting in around 120 different versions of the Living Wage across the country.

In Canada, the initial movement behind the Living Wage was somewhat more coordinated. Unions and community groups together approached the national government in order to agree a Living Wage. This has resulted in a relatively loose Living Wage definition at the national level – one that is interpreted in different ways by each state. Interpretations have evolved over the years, though remain based on the concept of the amount an individual has to earn. Initially, for example, this was the amount a man had to earn to feed his wife and family, but now relates to the amount a family needs to earn. Currently in Canada there is no national platform to enable multiple stakeholders with an interest in the Living Wage debate to collaborate and drive the issue forward.

#### Australia and New Zealand

A version of the Living Wage has existed in Australia since the 1930s. It still reflects its pastoral roots, the language in which the Living Wage concept is framed referencing how much a man would need to feed his wife and children when working on a farm. The Australian Council of Trade Unions launched a modern Living Wage campaign in 1996, and now publishes a huge amount of data on wage rates every year. The official amount considered to be a Living Wage does not rise annually, however, but tends to be increased every few years.

A Federal Minimum Wage structure was introduced in Australia in 2007. The Australian statutory minimum wage was raised in mid 2015 by an above-inflation 2.5 percent.

The New Zealand campaign for a Living Wage is a joint community and union campaign. It has received strong support from across the community and there is now a quasi-official 'Living Wage' for New Zealand as a whole (see page 17 covering the 2013 'Report of an Investigation into Defining a Living Wage for New Zealand').

#### Asia and Africa

Many European and North American brands and retailers source their products from Asia and Africa. Campaigning activity in support of a Living Wage is far more limited in Asia and Africa than in other regions. Trade unions exist across the region, but in many cases have no real bargaining power. Workers can also face personal threats if they take direct action against employers, for example by striking. Corruption is also widespread, making it difficult to ensure that pay rises agreed at policy level actually reach the targeted workers. In some cases (eg in Hong Kong and Uganda) it is claimed that statutory minimum wage arrangements are either poorly enforced or the rate is too low to provide meaningful wage protection for the workers concerned.

The Asia Floor Wage Alliance of trade unions and labour rights groups across Asia, Europe, the US and Canada campaigns for a decent wage for garment manufacturing workers in Asia. After

**Campaigning activity in support of a Living Wage is far more limited in Asia and Africa than in other regions. Trade unions exist across the region, but in many cases have no real bargaining power.**

sustained lobbying from the 'Clean Clothes Campaign' and 'Labour Behind the Label' and their partner, the Asia Floor Wage Alliance, a group of major European-domiciled garment brands and retailers that source extensively from Asia joined forces in 2014 to explore how they might bring about systemic industry-level change in how wages are set. Such collaborative work was partly inspired by the example of the formation of the Bangladesh Accord on Fire and Building Safety after over 1,000 workers lost their lives in the collapse of the Rana Plaza building in Dhaka. For instance, major clothing brands are working with the global union federation IndustriALL in a process known as ACT to create a system that can increase wages in a sustainable and enforceable way (IndustriALL 2015).

Also in 2014, a group of international companies concerned about labour rights and the associated reputational risks that they were running, lobbied the Cambodian government to raise minimum wages and offered to pay more for products accordingly. The clothing retailer, H&M, which was part of that group, also lobbied the Bangladeshi government to raise

minimum wages and is publicly adopting the Fair Wage approach. This is being taken up across the region by other companies in the textile and other sectors (eg Burberry, Apple, IKEA, the Body Shop, BeConnected, Novartis, Disney, Hempel China, AS Watson, Esprit, Sears and others), mostly recently in Myanmar's small but fast-growing garment sector, recognising the need to address low wages through government advocacy as well as via supply chain management (Stangler 2015).

According to one source, 'as different parts of China have very different standards of living, China does not set one minimum wage for the entire nation'. Instead, the task of setting minimum wages is delegated to the local governments. Each province, municipality, or region sets its own minimum wage in accordance with its own local conditions. According to the country's Employment Promotion Plan minimum wages are supposed to increase in accordance with local living standards by at least 13 percent through 2015 and be no less than 40 percent of the average local wages.



From a national perspective, Germany and the Netherlands have emerged as the most active governments in continental Europe with respect to the Living Wage.

Minimum wages under such policies increased by an average 12.6 percent between 2008–2012' (China Briefing 2013).

Although discussion about the minimum wage is quite common in both China and Hong Kong (where the Minimum Wage Commission sets the rate), discussion of the Living Wage is generally restricted to the local operating subsidiaries of large multinationals.

In South Africa there is no national minimum wage as yet, so those campaigning for a Living Wage face a long struggle. In mid-2014 the South African President did, however, announce that 'we will during this term investigate the possibility of a [national minimum wage] as one of the key mechanisms to reduce the income inequality' (Zuma 2014). This was followed by a National Economic Development and Labour Council engagement process and report further exploring pathways to implementation of a national minimum wage (NEDLAC 2015).

#### Latin and South America

A number of countries in Latin and South America (including Argentina, Bolivia, Brazil, Chile, Colombia, Honduras, Mexico and Uruguay) have minimum wage legislation in place. But increases in the level of the national minimum wage in Argentina, Brazil and Mexico lag behind annual inflation rates, thereby gradually eroding the purchasing power of minimum wage employees (International Business Times 2015).

Discussions about the Living Wage in South America are rare – the Iseal Alliance work conducted in the Dominican Republic being one of the few examples. Such research as there is suggests that increases in the minimum wage (discounting the effects of inflation) can have a significant effect on the employment market, potentially shifting those near the minimum wage cut-off into the informal market where wages adjust to accommodate demand (Maloney and Nuñez 2004).

## 2.2 THE ROLE OF CENTRAL AND LOCAL GOVERNMENT

### Continental Europe: raising awareness

From a national perspective, Germany and the Netherlands have emerged as the most active governments in continental Europe with respect to the Living Wage. In Germany this interest has been triggered by two events. The first was the unification of West and East Germany, revealing the many disparities in factors such as wage rates, and the second was the minimum wage campaign launched in 2006 by the German Trade Union Federation to fight the growing low-wage sector in the country. This was when the debate about the need to prevent low wages also gained momentum among political actors, leading to the adoption of a statutory minimum wage at the beginning of 2015 – nine years later.

In the Netherlands, interest in the Living Wage concept is founded in the strong social focus that forms the basis of public policymaking – the government's mandate is strongly associated with the demonstration of a social conscience. The Ministry of Foreign Affairs of the Netherlands and the German Federal Ministry for Economic Cooperation and Development were jointly involved in the 2013 European Living Wage conference held in Berlin, which produced a Declaration of Intent and an Action Plan (see Annexe 2).

### Interest among UK political parties and government departments

A UK National Minimum Wage was established by the 1998 National Minimum Wage Act and the rate is increased annually, every autumn.

The major UK political parties all express some form of verbal support for the Living Wage concept. Additionally, a number of government departments are seeking accreditation, and the Welsh and Scottish Governments are accredited Living Wage employers. The Equality and Human Rights Commission, a statutory body established

For organisations in sectors that tend to have lower-paid workers, the requirements can appear to be used as a form of 'threat'.

by law, has also shown an interest in the Living Wage: in 2014 it produced a report on the cleaning sector which included consideration of the Living Wage.

In July 2015 the UK Chancellor announced a new UK 'National Living Wage (NLW) which came into effect in April 2016. The NLW is separate to the UK Living Wage Foundation initiative as it is not calculated based on the cost of living. It is an enhanced, mandatory National Minimum Wage that will rise incrementally to reach a target of 60% of median earnings by 2020 at a rate determined by the Low Pay Commission.<sup>4</sup>

In practice, this new wage will be paid only to the over 25s. Younger employees will continue to be paid at the current lower minimum wage rate – even though they will be among those affected by any further cuts to working tax credits and housing benefits.

#### **Fragmented city and state action in North America**

Numerous cities and regions in the US, from Los Angeles to New York, have enacted Living Wage 'ordinances' or municipal laws. Some cities have created enterprise zones, offering lower business rates or tax breaks but requiring employers to pay a certain minimum wage. Similarly, some states will offer grants for business development, but stipulate a certain minimum wage level that must be paid by the recipient.

Such stipulations pose no problem for sectors such as IT and other high-tech industries where most employees will be paid well above any required minimum. Thus city ordinances can have the effect of potentially distorting the market, without necessarily benefiting low-paid workers. For organisations in sectors that tend to have lower-paid workers, the requirements can appear to be used as a form of 'threat' – no planning permission will be granted unless a minimum wage is paid.

One result of this fragmented, city-by-city or state-by-state approach is the proliferation of different minimum wage rates across the US. For large businesses operating in multiple locations, this creates added complexity for HR systems, which must comply with the numerous different ordinances. The fragmented approach is also associated with a lack of any national campaign in support of the Living Wage across the US.

Nonetheless, according to the *Guardian* newspaper, the so-called 'Fight for 15' (a \$15 an hour minimum wage) has 'mushroomed from a modest, one-day walkout by 200 workers in one city to one of the largest US labor protests in decades, with tens of thousands of fast-food workers and their supporters protesting in 200 cities last April, in the movement's ninth one-day strike. [This week] a New York state panel appointed by Governor Andrew Cuomo recommended establishing a \$15 minimum wage for the state's 180,000 fast-food workers. It was a landmark win for an unorthodox movement – the Fight for 15 – that is just two and a half years old' (Guardian 2015a).

The New York move was one of several Fight for 15 victories reported that week. In the same article the *Guardian* also reported that 'the Los Angeles County board of supervisors voted to approve a \$15 minimum wage, phased in by 2020, while the University of California system adopted \$15 base pay for its workers and those of outside contractors. City officials in Washington DC ruled...that a proposal for a \$15 minimum wage was an appropriate subject for a citywide ballot initiative. The DC Working Families Organization is seeking to collect 24,000 signatures to have a \$15 minimum placed on the ballot next year' (Guardian 2015a).

Problematically, however, the success of the Fight for \$15 campaign may have obscured discussion of and around the higher ambition of a Living Wage.

4 The current London Living Wage (2015) of £9.15 per hour is already in excess of the chancellor's proposals for a £9 minimum wage by 2020.



In Canada, Living Wage for Families has succeeded in certifying 45 employers as Living Wage employers, including Vancity Credit Union, the United Way and the Canadian Cancer Society.

The Canadian Living Wage campaign began in response to the wholesale contracting out of hospital workers by the British Columbia provincial government in 2003. The British Columbia campaign was launched by a coalition of unions and community organisations in 2008, beginning with a report and Living Wage calculation by the Canadian Centre for Policy Alternatives. The campaign set up a coordinating body called Living Wage for Families, which took on the task of advancing the campaign across the province. Living Wage for Families has succeeded in certifying 45 employers as Living Wage employers, including Vancouver City Credit Union, the United Way and the Canadian Cancer Society. In British Columbia, New Westminster became the first Canadian municipality to become a Living Wage employer in 2009. On 08 July, 2015, Vancouver City Council unanimously adopted a motion to begin the process of becoming a Living Wage employer.

Over 10 other municipalities in British Columbia are using the common methodology established by the Canadian Centre for Policy Alternatives to calculate their own Living Wage figure. Campaign groups have also emerged in other Canadian cities. Living Wage Canada provides a consistent Living Wage definition, calculation methodology, and strategy for recognising corporate and community leaders that commit to passing a Living Wage policy.

### Wellington leads by example in New Zealand

In New Zealand (NZ), Wellington City Council voted to adopt a Living Wage for its staff in December 2013 – becoming the first council in the country to do so.

The NZ campaign for a Living Wage is a joint community and union campaign and the report discussed below has received strong support from across the community. The Service and Food Workers Union (SFWU) provided much of the impetus for the launch of the NZ Living Wage campaign. SFWU helped build a broad-based, multi-sector alliance and merits credit for strategic thinking and farsightedness.

The SFWU's report defines the Living Wage as: 'the income necessary to provide workers and their families with the basic necessities of life. A Living Wage will enable workers to live with dignity and to participate as active citizens in society' (SFWU 2012). It reflects 'the basic expenses of workers and their families such as food, transportation, housing and childcare, and is calculated independently each year by the New Zealand Family Centre Social Policy Unit. The Living Wage rate is voluntary and for 2015 has been calculated to be \$19.25 per hour, 30% more than the minimum wage set by the Government'.<sup>5</sup>



In 2011, Citizens UK, an alliance of community and civil society organisations, brought together campaigners and employers from across the UK to agree a standard model for setting a UK Living Wage relevant to areas outside London.

### 2.3 THE ROLE OF CAMPAIGN AND SUPPORT GROUPS

#### Multiple UK campaigners

In 2011, Citizens UK, an alliance of community and civil society organisations, brought together campaigners and employers from across the UK to agree a standard model for setting a UK Living Wage relevant to areas outside London. At the same time, following consultation with campaigners, trade unions, HR specialists and employers who supported the Living Wage, Citizens UK launched the Living Wage Foundation. The Foundation offers support to employers and accreditation to those that pay the Living Wage (or commit to doing so in an agreed time frame) through the Living Wage Employer mark. It also offers a Service Provider Recognition Scheme for third-party contractors paying the Living Wage. The organisation also coordinates Living Wage Week, an annual UK-wide celebration of the Living Wage. As noted earlier, nearly 3,000 companies have now become accredited Living Wage Employers and the NGO ShareAction has effectively taken the debate to executives and shareholders at a number of AGMs, including Tesco, Next and Burberry (Guardian 2015b).

The Ethical Trade Initiative (ETI) is a multi-stakeholder labour rights initiative consisting of company, trade union and

NGO members. The Living Wage is included in one of its nine Base Code clauses – drawn from the ILO conventions (see Introduction and Annex 1). The ETI plays an important part in supporting companies through its tripartite structure, to promote Living Wages in global supply chains and to provide guidance, information and support and to galvanise action on Living Wages in global supply chains.

Other campaign groups currently or recently active in the Living Wage arena include War on Want and Labour Behind the Label (the UK wing of the Netherlands-based Clean Clothes Campaign), which focuses on employment rights and pay for workers in developing nations in the clothing industry (including several Living Wage campaigns), campaigns on low wages in the international clothing industry and has produced a report benchmarking UK high street brands on their Living Wage commitments (Labour Behind the Label 2014), and Women Working Worldwide (whose international campaigns for female workers include the Living Wage). These campaigns have a common focus: workers in the supply chains of brands with UK-based consumers rather than on low-paid workers in the UK (which currently distinguishes European from, for example, US-based campaigns, which generally focus on US-based workers).

#### MULTIPLE UK CAMPAIGNERS

'The Living Wage movement in the UK evolved as a campaign launched in 2001 by the broad-based community group The East London Communities Organisation (TELCO – a forerunner to London Citizens, and eventually part of Citizens UK) to tackle the growing issue of 'in-work poverty'. Working with UNISON and TELCO the York University Family Budget Unit produced a report in 2001 that established the income required for workers to support a family in East London with a 'low cost but acceptable living standard'. The study 'Mapping Low Pay in East London' by Wills & TELCO (2001) gathered evidence of poor working conditions and pay rates that fell below this threshold, and began to directly target public and private sector organisations in the capital to address this.

'With the campaign successful in signing up a number of organisations in London to commit to paying a Living Wage to employees, the Greater London Authority (GLA) were engaged in 2005 to set up the Living Wage Unit to work on setting an agreed hourly rate – the London Living Wage (LLW). By 2011 a number of other Living Wage campaign groups, such as the Scottish Living Wage Campaign, had evolved around the UK. Along with Citizens UK the campaigns came together to develop a standard model for a national Living Wage for employees outside London – the UK Living Wage (UK LW). The UK LW rate was modelled and set by the Centre for Research in Social Policy (CRSP) at Loughborough University'.

The London and UK Living Wage rates are now calculated using a single methodology based on the CRSP research and overseen by an independent Living Wage Commission of leading Living Wage accredited employers, trade unions, civil society and independent experts.

Source: Coulson and Bonner 2015

‘Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.’

### Europe-level initiatives

The Fair Wear Foundation (FWF) is an independent, non-profit organisation that works with companies and factories to improve labour conditions for garment workers.



FWF's 80 member companies represent over 120 brands, and are based in seven European countries; member products are sold in over 20,000 retail outlets in more than 80 countries around the world. FWF is active in 11 production countries in Asia, Europe and Africa.

Part 5 of the FWF 'Labour Standards' states that 'Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the

employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period' (Fair Wear Foundation 2009).

### North American participants

The mission of the Fair Labor Association (FLA) is to combine the efforts of business, civil society organisations, and colleges and universities to promote and protect workers' rights and to improve working conditions globally through adherence to international standards. At its February 2015 meeting, the FLA board of directors unanimously approved the implementation of the FLA Fair Compensation Work Plan. According to the FLA:

‘The overall wage landscape for workers is in true crisis around the world and requires action. A first step for FLA affiliates came in 2011, when the FLA enhanced the compensation element, its Workplace Code of Conduct, affirming workers' right to wages that “meet the worker's basic needs and provide some discretionary income”...Low pay is an affront to the humanity and dignity of workers. It is at the root of other chronic issues such as excessive hours of work, and it is aggravated by failures to protect freedom of association and support collective bargaining. Compensation issues are also heavily interlinked with other challenges in the supply chain such as improving productivity and implementing responsible purchasing practices.’

[Fair Labor Association 2012](#)

The Center for Community Change is a US nationwide social movement involved in a range of issues such as jobs and wages, immigration, racial justice and affordable housing. It launched the National Campaign for Jobs and Income Support in the 1990s, supporting the payment of a Living Wage. A more narrowly focused US-wide campaign

The Asia Floor Wage Alliance has also developed a calculator which helps identify the wage level needed to support a basic standard of living.

group is Universal Living Wage, which has devised a formula for calculating a Living Wage that can be applied across the US. It is based on the idea that an individual should be willing to work a 40-hour week, and should spend no more than 30% of their income on housing (for a one-bedroom apartment). Alongside these, the Living Wage Action Coalition is a student-led campaign which runs workshops on campuses in support of the Living Wage.

The US Association of Community Organizations for Reform Now (ACORN) was disbanded in 2010. It was an association of community organisations across the US. Its work included assisting with the passage of Living Wage laws in numerous US cities and regions. It also provided a resource centre supporting Living Wage campaigns nationwide.

ACORN Canada is a community campaign group – an independent national organisation of low- and moderate-income families that campaigns for social and economic justice. It has over 59,000 members organised into 20 neighbourhood chapters in nine cities across Canada. ACORN Canada's work includes support for a Living Wage in Canada, including an Ottawa Living Wage campaign.

Those wanting to learn about the Living Wage can access Living Wage Canada, a portal set up to facilitate learning and information sharing among communities in Canada to help build a national Living Wage movement. It includes details about the Canadian Living Wage Framework, which provides a consistent Living Wage definition and calculation methodology. The site includes information for employers, including the business case for paying a Living Wage.

The Ethical Trading Action Group is a Canadian coalition of faith, labour and non-governmental organisations advocating for government policies, voluntary codes of conduct, and purchasing policies that promote humane labour practices based on accepted international labour standards.

### Compliance-led campaign in New Zealand

Living Wage Aotearoa New Zealand is a campaign group supporting the Living Wage in Aotearoa (North Island), made up of various stakeholder groups. Members include community and secular groups, unions and faith-based groups. Living Wage Aotearoa New Zealand has also set up networks in Auckland, Hamilton, Wellington and Christchurch to support those interested in supporting a Living Wage. The group's activities and model are closely based on those of the UK's Living Wage Foundation. For example, it runs an accreditation scheme for employers.

### Textile focus in Asia

The Asia Floor Wage Alliance of trade unions and labour rights groups across Asia, Europe, the US and Canada campaigns for a decent wage for garment manufacturing workers in Asia. It is affiliated with bodies such as the Clean Clothes Campaign, an Amsterdam-based international organisation campaigning for employment rights and pay for workers in developing nations in the clothing industry.

The Asia Floor Wage Alliance has also developed a calculator which helps identify the wage level needed to support a basic standard of living. This takes account of some common factors, such as the number of family members to be supported, the basic nutritional needs of a worker and their dependents, and other basic needs such as health care and education. The Asia Floor Wage is calculated in Purchasing Power Parity dollars (PPP\$), which can then be translated into individual currencies, such that in each country workers who are paid that sum should be able to buy the same set of goods and services as their counterparts in any other country.

The idea of a Living Wage has also been noted by the Bangladesh Garment Manufacturers and Exporters Association – one of the largest trade associations in the country. It represents the readymade garment industry, particularly the woven garments, knitwear and sweater sub-sectors. The Association provided input to the 2013 European Living Wage conference held in Berlin.



Research also shows that some sectors (such as retail, cleaning and hospitality) are particularly likely to pay wage rates below the Living Wage, and that female workers are more likely than men to earn rates below the Living Wage (Markit 2015).

## **2.4 ACADEMIA AND RESEARCH BODIES**

### **Global**

In 2012 the Wage Indicator Foundation started publishing quarterly estimates for Living Wages. These are presented next to the actual wages being paid for 1,700 job categories in 63 countries, and the statutory minimum wages for 74 countries. These three indicators are used by employees, employers and governments in discussions and negotiations setting individual, collective and national wage levels.

Online surveys on Wage Indicator's network of sites in 80 countries are being used to collect data continuously on the costs of essential items. This very scalable approach results in a frequently updated and densely populated database. Real consumption patterns as determined by statistical agencies are used to define the shopping baskets, allowing for local differences while ensuring international consistency and objectivity.

Wage Indicator has taken care to use methods that are compatible with other approaches tried, reviewed and revised elsewhere, and is continuously working with other experts to coordinate further development.

### **UK**

A significant amount of work on the UK Living Wage has been carried out since 2001 by Professor Jane Wills at Queen Mary University of London. In 2015 the University of Strathclyde reported details of the business cases of five Living Wage Employers – Aviva, Barclays, KPMG, Penrose Care and SSE – and a member of the LWF's Service Provider Recognition programme – Enhance Office Cleaning. An historical approach was undertaken, providing (where available) evidence of employers' long-term commitment (pre- and post LWF accreditation) to the Living Wage. Evidence is provided of the business costs and benefits of Living Wage adoption, and in each case the impact on employees as perceived by the employer.

A number of individual academics in the UK and various research bodies (such as the Centre for Research in Social Policy at Loughborough University, the Institute for Public Policy Research and Resolution Foundation, to name three) provide useful inputs to the Living Wage debate, for example by estimating the extent of low pay in the UK.

Research for KPMG by Markit, for example, estimates that 69% of workers aged between 18 and 21 earn less than the Living Wage. Research also shows that some sectors (such as retail, cleaning and hospitality) are particularly likely to pay wage rates below the Living Wage, and that female workers are more likely than men to earn rates below the Living Wage (Markit 2015).

### **North America**

Academia also makes an important contribution to the Living Wage debate in North America. US and Canadian academics with an interest in the Living Wage have published research papers and books on numerous related topics, including the concept of the Living Wage itself, the setting of a Living Wage, and local and international Living Wage campaigns.

US research bodies include the Economic Policy Institute – a Washington-based think tank focusing on the inclusion of low-income and middle-income workers in economic policy. One of its initiatives 'Raising America's Pay', is a multiyear research and public education initiative to make wage growth an urgent national policy priority.

The Political Economy Research Institute (PERI) at the University of Massachusetts is involved in campaigns supporting the Living Wage in the US and globally. PERI's research on labour markets, wages and poverty explores conditions for working people and the poor in the US and globally. Its focus includes Living Wage policies, employment-targeted macroeconomic policies, and measures to support the rights of workers to organise into unions.

The Canadian Centre for Policy Alternatives (CCPA) is an independent, non-partisan research institute concerned with issues of social, economic and environmental justice. Founded in 1980, the CCPA is one of Canada's leading progressive voices in public policy debates. CCPA has been at the forefront of the Canadian academic work on the Living Wage, providing both Living Wage calculations for cities across the country and broader analysis of consequences of economic inequality.<sup>6</sup>

6 For a history of the Living Wage movement and CCPA's research, see <[www.policyalternatives.ca/multimedia/seth-klein-bcs-living-wage](http://www.policyalternatives.ca/multimedia/seth-klein-bcs-living-wage)>, accessed 30th January 2017.

In Australia and New Zealand too, as in other regions, academics play an important part in informing Living Wage discussions through the publication of research papers and other insightful material.

### Australia and New Zealand

In Australia and New Zealand too, as in other regions, academics play an important part in informing Living Wage discussions through the publication of research papers and other insightful material. They also support campaign groups with performing Living Wage calculations.

The Family Centre, a community agency, runs a Social Policy Research Unit (FCSPRU) that has undertaken work on the New Zealand Living Wage. For example, in February 2014 it issued a report giving an update on the status of the Living Wage in New Zealand, commissioned by campaign group Living Wage Aotearoa New Zealand. The report set out the definition, logic and calculations of the New Zealand Living Wage as recalculated for 2014 (FCSPRU 2014).

### Developing countries

In 2014 Fair Trade International worked with ISEAL Alliance and a range of certification organisations to publish a set of reports (Anker and Anker 2013a, 2013b, 2014a, 2014b) setting new Living Wage benchmarks for a number of agricultural sectors in rural South Africa, the Dominican Republic and Malawi. The reports were prepared by international experts Richard and Martha Anker, pioneering a new Living Wage methodology. The methodology is

claimed to be a major step forward in measuring Living Wages and can be used in any country, for either rural or urban areas.

The reports document worker needs in a detailed yet simple, transparent way that can be easily understood and clearly indicates the cost of a basic but decent standard of living for workers and their families. They also compare Living Wage estimates with current wages and include innovative ways of estimating fair and reasonable values for in-kind benefits.

Workers and employers in all three countries participated in the process to set the Living Wage benchmarks, and have given predominantly very positive feedback on the findings. The Ankers investigated the actual costs of workers on South African wine grape farms, Dominican Republic banana farms and Malawi tea estates.

The Ankers visited markets where workers shop for food, visited workers homes, and had discussions with workers as well as with small farm owners, cooperative officers, plantation managers and owners, municipal officials, trade union members, university professors, architects and others. They also used many papers, reports and statistics from researchers, government agencies, and international organisations.





The evidence seems to indicate that developed country brands are willing to act unilaterally in their home markets yet often recognise the need (or are pressed) to act in concert with other buyers in the supplying markets.

## 2.5 WHAT NEXT?

### Global

One issue that needs to be addressed has been identified by Rachel Wilshaw of Oxfam: 'it is much easier for an employer to buy into this concept [the Living Wage concept] than a procurement manager. The business case for and the difficulty of delivering a Living Wage in supply chains are real issues for individual sourcing companies, hence the increased number of collective, multi-stakeholder initiatives'. This argument surfaced several times during the roundtable discussions reported in *The Living Wage: Core principles and global perspectives*.

A distinction is also needed between the 'what next' for workers in the 'home' countries and the 'what next' for workers in the supply chains of companies domiciled or doing business in the 'home' countries. The evidence seems to indicate that developed country brands are willing to act unilaterally in their home markets yet often recognise the need (or are pressed) to act in concert with other buyers in the supplying markets.

Jan Paul Grosse, previously of the Living Wage Foundation, has also pointed out another issue for further consideration: 'One aspect...[requiring further thought is the] development of a globally consistent definition of necessary goods and services, and scalable processes for the measurement of levels of Living Wages. A lot has been done to develop consistent methodologies, but most use bottom-up approaches letting local stakeholders define the items they need to be able to afford decent living, and they require laborious visits which are not repeated more frequently than once every five years. While this is great for local stakeholder buy-in, it poses a lot of question marks about the global consistency and the up-to-dateness of what should be an indisputable international benchmark'.

### Continental Europe

As the saying goes, 'If you want to go fast, go alone. If you want to go far, go together'. This sums up the situation at EU governmental level, where a consensus-building phase is under way. Germany and the Netherlands are leading the drive to spread agreement that low pay is an important issue that needs to be addressed. The question is, how urgently? An EU-wide poverty alliance network is now established, but progress on the Living Wage is gradual, not helped by economic problems among some EU member states.

### UK

The Living Wage campaign in the UK has become part of a broader debate on low pay, low productivity and low skills – with the Living Wage being seen an important tool that can help to address these issues. Moving from the policy to the operational level, more than 30 percent of the FTSE 100 have now signed up in support of the Living Wage, and nearly 3,000 employers in all.

More evidence of the business case for implementing a Living Wage is emerging. From a political perspective, successive Mayors of London have called to make London a Living Wage City, the Welsh and Scottish Governments are advocates of the Living Wage and the Social Mobility and Child Poverty Commission recommend that more businesses become Living Wage employers. Given the combination of policy and operational drivers and growing political will, the question for the UK is this: at what stage does paying the real Living Wage become the expected norm?

The impact of the introduction of the Government's 'National Living Wage' in April 2016 means that many businesses are reevaluating their business and reward strategies. While a number of workers will be better off, it still falls short of the voluntary Living Wage set by the Living Wage Foundation.

The US can claim to have the most mature set of Living Wage campaigns in the world. In practice, however, the growth and impact of those campaigns is hugely inhibited by lack of consensus at federal level.

### US

The US can claim to have the most mature set of Living Wage campaigns in the world. In practice, however, the growth and impact of those campaigns is hugely inhibited by lack of consensus at federal level. The proliferation of city and state wage regulations has created operational complexities for businesses with activities across the country, and presents a structural barrier to the development of a coordinated Living Wage approach. Until that structural barrier is dismantled, further progress is likely to be difficult to achieve. Even so, the association of low pay with particular demographic groups and the rising proportion of Spanish-speaking Americans could mandate future action in Washington.

### Canada

The Canadian Living Wage campaign is in a comparatively fledgling stage. Sharing knowledge and looking to learn from experiences elsewhere is the dominant activity. Building public knowledge and exchanging knowledge is important for laying the foundations for future action. How long will this phase last before sufficient momentum builds behind policy action?

### Australia

As reported, Australia has moved a considerable distance on issues relating to the national statutory minimum wage. That said, there is little evidence of a concerted, organised Living Wage movement. It may be that the high level of the statutory minimum wage (as compared with that in other countries) has acted as a brake on discussion of this issue.

### New Zealand

Campaigning activity in New Zealand has so far been led by single-issue groups and focused on the indigenous people, rather than having a coordinated multi-stakeholder approach. The style of campaign could be described as compliance-led, rather than engagement driven. Could this impede a groundswell of support among businesses and wider society?

### Asia and Africa

Consciousness about wage and social inequality is arguably highest in Asia (or about Asian workers) both among individuals in the region and importers of Asian goods and services. Activity to address the low pay problem is highly sector focused, however, with a particular emphasis on textile workers. While this is driving improvements in living conditions for that group, far more workers in other sectors are being overlooked. At what point will action on low pay spread beyond its textile focus?

As the results of the roundtables held in Eastern and Southern Africa in mid 2015 (outlined in the companion report *The Living Wage: Core principles for a global programme*) testify, Living Wage campaigners (largely trade unions and NGOs) are facing an uphill struggle to see even minimum wage rules implanted or enforced. Hence, while there are some signs of progress being made at a legislative level, The Living Wage argument is complicated further by a range of other issues, such as high unemployment levels, corruption, and very different interpretations of what constitutes the family unit.



This high-level review of global developments in relation to the Living Wage demonstrates that there is a worldwide interest in the concept and that, probably for the first time, employers are beginning to accept the Living Wage argument.

This high-level review of global developments in relation to the Living Wage demonstrates that there is a worldwide interest in the concept and that, probably for the first time, employers are beginning to accept the Living Wage argument. Despite this with the exception of consumer brands dependent on long supply chains, interest is still very much on national approaches rather than on one global approach.

The review has also shown that both global and national initiatives are often fragmented and that the discourse can become confusing. This may be because of the range of Living Wage computation methodologies available or because there is a forgivable tendency to merge (accidentally or deliberately) the separate constructs of Living Wage and minimum wage together – especially in constituencies where the minimum wage is not yet a reality.

A companion report, *The Living Wage: Core principles for a global programme*, discusses the results of a series of roundtables held in Europe, North America, Asia and Africa. At these roundtables, groups of local experts were invited to share their understanding of the Living Wage, its constituent elements, the parties who should be engaged in the setting of it and the barriers and risks associated with its introduction. From these discussions a high-level framework has been derived which it is hoped will assist those engaged in the mission of trying to bring some standardisation to an otherwise confusing international landscape.



## WEBLINKS

### Global

Fair Trade International: [www.fairtrade.net](http://www.fairtrade.net)

International Labour Organization (ILO): [www.ilo.org](http://www.ilo.org)

United Nations: [www.un.org](http://www.un.org)

### Europe

Centre for Research in Social Policy: [www.lboro.ac.uk/research/crsp](http://www.lboro.ac.uk/research/crsp)

Citizens UK: [www.citizensuk.org](http://www.citizensuk.org)

Clean Clothes Campaign: [www.cleanclothes.org](http://www.cleanclothes.org)

Equality and Human Rights Commission: [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

Ethical Trading Initiative: [www.ethicaltrade.org](http://www.ethicaltrade.org)

Fair Remuneration & Decent Working Hours:  
[www.bsci-int.org/search/site/Fair%20Remuneration](http://www.bsci-int.org/search/site/Fair%20Remuneration)

Fair Wage Network: [www.fair-wage.com](http://www.fair-wage.com)

Institute for Public Policy Research: [www.ippr.org](http://www.ippr.org)

Labour Behind the Label: [labourbehindthelabel.org](http://labourbehindthelabel.org)

Living Wage Foundation: [www.livingwage.org.uk](http://www.livingwage.org.uk)

Resolution Foundation: [www.resolutionfoundation.org](http://www.resolutionfoundation.org)

War on Want: [www.waronwant.org](http://www.waronwant.org)

Women Working Worldwide: [www.women-ww.org](http://www.women-ww.org)

### North America

ACORN: [www.acorn.org](http://www.acorn.org)

ACORN Canada: [www.acorncanada.org/tags/living-wage](http://www.acorncanada.org/tags/living-wage)

Center for Community Change: [www.communitychange.org](http://www.communitychange.org)

Economic Policy Institute: [www.epi.org](http://www.epi.org)

Ethical Trading Action Group: <http://en.maquilasolidarity.org/about/etag>

Fair Labor Association: [www.fairlabor.org](http://www.fairlabor.org)

Living Wage Action Coalition: [www.livingwageaction.org](http://www.livingwageaction.org)

Living Wage Canada: <http://livingwagecanada.ca>

Political Economy Research Institute (PERI) at the University of  
Massachusetts: [www.peri.umass.edu](http://www.peri.umass.edu)

Toronto Fair Wage Policy: <http://is.gd/JCUZF9>

Universal Living Wage: [www.universallivingwage.org](http://www.universallivingwage.org)

### Australia and New Zealand

Australian Council of Trade Unions: [www.actu.org.au](http://www.actu.org.au)

The Family Centre: [www.familycentre.org.nz](http://www.familycentre.org.nz)

Living Wage Aotearoa New Zealand: [www.livingwage.org.nz](http://www.livingwage.org.nz)

Wellington City Council: [wellington.govt.nz](http://wellington.govt.nz)

Workplace Research Centre, University of Sydney:  
<http://sydney.edu.au/business/workplaceresearch>

### Asia and Africa

Asia Floor Wage Alliance: <https://asiafloorwage.wordpress.com>

Bangladesh Garment Manufacturers and Exporters Association:  
[www.bgmea.com.bd/](http://www.bgmea.com.bd/)

Business Social Compliance Initiative (BSCI): [www.bsci-intl.org](http://www.bsci-intl.org)

Clean Clothes Campaign: [www.cleanclothes.org](http://www.cleanclothes.org)

## FURTHER READING

Ethical Trading Initiative, *Living Wages in Global Supply Chains: A New Agenda for Business* <<http://www.ethicaltrade.org/resources/living-wages-in-global-supply-chains>>, accessed 30th January 2017.

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# Annexe 1: A summary of wage legislation

Wage legislation around the world takes a variety of forms. It may refer to a mandatory minimum, a level sufficient to support a family, or a wage adequate to provide for 'necessities' or basic living needs, or to meet societal standards. This table provides a brief overview. For the most comprehensive Web resource available visit: [www.wageindicator.org](http://www.wageindicator.org)

REGION	LEGISLATION	NOTES
<b>EUROPE</b>		
Europe	European Social Charter, 1961, revised in 1996	'Part I.4. All workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families.'
EU	EU	Living Wages, and more broadly the decent work agenda, should be included in the post-2015 Millennium Development Goals, according to the EU.
<b>SELECTED EUROPEAN COUNTRIES</b>		
France	Universal minimum wage established in 1950 in France	Low wage regulation and collective bargaining coverage.
Germany	Law on Employment Services (AEntG), the Law on Collective Agreements (TVG) of the Law on Job Outsourcing (A:UG)	Germany has a minimum wage of €8.84 an hour.
Netherlands	Minimum Wage and Minimum Holiday Allowance Act	Dutch public policy assumes an ideal of 1.5 workers per household and gears wages, hours of work, social security to this norm.
UK	Minimum Wage Act (1998)	'The National Minimum Wage (NMW) is a minimum amount per hour that most workers in the UK are entitled to be paid'. Note that the NMW is not a 'going rate' but a 'legal floor'.
UK	Emergency Budget 2015	The UK government introduced an amendment to the Minimum Wage Act (1998) introducing a target for the Low Pay Commission to ensure that the National Living Wage, which is applicable to workers aged 25 and over, should reach £9.00 an hour by 2020.
UK	The Public Service (Social Value) Act 2012	Passed with cross-party support and government backing, this Act requires public authorities to ensure that they procure services in a way that provides 'social value' – meaning that local authorities will need to have regard to the wider consequences of their procurement decisions, including the impact on jobs, communities and the environment, as they commission services.
Scotland	Proposed Living Wage (Scotland) Bill 2012	Proposal for a Bill to '(a) require private sector employees working on public sector contracts to be paid the Living Wage; and/or (b) require the Scottish Ministers to prepare and report to the Parliament on a strategic plan to promote the Living Wage.' Proposal withdrawn in December 2012.
Scotland	Procurement Reform (Scotland) Bill 2014	Includes a provision on paying the Living Wage: '(5) The procurement strategy must, in particular— (b) include a statement of the authority's general policy on— (iii) the payment of a Living Wage to persons involved in producing, providing or constructing the subject matter of regulated procurements'. The Living Wage is not, however, required in the Bill.
<b>NORTH AMERICA</b>		
US	Fair Labor Standards Act (FLSA) of 1938	Includes federal minimum wage laws. 'Existence of labor conditions detrimental to maintenance of the minimum standard of living necessary for the health, efficiency, and general well-being of workers (1) perpetuates such labor conditions; (2) burdens commerce and the free flow of goods; (3) constitutes an unfair method of competition; (4) leads to labor disputes; and (5) interferes with the fair marketing of goods...It is declared the policy of this chapter to correct and as rapidly as practical to eliminate the conditions referred to above without substantially curtailing employment or earning power'. This was the first federal minimum wage law in the US.
US	American Declaration on the Rights and Duties of Man, 1948	'Every person who works has the right to receive such remuneration as will, in proportion to skill, ensure him a standard of living suitable for himself and for his family.'
US	Additional Protocol to American Convention on Human Rights in the Area of Economic, Social and Cultural Rights, 1988	'Article 7. Just, Equitable, and Satisfactory Conditions of Work (a) Remuneration which guarantees, as a minimum, to all workers dignified and decent living conditions for them and their families and fair and equal wages for equal work, without distinction'
US	LW contractor ordinances Baltimore (1994), Milwaukee (1995), Portland (1996), Miami-Dade (1999), etc	Devised to cover only employees of local governments and their service contractors.
US	LW private sector employees ordinances LA (1997), St Paul (1997), Hartford (1999), San Francisco (2000), Suffolk County (2001), etc.	These also cover private companies receiving financial assistance from local government.

REGION	LEGISLATION	NOTES
US	Fair Minimum Wage Act of 2007	Provision amendment to the Fair Labor Standards Act passed to increase the minimum wage in three increments to 2009.
US	Minimum Wage Fairness Act (brought to Senate in 2013)	Proposed Bill to amend the Fair Labor Standards Act to increase the federal minimum wage.
Canada	Labor Relations Act (originally 1950) Employment Standards Act 1974 updated 1993	Under the Canadian Constitution, the responsibility for enacting and enforcing labour laws, including the minimum wage, rests with the 10 provinces as well as the three territories that have been granted this power by federal legislation. Some provinces allow lower wages to be paid to liquor servers and other gratuity earners or to inexperienced employees.

### AUSTRALIA AND NEW ZEALAND

Australia	Australia Minimum Wage law, 1894	'Wage that meets the normal needs of the average employee regarded as a human being living in a civilized society.' This was the first minimum wage law in the world.
Australia	Harvester Judgment 1907	This determined the wage rate for adult, unskilled male labourers: a 'basic wage' supporting a man, his wife and three children in 'frugal comfort' (ie a family wage).
Australia	Australian Workplace Relations Act 1996	S88B (2) of the Act covers providing fair minimum standards. Commission must ensure there is a safety net of fair minimum wages and conditions of employment.
Australia	Workplace Relations Amendment Act 2005	The Australian Fair Pay Commission (later 'fair Work Australia) sets the Federal Minimum Wage.
New Zealand	Minimum Wage Act 1945	New Zealand's first legislation on minimum wage covering all employees, with a 'minimum code' enshrining certain provisions that can be improved on in contracts, but not eroded.
New Zealand	Equal Pay Act 1972	This led to the abolition of unequal differential between pay rates for men and women.
New Zealand	Guaranteed Minimum Family Income 1986	Introduced in 1986; converted to family tax credit.
New Zealand	Employment Contracts Act 1991 New Zealand	Weakening the powers and abilities of unions.
New Zealand	Employment Relations Act 2000 New Zealand	Restoration of union recognition and rights.

### ASIA

China	See text on right	As different parts of China have very different standards of living, China does not set one minimum wage for the entire nation. Instead, the task of setting minimum wages is delegated to the local governments. Each province, municipality, or region sets its own minimum wage in accordance with its own local conditions. According to the country's Employment Promotion Plan, minimum wages are supposed to increase in accordance with local living standards by at least 13% through 2015 and be no less than 40% of the average local wages. Minimum wages under such policies increased by an average 12.6% between 2008 and 2012. By June 2014, wages had been hiked in a total of 11 areas for the year: Beijing, Chongqing, Gansu, Guangdong (Shenzhen), Qinghai, Shaanxi, Shandong, Shanxi, Shanghai, Tianjin and Yunnan. If this trend continues through the rest of 2014, some 26 regions are on track to see increases to their minimum wage (China Briefing 2013).
India	Indian Constitution, Directive Principles of State Policy, 1949	'39. Certain principles of policy to be followed by the State. The State shall, in particular, direct its policy towards securing – (a) that the citizens, men and women equally, have the right to an adequate means of livelihood; ...'  '43. Living wage, etc., for workers. The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a Living Wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.'
Hong Kong	Minimum Wage Ordinance 2010	The Statutory Minimum Wage (SMW) rate is \$32.5 per hour with effect from 1 May 2015. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage (SMW) rate. The SMW applies to all employees, whether they are monthly-rated, daily-rated, hourly-rated, permanent, casual, full-time, part-time or other employees, and regardless of whether or not they are employed under a continuous contract as defined in the Employment Ordinance, with the following exceptions: <ul style="list-style-type: none"> <li>• persons to whom the Employment Ordinance does not apply</li> <li>• live-in domestic workers, irrespective of their sex, race or nationality</li> <li>• specified student interns as well as work experience students during a period of exempt student employment.</li> </ul>

REGION	LEGISLATION	NOTES
<b>OTHER NATIONS</b>		
Mexico	Constitution of Mexico, 1917	'The general minimum wage must be sufficient to satisfy the normal necessities of a head of family in the material, social and cultural order and to provide for the mandatory education of his children.'
Brazil	Brazilian Constitution, Social Rights, Article IV, 1988	'IV. Nationally unified minimum wage, established by law, capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power, it being forbidden to use it as an index for any purpose.'
Namibia	Namibian Constitution, Principles of State Policy, 1998	'Article 95. Promotion of the Welfare of the People. The State shall actively promote and maintain the welfare of the people by adopting policies aimed at: (i) Ensurance that workers are paid a Living Wage adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural activities.'
South Africa	No national minimum wage as yet	'On our side as Government we will during this term investigate the possibility of a [national minimum wage] as one of the key mechanisms to reduce the income inequality.' President of South Africa, July 2014 State of the Nation address.
<b>INTERNATIONAL</b>		
ILO	ILO Constitution 1919	The preamble states that universal and lasting world peace requires an adequate Living Wage. 'And whereas conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required; as, for example, by... the provision of an adequate Living Wage.'
ILO	Constitution and Rules, October 1921	'The payment to the employed of a wage adequate to maintain a reasonable standard of life that is understood in their time and country.'
ILO	International Labour Office Labour Clauses (Public Contracts) Convention No.94 (1949)	'1. Contracts to which this Convention applies shall include clauses ensuring to the workers concerned wages (including allowances), hours of work and other conditions of labour which are not less favourable than those established for work of the same character in the trade or industry concerned in the district where the work is carried on – (a) by collective agreement or other recognised machinery of negotiation between organisations of employers and workers [sic] representative respectively of substantial proportions of the employers and workers in the trade or industry concerned; or (b) by arbitration award; or (c) by national laws or regulations.'
ILO	Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 2006	'[Wages] should be at least adequate to satisfy basic needs of the workers and their families.'
UN	UN Universal Declaration of Human Rights, 1948	'Article 23(3): ... Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.'
UN	International Covenant on Economic, Social and Cultural Rights Adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966 entry into force 3 January 1976, in accordance with article 27.	<b>ARTICLE 7</b> 'The States Parties to the present Covenant recognize the right of everyone to the enjoyment of just and favourable conditions of work which ensure, in particular: (a) Remuneration which provides all workers, as a minimum, with: (i) Fair 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; (b) Safe and healthy working conditions; (c) Equal opportunity for everyone to be promoted in his employment to an appropriate higher level, subject to no considerations other than those of seniority and competence; (d) Rest, leisure and reasonable limitation of working hours and periodic holidays with pay, as well as remuneration for public holidays'
UN	United Nations International Covenant on Economic, Social and Cultural Rights, 1966	'Article 7. Remuneration which provides all workers, as a minimum, with ... a decent living for themselves and their family.'



This Action Plan on Living Wages is the result of a multi-stakeholder consultation process that culminated in the European Conference on Living Wages. It provides recommendations to all stakeholder groups in addressing the challenges of working towards Living Wages for workers in international supply chains.

**The definition of a Living Wage used in this action plan is: a wage that meets the basic needs of workers and their families, including food, housing, clothing and other expenses, such as education, health care, and some discretionary income.**

## **GENERAL SUPPORT ACTIVITIES FOR ALL ACTION AREAS**

**Explanation:** Activities of different stakeholder groups that enable, support, and strengthen the actions listed in the four action areas of this action plan.

### **Examples of action to be taken per stakeholder group**

#### **ALL STAKEHOLDERS:**

- Actively participate in multi-stakeholder processes with the aim of sharing experiences and lessons learned among stakeholders and across sectors
- Support other stakeholder groups and make them aware of their own and shared responsibilities
- Increase consumer awareness for social standards in international supply chains
- Undertake regular research on data relevant for wage setting in cooperation with all other stakeholders; inform other stakeholders
- Engage in dialogue towards framework agreements on the promotion of freedom of association and collective bargaining
- Pay appropriate attention to the gender dimension of Living Wages.

#### **GOVERNMENTS AND INTERNATIONAL ORGANISATIONS:**

- Protect and fulfil the human rights of workers, including Living Wages
- Ensure the quality of laws and procedures for formulation and implementation
- Ensure enforcement of the laws
- Provide access to solutions for workers who are not (yet) receiving Living Wages
- Support, fund, and implement activities that are in line with the present action plan
- Support round tables in producing countries including government, local trade unions and employers' organisations, and sourcing companies.

#### **BUSINESSES AND THEIR ASSOCIATIONS:**

- Publicly commit to working towards Living Wages, freedom of association and collective bargaining
- Develop a strategy for working towards Living Wages, freedom of association and collective bargaining in the supply chain
- Provide transparent reporting on the implementation of this strategy
- Establish grievance mechanisms for workers and civil society organisations in respect of the above.

#### **TRADE UNIONS AND OTHER CIVIL SOCIETY ORGANISATIONS:**

- Advocate the human rights of workers, including the promotion of Living Wages, freedom of association and collective bargaining
- Transfer the knowledge to build the capacity of civil society partners in producing countries, and put this into practice
- Support workers to use appropriate grievance mechanisms in case of the non-compliance of their employers.

#### **MULTI-STAKEHOLDER SUPPLY CHAIN INITIATIVES:**

- Include Living Wages in existing standards
- Provide a neutral forum for collaborative work on wage issues.

#### **ACTION AREA 1: Transparency**

**Explanation:** Transparency between the employer and employee, as well as between the supplier and buyer.

#### **ACTION AREA 2: Freedom of Association, the Right to Organise and Collective Bargaining, and the Protection of Workers' Representatives**

**Explanation:** The freedom of association, the right to organise and collective bargaining, and the protection of workers' representatives are important preconditions for establishing sustainable wage-setting mechanisms.

#### **ACTION AREA 3: Buyer and Supplier Practices**

**Explanation:** The purchasing practices of brands and retailers from importing countries may have adverse impacts on a supplier's capacity to pay Living Wages to workers. These can, among others, concern the stability of the relationship with the supplier, timeliness of orders and order modification, costing and pricing.

#### **ACTION AREA 4: Political Commitment**

**Explanation:** European states, the European Union, governments of producing countries, the ILO, and OECD, as well as business associations, trade unions and civil society, can contribute to working towards Living Wages by increasing political commitment to Living Wages at a global level.

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