

Living Wages 101:

The global standard
that raises the floor
for everyone



**LIVING
WAGE**
FOUNDATION

Growing Momentum on Living Wages

Living Wages are gaining unprecedented global attention. They are now recognised as one of the most powerful strategies for reducing in-work poverty, tackling inequalities, strengthening communities, and advancing the Sustainable Development Goals. With **two-thirds of the global workforce employed in the private sector**, the UN Global Compact has identified Living Wages as a priority in its Forward Faster goals.

Momentum is being driven by both political and regulatory forces:

- The **Doha Political Declaration** recognises Living Wages as vital to raising living standards and supporting inclusive growth.
- **EU due-diligence rules** and national legislation require businesses to disclose how they ensure adequate wages across operations and supply chains.

Living Wages are shifting from voluntary aspiration to operational expectation.



What is a Living Wage?

In February 2024, the **International Labour Organization (ILO)** established the concept of a living wage, summarised as follows:

A Living Wage is the wage level necessary for workers and their families to afford a decent standard of living, based on national circumstances, calculated for normal working hours, and aligned with ILO wage-setting principles.

This created, for the first time, a globally recognised foundation for employers, governments, and worker representatives to align around.

The ILO's Principles for Estimating a Living Wage

A credible, trusted Living Wage must be:

1. Based on the **needs of workers & families**
2. Developed with **consultation** from employers' and workers' organisations
3. Built on **transparent data & methodology**
4. Supported by **robust, reliable data sources**
5. **Timely and publicly available**
6. Clear on **gross/net wages**, taxes, and benefits
7. **Regularly adjusted** for inflation and changes in living costs
8. Subject to **quality control, review & improvement**
9. Promoting **gender equality & non-discrimination**
10. Reflective of **local context**, socio-economic and cultural realities



A National Example: The UK Living Wage

The UK's Living Wage, coordinated by the Living Wage Foundation, is a globally recognised example of national ownership and robust calculation. It is:

- Based on **social dialogue**, asking focus groups what people need to be able to live with dignity
- Modelled across **17 household types**, weighted by population
- Strong governance through the **Living Wage Commission** which is made up of employers, trade unions, civil society and independent experts
- Converted to hourly pay after factoring in **tax, benefits, and typical working hours**



The UK model is respected because it is built on:

- *Local ownership, embedded nationally with consensus on the rate across the UK*
- *Listening to workers and families*
- *Civil society leadership*
- *Employer engagement to understand economic realities*
- *Transparent governance*



Why the ILO's Consensus Matters for Businesses

The ILO's global definition and principles remove ambiguity and help businesses navigate the complexity of wage expectations.

1

Creates clarity across global operations: enables a shared language between buyers, suppliers, investors, unions and civil society

2

Builds legitimacy and reduces disputes: living wages shaped through tripartite dialogue (government, employers and workers) reduces risk of pushback and a clear role for employers in shaping sustainable wage policies

3

Greater coherence with national and international initiatives: national and local ownership is key, aligns companies with locally governed, transparent, credible benchmarks, avoiding the pitfalls of inconsistent private estimates

4

Provides training and technical support to businesses: tools and guidance to help employers implement living wages

Wage Mechanisms

A clear understanding of these mechanisms is essential for businesses working across multiple countries.


Minimum Wage (MW)

- 
- A blue icon consisting of three overlapping arrows pointing to the right, with the top arrow being the largest and the bottom two being smaller and offset to the left.
- **Legal requirement**, set by governments
 - Often **not enough** for a decent standard of living
 - Many MWs **haven't been updated for decades**
 - **Over 170 countries** have one or more MWs, but adequacy varies widely and about **18% of countries** exclude agricultural and domestic workers from minimum wage protections

Collective Bargaining Agreements (CBA)

- 
- A blue icon consisting of three overlapping arrows pointing to the right, with the top arrow being the largest and the bottom two being smaller and offset to the left.
- Negotiated between employers and worker representatives
 - Legally binding for signatories
 - May secure wages **above minimum wage**
 - When CBAs exist, companies **must engage unions** if introducing Living Wage

Living Wage (LW)

- 
- A blue icon consisting of three overlapping arrows pointing to the right, with the top arrow being the largest and the bottom two being smaller and offset to the left.
- Ensures workers and their families can meet **basic needs and enjoy a decent standard of living**
 - **Voluntary** and not legally mandated
 - Reflects **local economic and cultural context**, considering cost of living
 - A **floor** and not a ceiling

Call to Action



Living Wages are now central to sustainable business practice, supply chain resilience, and responsible leadership. With the ILO providing guidance, businesses have a clear, credible path forward.

1

Secure senior leadership commitment - setting the tone from the top

[Case studies on business benefits](#)

2

Define scope & develop an implementation plan - consider what areas are higher risk to help prioritise work and use planning tools

[UNGC Implementation Guidance or Analysis Tool](#)

3

Assess wage gaps - use [national benchmarks](#) or transparent global datasets. Accreditation teams can support or use wage assessment tools

[Local accreditation or IDH Salary Matrix](#)

4

Engage stakeholders - consult internal teams (buyers, legal) and external partners (civil society, workers' organisations)

[Global Living Wage Explorer tool - coming soon](#)

5

Support suppliers - provide guidance and adjust purchasing practices to enable Living Wage payment.

[IDH Roadmap on Living Wages](#)

6

Monitor and report progress - track implementation and share outcomes transparently

[Shift's Progress Tool](#)

The logo for the Living Wage Foundation, featuring the text "LIVING WAGE FOUNDATION" in white on a blue circular background with overlapping yellow and red circles.

**LIVING
WAGE**
FOUNDATION

A smiling man in a light-colored shirt and denim apron holding a large blue circular sign with the text "LIVING WAGE EMPLOYER" in white. The sign is partially overlapping a yellow circle.

**LIVING
WAGE**
EMPLOYER

Please keep in touch

We are happy to discuss UK accreditation or other actions you can take globally on living wages. Get in touch to find out more.

global@livingwage.org.uk
www.livingwage.org.uk