

A Shared Approach to a Living Wage

Joint Statement

Fairtrade International, Forest Stewardship Council (FSC), GoodWeave, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA), Social Accountability International (SAI) and UTZ Certified are joining hands to work on the methodology, promotion and implementation of a living wage for the workers that are protected by their respective labour standards. Through the facilitation of the ISEAL Alliance of sustainability standard systems, SAN/RA, FSC and UTZ Certified have decided to join the living wage methodology project initiated by SAI, Fairtrade International and GoodWeave in October 2012 and to use this project as a springboard for longer term collaboration. The long term goal and shared mission of our six organisations is to see improvements in workers' conditions, including wage levels, in the farms, factories and supply chains participating in our respective certification systems and beyond.

What do we commit to?

We commit to adopt a common definition of living wage and to apply a common methodology for estimating living wage levels and for evaluating wages and other forms of remuneration against those levels.

We commit to using a wide range of strategies, appropriate to each of our respective standards systems, to work towards the long term goal of improving wages.

We commit to seeking support from brands, buyers, and retailers to make wage growth at the primary production level possible.

We commit to working together and working with the relevant stakeholders in these processes.

Why focus on Living Wage?

The concept of a **living wage** has been around for many centuries. Adam Smith wrote about it in the 18th century, and it is referred to in the Constitution of the International Labour Organization (ILO) of 1919. The United Nations Universal Declaration of Human Rights (1948), the Council of Europe's European Social Charter (1961) and the UN International Covenant on Economic and Social Cultural Rights (1966) all recognise the need for workers to receive a (decent) living wage. Hence, a living wage is considered a fundamental human right.

Reports by civil society organizations, including Oxfam, have highlighted the issue of low wages and excessive working hours in the supply chains of a range of commodities and manufactured items. While statutory minimum wages are established in ninety per cent of countries, in many cases wages paid to workers fail to comply with these. Where there is compliance, minimum wages do not often permit a decent standard of living for workers and their families.

At present, attention to the topic of a Living Wage is growing due to declining wage shares worldwide, widening wage and income inequalities and growing interest in corporate social responsibility. As standard-setting organisations, we are responding to this call to examine how we can most effectively address wage levels through our standards and other operations and through collaborative work with our wide stakeholder networks.



What is a Living Wage?

In order to work together on living wage, it is important for us share an understanding of what a living wage is. A recent ILO review revealed that there is a general consensus on the definition of living wage (R. Anker, *Estimating a Living Wage: A Methodological Review*, ILO 2011). Drawing on this report and in consultation with experts, we have adopted the following common definition for living wage. A living wage is:

The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.

Towards a Common Methodology

Our six organizations are collectively working together with Dr. Richard Anker, an international specialist on living wage, to design and test a common methodology to estimate living wage levels for the areas in which we work. The methodology being developed draws on lessons from pilot projects in various countries. In a nutshell, the living wage is estimated by adding up: the cost of a low cost nutritious diet that is appropriate for food preferences and development level of a country, plus the cost of decent housing in the area, plus other costs for essential needs, which are assessed through a method of extrapolation. A small margin above the total cost is then added to help provide for unforeseen events such as illnesses and accidents to help ensure that these events do not easily throw workers into poverty. This total per capita cost is scaled up to arrive at the cost of a decent standard of living for a typical family and then defrayed over a typical number of full-time equivalent workers per household.

Long Term Vision

We see the living wage definition and development of the methodology for calculation as first steps of a long-term process. This process will include the development of an open source database to host living wage benchmarks for wider usage and also capacity building efforts, which will allow others to replicate our work.

We share the view that these living wage benchmarks will not supplant collective bargaining rights, but serve as a replicable tool to support social dialogue between workers and employers. For many developing country producers, wages form an important part of the costs of production. As such, it is important to introduce wage requirements in our standards only in combination with dialogue and involvement of actors at all levels of the supply chain. Wage issues are issues of fairness in the distribution of gains accrued across the value chain in the process of trade.

Including a definition and methodology for calculating living wage in our certification standards is only a first but necessary step towards achieving wages at a level that will help workers escape poverty and is instrumental to collaborative efforts of retailers, buyers, producers and trade unions to make a living wage a reality. Our organisations are firmly committed to this process.

