

# Why and how to work on living wages

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# Agenda

- What is a living wage?
- What is the difference between living wage and living income?
- Why is this of interest to your business?
- How can you work on living wages?

# WHAT IS A LIVING WAGE?

The remuneration received for a standard month that is **sufficient to afford a decent standard of living** for a worker and her or his family.



Food



Housing



Health care



Transportation



Education



Other essential needs  
including provision for  
unexpected events

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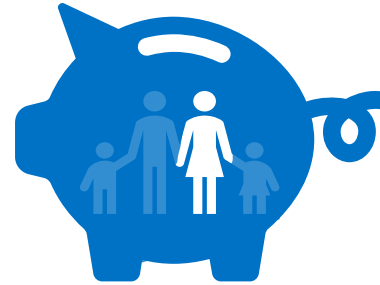


Transportation



Other essential  
needs including  
provision for  
unexpected  
events

by **one full time employee** in  
a typical family

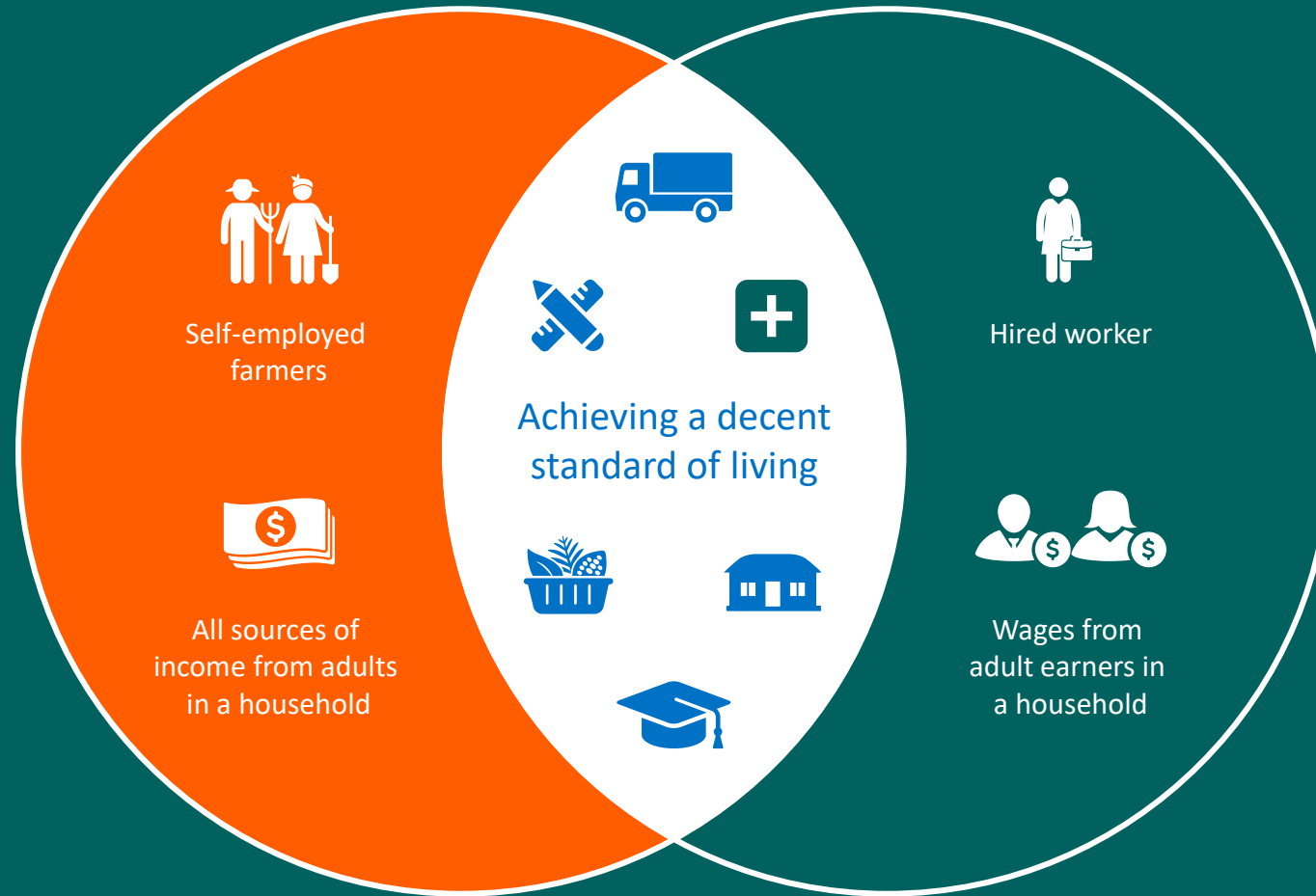


the worker receives a  
**Living Wage**



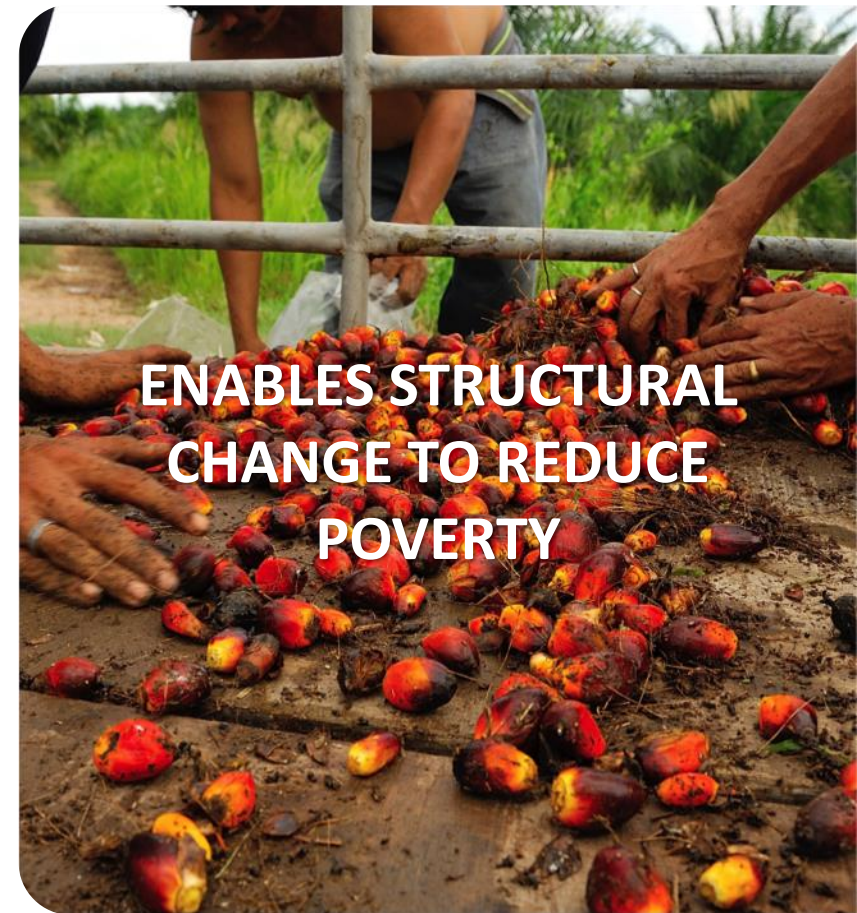
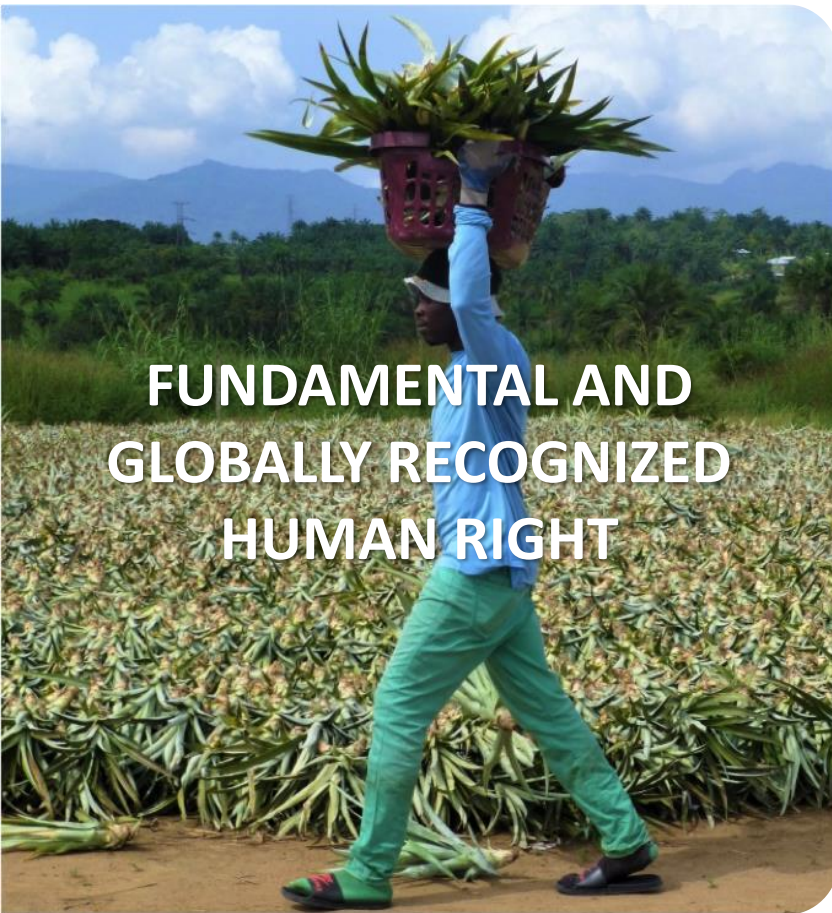
## LIVING WAGE BENCHMARK

# Living income

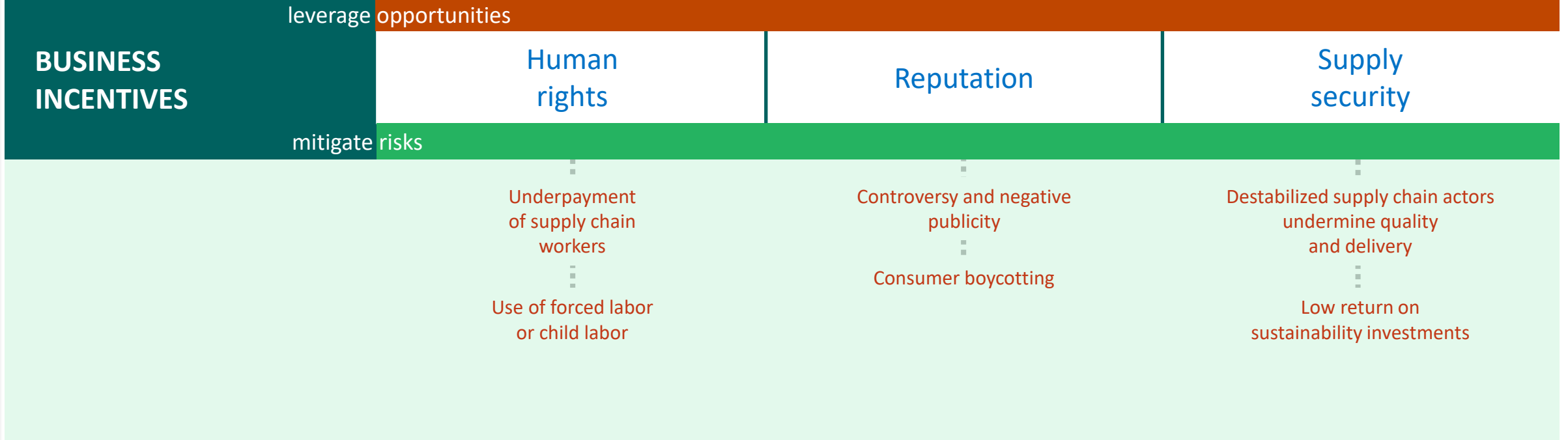


# Living wage

# Why a Living wage?



# Why living wage?





Which  
benchmark?



What is the  
gap?



How to  
verify?



How to take  
action?



What can we  
learn from others?

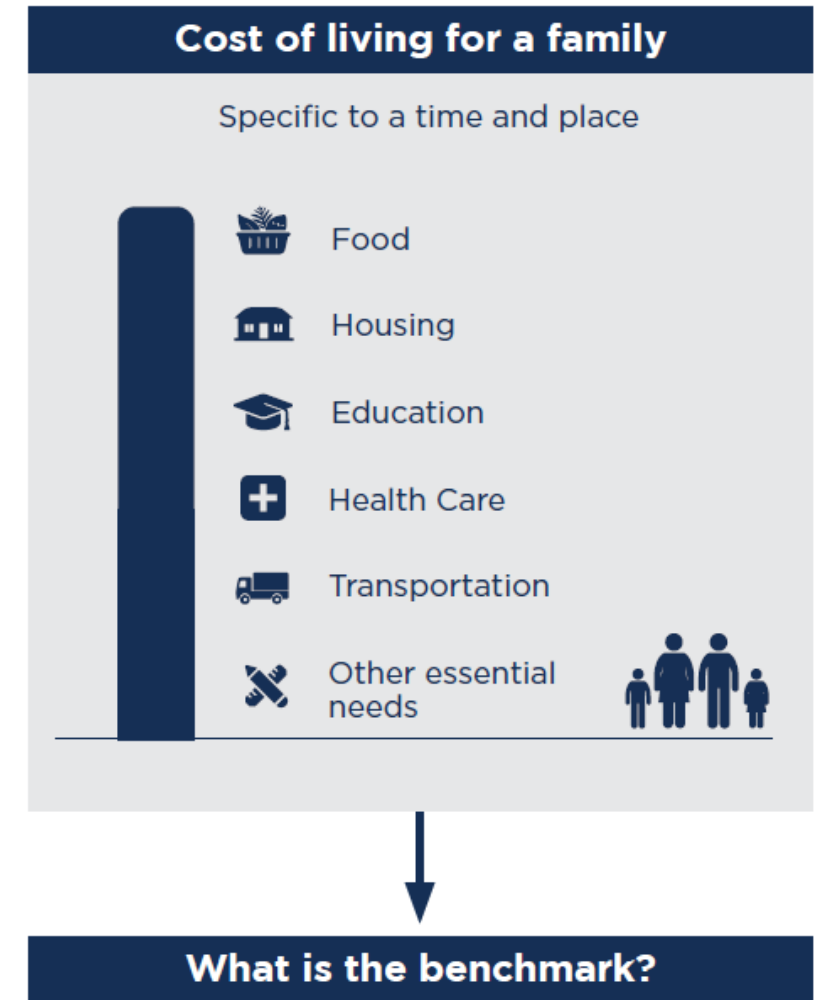


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# WHO CALCULATES LIVING WAGE BENCHMARKS?

- Benchmarks are developed by independent researchers, not by IDH.
- Where available, we use benchmarks developed by the [Global Living Wage Coalition](#).
- If not available, we'll recommend those developed by [IDH-recognized methodologies](#).



# WHAT IS A LIVING WAGE?



## Tools

### Benchmark Series



Each Living Wage Benchmark Methodology has their own approach for calculating the Living Wage. To ensure a methodology is rigorous and consistent, IDH has developed a process to recognize living wage benchmark methodologies that meet nine criteria for quality.

### Benchmark Finder



This tool helps companies find credible living wage benchmarks from every country they source from. By searching a specific region, the user will have access to a list of the benchmarks available. From this list they can directly go to the website of the chosen benchmark methodology.

**Search IDH Recognised Living Wage Benchmarks**

Return to instructions >



**Vietnam**

# Vietnam

Binh Thuan Province

Full-Fledged Anker Methodology (publicly available)

Ba Ria-vung Province

WageIndicator Typical Family Methodology (available for purchase)

Fair Wage Network Typical Family Methodology (available for purchase)

Red River Delta

(Soc Trang to Thai Binh, Soc Trang)

**March, 2020**

**Jan, 2022**

Vung Tau  
**Jan, 2021**

South East

(only for HCMC)  
**March, 2020**

**Jan, 2022**

Economic Zone 1  
**March, 2020**

North Central Coast

**Jan, 2022**

Mekong River Delta

**Jan, 2022**

South Central Coast

**Jan, 2022**

Central Highlands

**Jan, 2022**

North East

**Jan, 2022**



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# HOW ARE LIVING WAGE GAPS MEASURED?

Using the Salary Matrix at the production level (digital format)



**Living Wage  
Benchmark**



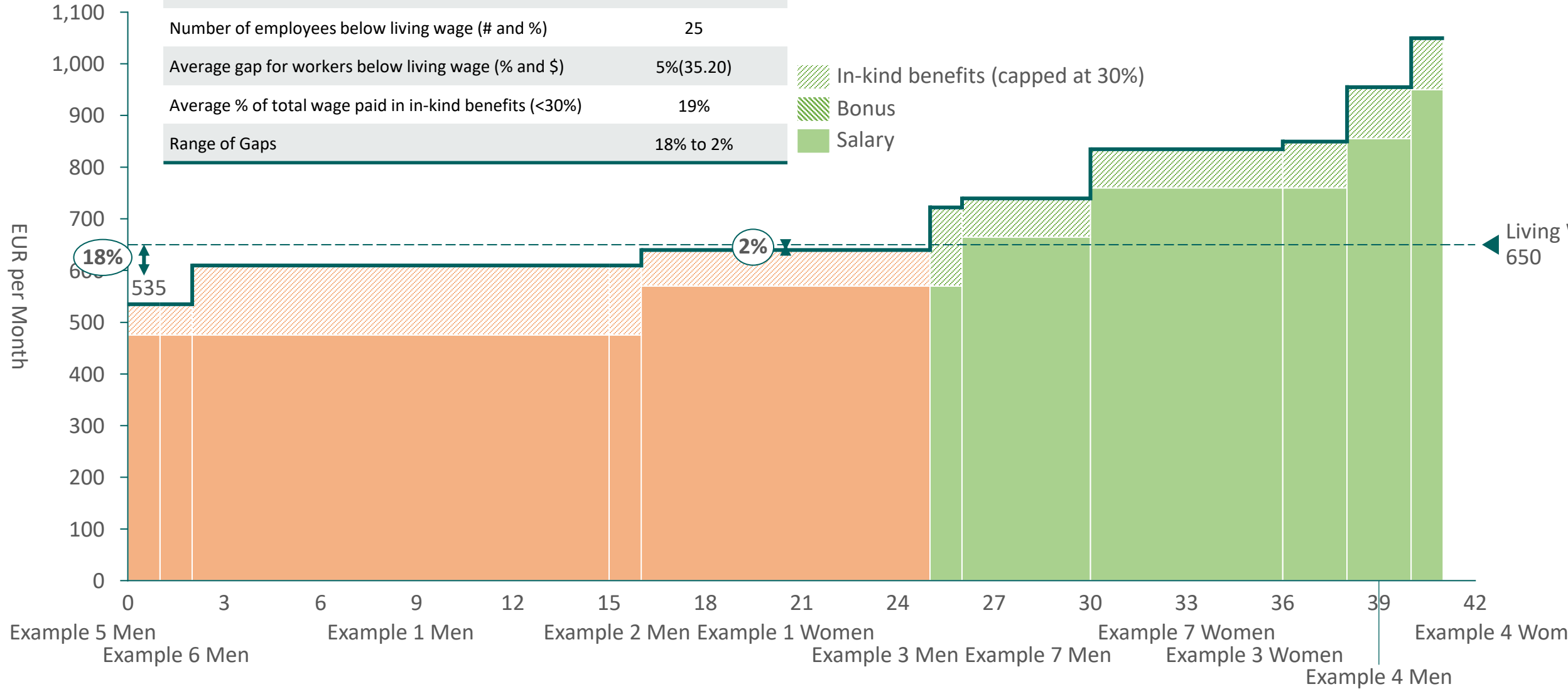
**Current  
Remuneration**

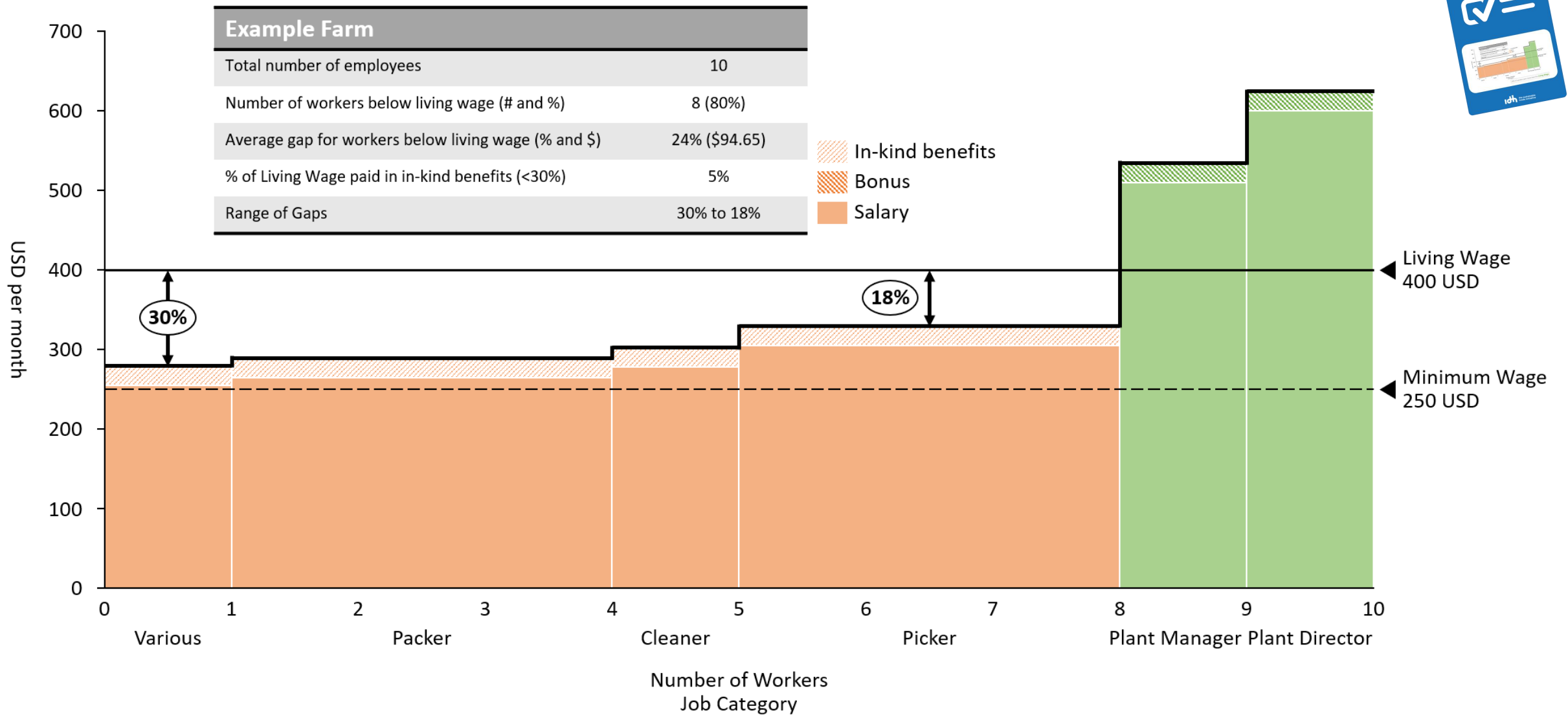


**Living Wage Gap**

Example Facility	
Total number of employees	41
Number of employees below living wage (# and %)	25
Average gap for workers below living wage (% and \$)	5%(35.20)
Average % of total wage paid in in-kind benefits (<30%)	19%
Range of Gaps	18% to 2%

- In-kind benefits (capped at 30%)
- Bonus
- Salary







Today — more than 600+ matrices completed

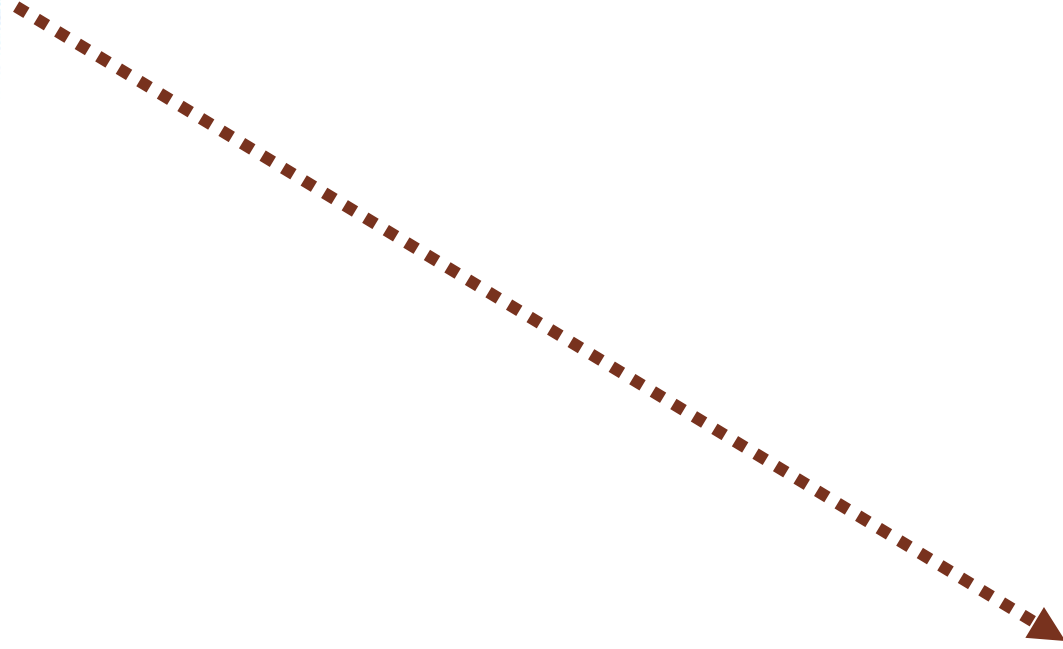
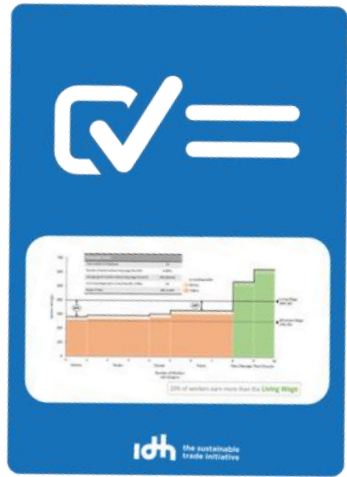
- 20 sectors/commodities:
  - **Agriculture:** avocado, banana, coffee, flowers, pineapples, plantains, tea, tomatoes
  - **Aquaculture:** fish, seaweed
  - **Manufacturing**
- Countries: 30





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A circular graphic with a dark teal border. Inside the circle, at the top, is a dark teal square containing a white checklist icon (a checkmark and three empty boxes). Below the icon, the text 'TRUST BUT VERIFY' is written in dark teal. At the bottom of the circle is a green circle containing the white number '3'.

# Schemes participating in the Working Group





# MEASURE A LIVING WAGE GAP

## Tools

### Guidelines for verification



IDH has developed guidelines for verifying living wage gaps through third-party auditing and the corresponding base report, which serves as the physical evidence for third-party verification of living wage gaps. These guidelines have been developed to support third-party schemes and their auditors interested in verifying living wage gaps.

### Auditor Training



IDH established a partnership with the ImpactBuying Academy to provide training for trainers of auditors and directly to auditors that want to assist companies in the verification of living wage gaps. The training is based on the guidelines for verifying living wage gaps and the proper use of the Salary Matrix to support living wage auditing.





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## Living Wage Action Guide

### Close living wage gaps

Find the interventions that help you overcome the challenges hindering the payment of living wages in your supply chain. Learn and explore the practical tips on what you can do on your own and where you need to collaborate with others.

### Guidance

After entering the guide, select your role at the left and find your path to the best interventions for your situation. Or browse freely through the guide, identifying potential challenges and solutions for you and others. For each intervention, practical tips and inspiring examples are provided.

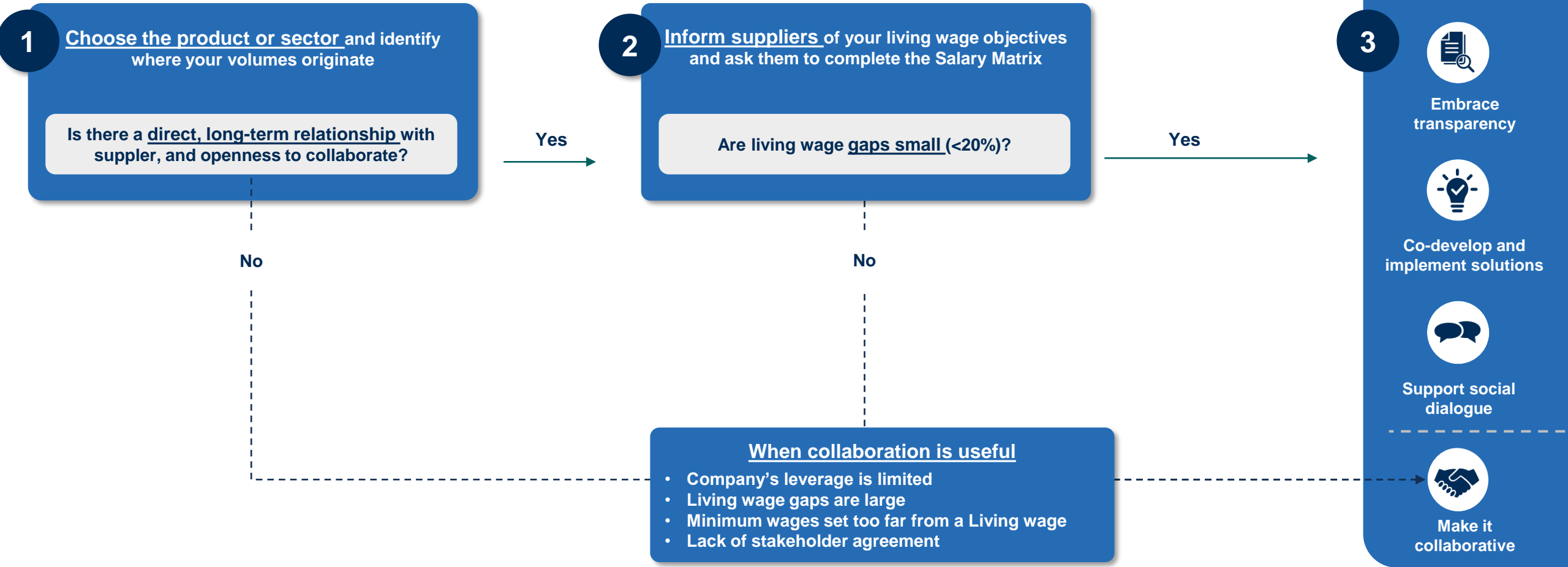
### About the Living Wage Roadmap

This guide is part of the Roadmap on Living Wages created by IDH. It supports companies and other organizations on their journey towards a living wage economy. The Roadmap presents 5 steps: identify the living wage, calculate your gap, verify your calculations, take action, and share learnings. This guide is all about taking action. Ready to start?

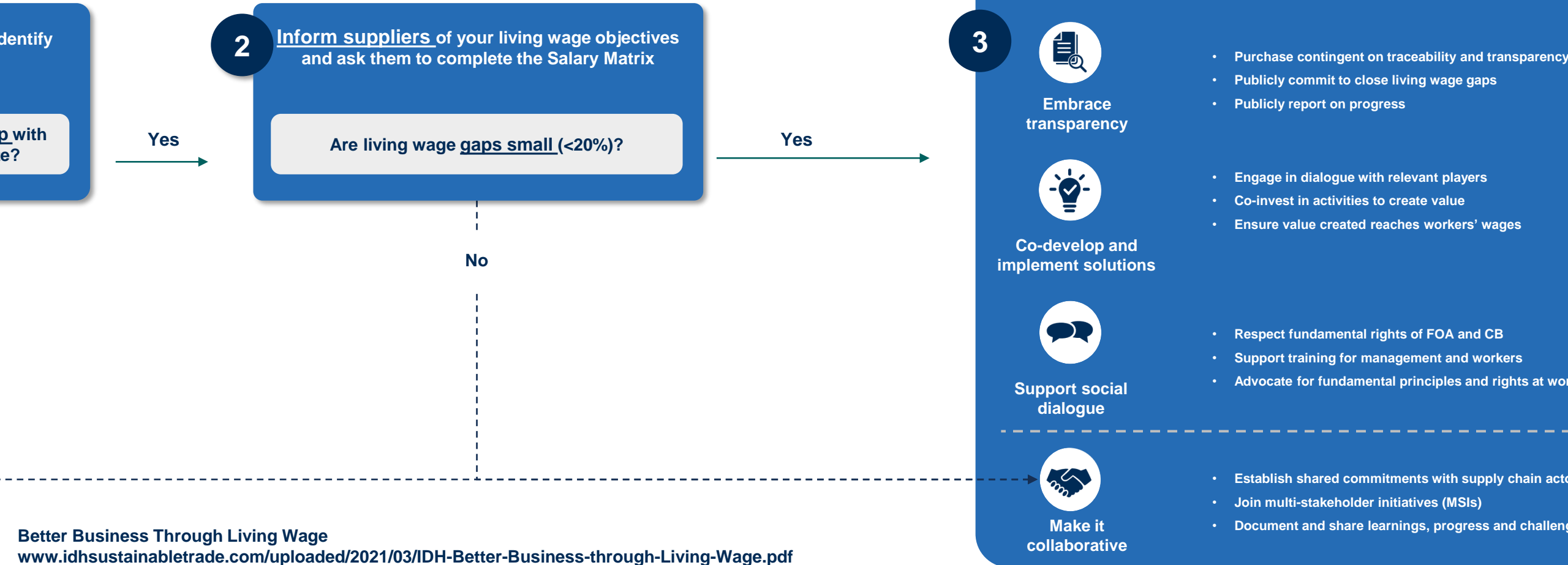
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# HOW TO CLOSE THE LIVING WAGE GAP?



# HOW TO CLOSE THE LIVING WAGE GAP?



# Issues influencing living wage gaps (based upon research)



## Facility performance



### ISSUES

Low productivity

Low worker productivity

Low quality produce

Low (per unit) wages

Low quality/value of in-kind benefits

Lack of robust pay management systems

Precarious employment contracts

Excessive working hours

Unprofitable production

Low market prices

Inadequate wage setting mechanisms (e.g., low minimum wages or lack of CBA)

Lack of (adequate) social protection

### REASONING

- Challenges competitiveness and thus profitability and ability to pay higher wages
- Potentially lead to low worker wages

- Can – depending on wage remuneration system – lead to low wages
- Can impact farm productivity and ultimately profitability impacting wage improvement potential

- Can lead to low profitability and, in turn, low ability to pay living wages

- How piece rates are set influence the worktime required to earn a living wage. If piece rates assume an unreasonably high degree of productivity (e.g., in view of variable conditions for picking) then this will require longer hours to meet the target rate and structural reliance on overtime to earn sufficient wages

- Leads to lower take-home remuneration
- Inferior quality of IKBs, or IKBs that do not correspond to workers' actual needs, are not taken up by workers;
- Workers may prefer to receive cash; they may be valued wildly differently by employers and workers; they may constitute too high a proportion of total benefits

- Lack of visibility from producer of wages paid to all workers involved in operations (incl. outsourced/contracted workers) lead to poor understanding of severity of wage gap
- Lack of understanding for buyers of actual wages that are paid to workers in their supply chains limit ability internally to advocate for improved pricing and other practices to improve situation

- Temporary work → more vulnerable position
- Informal work used as means to avoid higher remuneration / regulation / CBAs
- Temporary & informal workers not receiving all benefits leading to lower total remuneration & CoP

- Workers working very long hours (beyond legal 'standard' working week); excess hours cannot be included in LW
- Large variability in hours due to production seasonality and lack of alternative work off-peak may lead to low and insufficient monthly or annual wages

- Low margins limit wage increase potential
- Low margins lead to rise in temp or informal workers
- Evidence from the banana sector shows a positive correlation between producer profitability and higher wages

- Lack of trust impedes introduction of transparency on price and implications on margins thus and ability to improve wages
- Labour cost among the highest components of CoP: Low prices make production unprofitable and lowers space to increase wages and thus CoP.

- Legal minimum wages do not represent cost of living and thus do not support the needs of workers and their family
- Lack of social dialogue → wage floor/(perceived) ceiling set too low compared to basic needs of families

- The cost of 'basic needs' reflects in part how these basic needs are met by public service provision. Where education and healthcare cost a lot of money (in relative or absolute terms) this adds to the cost to be borne by individual workers.

## Employment practices

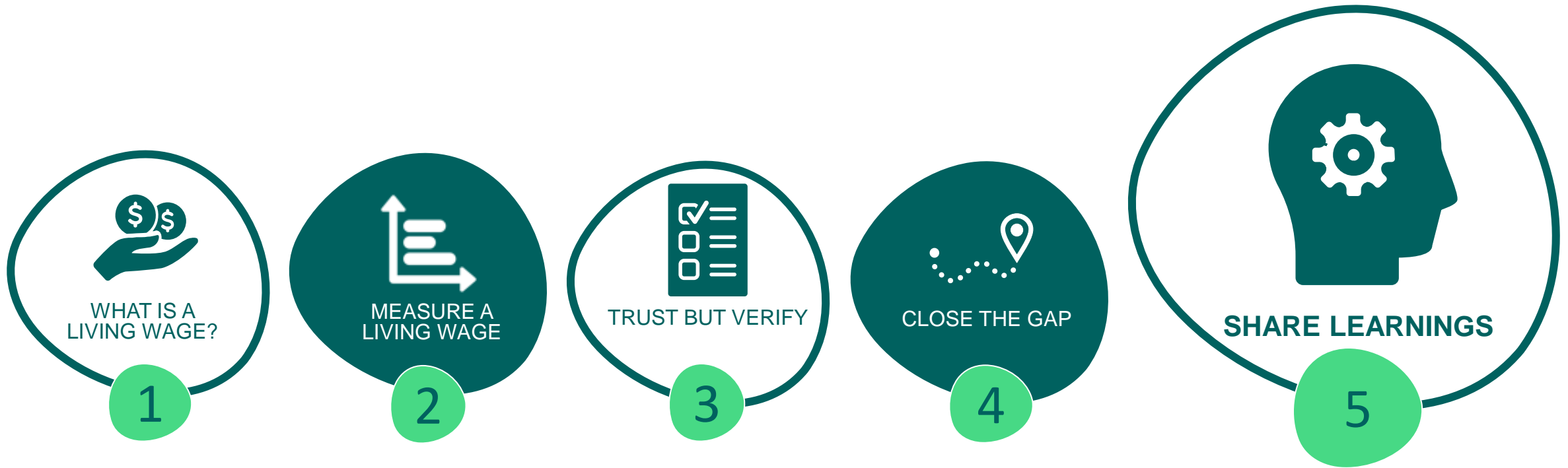


## Procurement and trading practices



## Enabling environment





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# Thank you

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Education and Research EAER  
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