



Living Wage Workshop

9 November 2021

Virtual workshop organised by the
OECD Centre on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE)

SUMMARY REPORT

On November 9, the [OECD WISE Centre](#) hosted a workshop on the measurement of the living wage. The goals of the workshop were:

- Introducing the main components underlying the living wage concept and reviewing international methodologies to estimate it;
- Exploring how external data and statistical practises could be used to improve these methodologies and discussing what type of data statistical offices should produce to promote further convergence;
- Discussing how governments, NGOs and civil society can contribute to the living wage movement through multi-stakeholder alliances.

The workshop was organised as part of a partnership between the OECD and [Business for Inclusive Growth \(B4IG\)](#), a CEO-led coalition of companies fighting against inequalities. In total, over 100 stakeholders attended, including public and private sector experts, business and civil society representatives, government officials and national statistical offices (NSOs). The workshop was organised around two thematic sessions and a roundtable discussion. **Romina Boarini**, Director of the OECD WISE Centre, opened the event, welcoming participants and linking the objectives of the workshop to the WISE Centre's mission of generating new data and solutions to improve people's well-being and reduce inequalities, and to better understanding the impact of governments' policies and business' actions on people's lives today and in the future. **Carlotta Balestra** (OECD WISE Centre) delivered a scene-setting presentation on the OECD project on the living wage and highlighted how the workshop would feed into this undertaking [[Click here for presentation](#)]. A detailed summary of both the thematic sessions and the roundtable discussion is provided below.

Session 1. Living wage: concepts and initiatives

This session, chaired by Romina Boarini, introduced the main components underlying the living wage concept, summarised the different approaches used to estimate living wage levels and discussed the key factors that should be considered when putting them into practice.

Honore Johnson (*Speaker*, [IDH](#)), kicked off the session by providing a historical overview of the concept of living wage, which was formalised as a human right in the early 20th century and became popular around the year 2000 thanks to the push by civil society. The development of the Anker methodology, the first widely recognised approach to estimate living wages, was a milestone in the operationalisation of the concept. Honore highlighted the three main questions that need to be answered when implementing a living wage in business practices: *i*) what makes a living wage estimate credible and what



to do when there are no estimates available?; *ii*) how can we understand and measure wage gaps?; *iii*) how can the information provided by companies be verified?

IDH's work has focused on developing a roadmap for companies and organisations to support them in answering these questions and guide their living wage journey. With the consultation of leading methodological experts, IDH identified 9 criteria to assess the credibility of methodologies. Broadly speaking, these cover two aspects: i.e., the quality of data collection (e.g. are the data collected representative of the location and of the living wage benchmark?); and the consistency of the underlying methodology (e.g. are the items included in the basket aligned with the definition of living wage adopted by IDH?). As of today, four methodologies have been accredited: the GLWC/full-fledged Anker methodology, the GLWC/Anker reference value methodology, as well as the WageIndicator's and the Fairwage's typical family methodologies. Honore stressed that the lack of publicly available information, which concerns most living wage estimates, remains a key challenge that needs to be addressed going forward. To better understand wage gaps for workers in the company and in supply chains, IDH developed the Salary Matrix, which allows measuring workers' compensations – including wages, bonuses and in-kind benefits – in a way that is compatible with living wage standards. Additionally, to verify that the information provided in a company's self-assessment is accurate, IDH launched in 2021 an auditing training program with the help of the Impact Academy. Honore closed her intervention by noting that room exists to improve both the benchmarks and the auditing process, without losing sight of the bigger picture: i.e. the aspiration to create an economy where everyone earns a living wage. [\[Click here for presentation\]](#)

Donald Hirsch (*Discussant*, CRSP Loughborough University) emphasised the need to take a step back to reflect on what the living wage (LW) represents and how it is set and verified in order to improve our understanding of the concept. Some key considerations should include: *i*) what does the LW allow you to buy?; *ii*) who has decided at which level it should be set?; *iii*) how are subjective views of what makes a decent life factored in?; *iv*) what drives differences in estimates? Donald distinguished between methodologies that rely on a thorough assessment of households' necessities and those reflecting the current distribution of wages and living costs. In the latter case, there is a risk that living wage calculations become circular: if LW estimates are informed only by spending patterns among people with low incomes, then the resulting benchmark may reflect deprivation and be set at a too low level. This raises the issue of what needs should be covered: the LW should provide the worker and their family with a decent standard of living, one that allows them to fully participate in society, and not just subsistence. But the concept of "decency" is also explicitly normative, despite the scope for using survey data to reduce this. While there may be thresholds for "decency" in some areas (e.g. food), these are not available in others. Hence, there is a need for being explicit and transparent on where and how these thresholds are set (e.g. were workers involved in the process, were their voices heard?). Donald stressed the need to foster convergence and to avoid assuming different needs and preferences for the global north and the global south. Since the lack of convergence undermines the credibility of the LW, multinational companies operating in different settings must be provided with consistent methodologies to apply.

Session 2. Mobilising external data sources to improve current living wage approaches

While living wage rates are typically compiled by independent practitioners, their strategies share several features that are similar to the statistical practices and concepts measured by national statistical offices (NSOs) and other organisations. This prompts a range of questions: for instance, how does the living



wage basket compare with the basket used to derive absolute poverty lines? How do local living wage estimates reflect regional differences in the cost of living? What components should be included in the living wage metric, and how do the resulting estimates compare to different benchmarks drawn from national wage distributions? The session, chaired by **Marco Mira d'Ercole** (Counsellor of the OECD WISE Centre), addressed these questions, and explored how external data and statistical practices could be mobilised to inform and improve existing methodologies.

2.1. Measuring living wage baskets

Martha and Richard Anker (*Speakers*, [Anker Research Institute](#)). Martha noted how, until 2013, interest in the living wage concept was fairly limited. When Richard was an ILO official heading the team to develop statistical indicators of “decent work” in 2003, there was no good indicator for “decent wages”. Even a 2011 ILO review paper of living wage methodologies concluded that there was no agreed living wage definition and methodology. Moreover, paying a living wage was seen as too costly for firms, and unfeasible because there was no generally agreed living wage definition or measurement methodology. Fast-forwarding to today, the Anker methodology is recognised as the gold standard for measuring living wage by the Global Living Wage Coalition, IDH, the Living Income Community of Practice, and many others. While several other living wage definitions, methodologies and benchmarks exist, such proliferation risks undermining the credibility of the living wage movement. Martha outlined the key principles that guide the Anker methodology, i.e.: *i)* based on transparent and publicly available estimates; *ii)* normative in character; *iii)* consistent and comparable within and between countries; *iv)* guided by recognised international and national minimum standards (e.g. healthy housing standards and nutritious diets); *v)* time and place specific; *vi)* producing a single living wage estimate for all workers in a given situation that does not change with gender, migration status or family size; *vii)* favouring practical and modest estimation costs; *viii)* based on a family size that reflects local conditions but does not go below four, to allow for population replacement; and *ix)* setting the number of full-time workers supporting the family based on local labour market parameters. Martha also highlighted that, from a wage policy perspective, the number of living wage estimates available in a country has to remain limited and that having too many sub-national estimates may be counterproductive.

Richard added that the Anker methodology emphasises the importance of secondary (official) data in its calculations, although primary data collection through field-work is nonetheless needed to gain insights into the situation of people who need a living wage, and it is essential to assess housing conditions and costs, food consumption patterns and local food prices, and the cost of adequate healthcare and education through secondary school costs (human rights) when the available secondary data on household expenditure are biased downward for these because households are too poor to be able to afford these. The Anker methodology includes costs of all items necessary for decency and does not exclude any items except for tobacco-related expenditures, and does not set the basket size rigidly to reflect differences in standard of living in different localities. Richard discussed their ongoing work on building regional estimates, with reference values extrapolated from living wage benchmarks for countries with no living wage studies. He warned that non-transparent and company-favored methodologies pose a significant risk to the credibility of living wage estimates and therefore the living wage movement. Richard concluded with a plea for NSOs to produce better secondary (official) data on housing conditions, environmental hazards in the neighborhood and on local food prices, which would all benefit living wage calculations. [[Click here for presentation](#)]

Balint Menyhart (*Discussant*, Joint Research Centre of the European Commission) introduced the audience to the European Commission’s research project aiming to derive absolute poverty measures in



the EU context. Balint emphasised that the challenges of estimating the LW and absolute poverty lines are similar, and so are the questions that researchers need to address: *i)* the normative character in defining living standards; *ii)* the need for transparency and international comparability; and *iii)* the use of granular data on reference baskets, budgets and price levels. However, the two approaches differ in the population of interest. Poverty measurement requires that household-specific thresholds be defined for *each* household type, while LW estimates refer to a *typical* household. Balint presented the three different strategies used in the EC project – i.e. a reference budget-based approach, a survey-based approach and one based on the use of non-food ratios applied to a food reference budget – showing that these can have a sizeable impact on absolute poverty lines, a result that underscores the importance of providing transparent and detailed information on the preferred methodology. Balint concluded by suggesting possible improvements in data collection that could benefit LW estimates going forward: *i)* the international harmonisation of budget survey data and the integration of information on income, wealth, and self-assessed economic well-being; *ii)* further spatial disaggregation of survey data; and *iii)* the development of national and international guidelines on essential services and basic needs. [\[Click here for presentation\]](#)

2.2. Adapting living wage estimates to local conditions

Daniel Vaughan-Whitehead (*Speaker*, [Fair Wage Network](#)) contextualised the need for living wage practices: the COVID-19 crisis resulted in growing poverty and inequalities, while the existence of minimum wages typically below living wage thresholds points to an institutional deficit. He argued that countries fixing wages through collective bargaining tend to have minimum wages relatively close to the living wage, even though minimum wages are not set to reflect the income needed by workers and their families. Daniel then presented the Fair Wage Network's methodology, which relies principally on primary data collected by LW practitioners from surveys on workers' family expenditures and local prices. To capture differences in price levels, these surveys are conducted in rural, urban and metropolitan areas. Elaborating further on their methodology, he explained that the Fair Wage Network considers the fertility rate of the local area to estimate the reference family size, and the average number of workers in each country for the number of full-time workers. He used examples to show how the criteria chosen (in terms of family size and number of workers) have very large implications on the level of the living wage. Daniel concluded by calling for the sustainability of living wage practices and by underscoring the need to place the living wage within a broader "fair compensation" framework that links wage increases to workers' skills and performance, an approach that would increase buy-in from different stakeholders. [\[Click here for presentation\]](#)

Daniel Sánchez-Serra (*Discussant*, OECD Statistics and Data Directorate) pointed to the similarities between NSOs' initiatives to compute sub-national PPPs and the Fair Wage Network's approach to assessing prices at local level through field-work data. Sub-national PPPs, where they exist, can be used to adjust national data to regional prices. Daniel distinguished between two ways of computing sub-national PPPs. The direct approach is used in the United States and Italy, and relies on official data on consumer prices and expenditures to compute state-level estimates of price levels. The indirect approach was used by Daniel and his co-authors to compute regional PPPs for 34 OECD countries over the period 2000-2016 based mainly on sub-national statistics of income and GDP. This latter approach is less data demanding than the former, as it does not require direct measures of regional prices; the resulting estimates are close to those based on the direct approach (in countries where these are available). Daniel closed his intervention by calling for more national statistical offices to produce sub-national PPPs. [\[Click here for presentation\]](#)



2.3. Living wage: how does it compare to wage benchmarks?

Paulien Osse and **Daniela Ceccon** (*Speakers*, [WageIndicator Foundation](#)). Paulien provided an overview of the WageIndicator's methodology. The WageIndicator Foundation conducts work in over 200 countries and produces LW estimates that are based on information drawn from an online survey asking for prices (available in 50 languages) and on field-work collecting data on food prices from shops and markets and data on housing and other commodities from surveys of individuals carried out by WageIndicator experts. These data are cross-checked and complemented with secondary data such as food prices from the World Food Program, health and education costs from national statistical offices and consumer prices indexes from the IMF. Primary data are collected locally and aggregated to provincial, regional or national levels to provide LW estimates at different geographical scales, referring to three different household sizes. For some clients, WageIndicator has developed estimates at village-level and including specific benefits (e.g. transport and food vouchers). While recognising the value of the initiative, Paulien added that it is very intensive resource-wise. Daniela presented evidence on the relationship between minimum and living wages. While in the vast majority of countries living wage estimates by the WageIndicator Foundation are higher than the minimum wage, with the gap being especially large in some low-income countries, the opposite is true in a number of OECD countries. This finding led the WageIndicator team to start developing 'Living Wage Plus' estimates. [\[Click here for presentation\]](#)

Further to defining living wages in absolute terms, **Pascal Marianna** (*Discussant*, OECD Directorate for Employment, Labour and Social Affairs) stressed the importance to locate them within a country's wage distribution and to assess the gaps with prevailing wages. He argued that living wages can be usefully compared with conventional measures of statutory minimum wages, steadily falling in real values in some countries, and with the OECD's concept of low pay (i.e. 2/3 of median earnings for full-time employees). He showed evidence that minimum wages are well below this low pay threshold and that the share of low-paid workers (based on the above definition) is high in most OECD countries (1 in 10 employees on average in OECD countries). Benchmarking LW estimates to internationally comparable thresholds can show how many workers could potentially benefit from a living wage. Pascal also added that, while living wages are generally presented in hourly or monthly rates, the net yearly take-home pay (net of taxes paid and benefits received) of low-wage workers is what matters for a household to avoid poverty. Hence the importance of incorporating in the analysis of LW the role of in-work benefits and wage subsidies to reduce in-work poverty and promote self-sufficiency. [\[Click here for presentation\]](#)

Roundtable: Engaging with companies, governments, NGOs and civil society

In the roundtable, chaired by **Camille Putois** (CEO of the Business for Inclusive Growth Coalition), representatives from institutions, NGOs, trade unions and companies discussed how different stakeholders can facilitate the process of realising a living wage.

Frank Walsh (Low Pay Commission Ireland) provided an overview of the work on living wages conducted by the Irish Low Pay Commission, which was tasked by the government to put forward recommendations on how best meet its commitment to "progress to a living wage over the lifetime of the government". While no final recommendations have been proposed yet, Frank stressed that the LW is "more than a number", and the importance of assessing its impact on employment, income distribution, poverty and inflation, as well as the interaction with other social policies. While arguing that the LW should not replace the statutory



minimum wage (in countries where it exists), the Low Pay Commission hopes that its recommendations will lead to a phased increase in the national minimum wage.

Both **Julie Vallat** (L'Oréal) and **Alexandra Tarmo** (Unilever) elaborated on the factors that, from a business perspective, facilitate the transition to a living wage, as well as on the challenges that are often encountered along this journey. Julie argued that several steps can create traction, including the need to demystify the living wage concept, to set expectations and to factor in the costs and opportunities that come with the commitment. She underscored that the LW is not a luxury concept but rather sustenance – this being a key message that needs to be transmitted to markets, suppliers and consumers to achieve the transition to the LW. In her view, a “gap analysis” in different markets based on different LW thresholds is needed to understand where the company stands on the journey to a LW. Both Julie and Alexandra added that the shift to a LW is a complex and collective process that requires a holistic approach and joined-up action from peers and partners. Alexandra also provided insight into Unilever’s commitment that all its suppliers apply a LW by 2030 based on a roadmap that considers market conditions, government policies and other factors. One strategy adopted has been to call on partners to join and commit towards this promise. Alexandra also described how Unilever openly communicates best practices and engages with partners where there is opportunity to bring in change. Unilever, however, is cautious about not reducing competitiveness amongst its suppliers due to the living wage commitment. An additional challenge comes from providing suppliers with access to LW benchmarks and data.

While acknowledging that the LW is a business’ voluntary commitment, **Blake Harwell** (Trade Union Advisory Committee to the OECD) warned of the risk that the LW could become the new perceived “maximum” and stressed the need to strengthen collective bargaining to ensure that workers get a say on what they consider a LW. Blake also praised both L’Oréal and Unilever for using collective bargaining efficiently and for employing the LW as an indicator for how wages are distributed in their supply chain.

Caroline Rees ([Shift](#)) argued that it is key to change the “incentive mix” to get companies to sign up for the transition to a living wage. For this to happen, companies need standardised, simple and transparent reporting tools that communicate clearly their journey towards the LW. A reporting model should reflect the company’s wage distribution, including the share of workers who are paid below the LW and those who have transitioned to a living wage. It should convey the value to society of progressing towards a living wage and include other contextual indicators on payroll composition, key pay ratios and collective bargaining. Valuing and communicating clearly the negative impact that a wage below a ‘liveable’ level has on society could steer change.

Tyler Gillard (OECD Directorate for Enterprises and Financial Affairs) elaborated on how the [OECD guidelines for Multinational Enterprises](#) can support businesses in their LW policies. These recommendations have been developed in partnership with businesses, trade unions and governments, and reflect UN’s human right principles, ILO standards as well as environmental and anti-corruption best practices. Tyler pointed out that these guidelines apply not only to businesses but also to their supply chains, although with different modalities. Changes in purchasing practices are needed, as companies cannot adopt cost-down practices while expecting suppliers to raise their standards in terms of wages, job quality and working culture. Tyler advocated a holistic approach, where collective bargaining and representation of stakeholders play a key role. The lack of a LW policy can also be an indicator of other issues, such as corruption, that negatively impact a business’ performance. When suppliers cannot pay a living wage, companies should at least make sure that workers in supply chains are paid normal wages and on time.



Conclusions

Romina Boarini (OECD WISE Centre) concluded the workshop by summarising the main takeaways and outlining the next steps going forward. She noted that the workshop was a stepping stone towards the OECD report on the measurement of living wages to be published next spring. The OECD is keen to further advance discussion with participants on an individual basis, to identify data, methodological notes and other documentation that could feed the report, as a concrete step to increase credibility and move towards greater standardisation of practices and methodologies. The OECD will also bring some of the statistical and methodological issues raised at the workshop to the attention of NSOs in relevant fora.