



Supporting Organizations' Guidelines: Voluntary Contributions to Support Closing Living Wage Gaps

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For recommendations on how to further improve these guidelines, please reach out to us at academy@impactbuying. Your insights are greatly valued.



1. Introduction to Voluntary Contributions

In a world where economic disparities persist, the pursuit of social responsibility has taken centre stage, bolstered by upcoming due diligence legislations worldwide. Companies are increasingly acknowledging their role in addressing issues like income disparities, specifically regarding living wage gaps. To fulfill the corporate responsibility of upholding fundamental human rights in supply chains, it is important to recognize the risks associated with low wages and take action to mitigate or remedy them, which includes continued progress towards living wages.

Working on addressing living wage gaps ideally requires a long-term cooperation between buyers and producers, and other key players in the supply chain. The reality is that around 99% of the trade agreements are based on 1-year contracts, which is unlikely to change overnight. Therefore, it is of importance to look at what is possible instead of what is not. A start could be made with voluntary financial contributions from buyers to alleviate living wage gaps that might exist among workers of their producing partners. This will only happen at scale when buyers can trust that when given a financial contribution, it is truly received by workers. With a confirmation from an independent auditor that a voluntary financial contribution was truly distributed to workers, companies would have a reassurance they are looking for.

Based on the insights gained from previous studies on possible solutions for closing living wage gaps—part of the first phase in developing these guidelines—the concept of voluntary contributions was introduced. Voluntary contributions, paid to a supplier/trader/producer with the aim of ultimately benefiting the workers of producing sites, serve as a temporary solution to initiate the living wage journey. Meanwhile, structural changes need to be implemented, particularly at the country or governmental level, to systematically raise wages through social dialogue and collective bargaining. While this falls outside your sphere of influence as an individual buyer, voluntary contributions do not.

Voluntary contribution as temporary measure

It is crucial to highlight that the ultimate goal is to ensure workers receive living wages through negotiations, particularly via social dialogue and collective bargaining agreements. While voluntary contributions can play a role, they cannot fully address the root structural issues causing living wage gaps or replace the importance of collective bargaining.

Relying solely on voluntary contributions is limited in addressing living wage gaps because they are not a steady income source and fall short of being considered actual wages. While these contributions can serve as an initial step toward addressing living wage gaps, it is essential to simultaneously work on long-term solutions for more sustainable outcomes.

Objective of guidelines

These guidelines are intended to provide supporting organizations with guidance on supporting the implementation of voluntary contributions while simultaneously advocating for systemic changes to achieve long-term solutions in increasing wages.

2. Preliminary Conditions

To facilitate the closing on living wage gaps of workers through voluntary contributions requires the necessary preparation to effectively provide assistance.

Building up knowledge

A foundational understanding of living wage concepts is crucial to provide high quality and knowledge for the implementation, and impact necessary for stakeholders to address wage increases globally.

Here are some valuable online resources related to the concept of living wage:

[Living Wages Around the World](#)

[OECD Guidelines for Multinational Enterprises](#)

[Anker Research Institute](#)

[IDH Roadmap on Living Wages](#)

[Global Living Wage Coalition](#)

[IDH Salary Matrix E-Learning Site](#)

Appointing internal champions

Designate internal individuals who will assume responsibility for overseeing and driving efforts to facilitate companies interested in addressing living wages through voluntary contributions. These champions will support mechanisms and processes related to living wages and voluntary contributions, acting as advocates and facilitating cross-stakeholder communication and coordination.

Voluntary contributions guidelines for diverse stakeholders

To ensure the successful implementation of voluntary contributions and provide effective support to supply chain actors, it is crucial to understand the specifics outlined in the following guidelines. It is strongly recommended to follow to the procedures detailed in these guidelines.

- Buyers' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Buyers-Guidelines_June-2024_Impact.pdf
- Producers' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Producers-Guidelines_August-2024.pdf
- Standards' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Standards-Guidelines_Third-Party-Schemes_June-2024.pdf
- Worker's Representatives' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Workers-Representatives-Guidelines_Aug-2024.pdf

3. Assistance with Voluntary Contributions

This chapter outlines how, as a supporting organization, you can provide assistance to two distinct target groups: buying organizations and producers. The upcoming chapter presents various support options. The decision on where to concentrate assistance lies with you as a supporting organization, depending on your organizational focus areas and the extent to which you choose to support the preparation and implementation of voluntary contributions. Both – producers and buying organizations share a common objective of addressing living wage gaps through voluntary contributions, and there are certain aspects that overlap in their approaches. However, specific guidance tailored for supporting producers and buying organizations is differentiated by differently colored text boxes. There is also assistance applicable to both groups. It is crucial to highlight that the proposed facilitation measures align with the processes outlined in both the buyers' and producers' guidelines. Therefore, it is recommended to collaborate closely with these two sets of guidelines.

This chapter is structured as follows:

- Preliminary conditions support
- Voluntary contributions implementation support
- Guiding preparations in parallel with supporting the implementation of voluntary contributions

3.1 Preliminary conditions support

As a supporting organization, before facilitating the implementation of voluntary contributions, you can play a role in guiding buying organizations and producers to prepare the necessary preliminary conditions that form the basis for embarking on the implementation of voluntary contributions. As well, exploring these subjects with both producers and buying organizations aims to determine whether voluntary contributions are an appropriate measure to support the closing of living wage gaps.

Awareness creation and trainings

Connect with producers and buying organizations to make them aware of living wages being a fundamental human right and provide trainings to capacity building on the concept of living wage.

Help to set the foundation for building the internal commitment creation and help to appoint inside the producers and the buying organizations internal champions that build up expertise in house on living wages. Help to establish internal KPIs to track and measure over time the improvement goals on wages set.

In the course of this process, the freedom of association is vital in facilitating the preparation for collective bargaining, guaranteeing that the voices of workers are acknowledged, and they receive adequate representation. Consequently, involving workers in wage-related matters at this stage is an important task for you as a supporting organization.

Overcoming fear of competition



Navigating living wage gaps requires finding a balance, especially when overcoming concerns of competitiveness, which was identified during the consultation phase. Buying organizations and producers might be concerned about higher costs that fair wage commitments might entail. However, by fostering open dialogue, working together, and cooperating across the industry, they can find creative solutions. As a supporting organization, you can help them overcome these challenges by bringing every relevant actor together and provide them with information on how to do so in a competitive way. This not only promotes social responsibility but also ensures a fair and sustainable future for everyone involved—buying organizations, producers, and industries. Encourage a broader approach to addressing human rights issues by connecting the right people, including unions, workers, workers' organizations, and government entities.

Support to producing organizations

Identification of a living wage gap

Before considering the implementation of voluntary contributions, it is crucial to be aware of the actual living wage gap of the producer's workers. As a supporting organization, you can assist in this process and engage in dialogue with workers and unions. Without the knowledge of the actual living wage gap, the utilization of these guidelines may not be necessary. Refer to the producers' guidelines for options on how to calculate the living wage gap. Assist by providing training on living wage calculation or by supporting the gathering and insertion of accurate wage data.

Legal implications

Before proposing the temporary measure of implementing voluntary contributions, it is essential to understand the legal implications in the producer's country or countries. Consult experts in wage, commercial, legal, and tax matters for guidance and share the acquired knowledge. One crucial matter to investigate is whether to integrate the voluntary contribution into workers' wage structures or keep it separate. Integrating the voluntary contribution into workers' wage structures implies that the producer is liable to continue payments, regardless of whether voluntary contributions are still being made. Whereas, when keeping voluntary contributions separate from workers' wage structures and listing them separately, the producer incurs no liability to continue payments if voluntary contributions cease. As a supporting organization, address this matter by actively engaging with a local union as well.

Union involvement

Facilitate the producer's connection with a local union to communicate the specific case and the established plan. Determine whether the union has prior experience in the producer's industry that could be leveraged and seek for consultation. Keep the union informed at each stage of the process of implementing voluntary contributions, providing regular updates.



Support to buying organizations

Due diligence

Current and upcoming legislation will require buying organizations, depending on where they are based and where they are operating, to conduct due diligence across their global supply chains to evaluate their organization's impact on people, society, the natural environment, and governance practices.

You, as a supporting organization, help buying organizations in the process of identifying risks related and focused to human rights through a due diligence analysis focusing on living wage gaps. This serves as a foundation for initiating voluntary contributions aimed at tackling living wage gaps in the buyer's supply chains. Useful tool for conducting a risk assessment on living wage gaps are the Global Living Wage Ecosystem or the UNGC Living Wage Analysis Tool UNGC toolkit.

Once this is completed, the determination of which suppliers to initiate work with in implementing voluntary contributions is carried out. At this stage, as a supporting organization, you can assist the buying organization in making this decision by facilitating sessions where various aspects are considered: the risk of living wage gaps, duration of the relationship, supply chain transparency, sourcing volume, and the complexity of the supply chains.

The due diligence process also helps prioritize and decide which of the three levels of engagement on living wage is applicable to specific products or supply chains. For more details on the levels of engagement on living wage, please refer to the buyers' guidelines section.

(https://www.idhsustainabletrade.com/uploaded/2024/10/Buyers-Guidelines_June-2024_Impact.pdf)



3.2 Voluntary contributions implementation support

Within both the producers' and buying organizations' guidelines, the chapter 'Toolkits' identifies all the essential steps for implementing voluntary contributions. As you review the suggested support measures below, please make sure to reference the guidelines provided by both producers and buying organizations for each step.

Three levels of engagement

The primary outcome of the consultation process with supply chain actors to understand their needs, led to the acknowledgment that **not all supply chains have the same needs**. Three levels of buyer or supply chain engagement on living wage were identified, that all have a different need of support.

The following graph illustrates the three levels of engagement in living wage of the interviewed organizations in volume:



In the following chapter, the steps per level are shown and in the column on the right the potential support to either a producing organizations or buying organization is shown.

PROCESS LEVEL 1

Support



1

Define

The wage situation and potential (legal and/or contractual) implications when working together.

Output

- ▲ Understanding of the supply chain
- ▲ A filled in self-assessment
- ▲ A filled in social dialogue questionnaire

Support on filling in the self-assessment template and social dialogue questionnaire

Support on knowledge building: living wages, supply chain collaboration, social dialogue practices

Understanding complexity of supply chain and selecting potential suppliers

Support with setting up commitments, internal policies and KPIs.

2

Acknowledge

Gaps in current remuneration, not having detailed supply chain mapping nor having the need for certification/evidence.



3

Agree

On the relevant solution to address the gaps found in the self-assessment (voluntary contribution, supply chain project, etc.)

On further investigation on implications of closing living wage gaps and other next steps.

Output

- ▲ Signed letter of intent
- ▲ Agreement on next steps: further growth towards level 2

Support the investigation on what solutions might be relevant on the short-, medium-, long-term.



4

Execute

There is limited execution with regarding to voluntary contributions in level 1.

In the Execution phase buyer and supply chain work on next steps.



5



Assure

There is no assurance required in level 1 by certification.

Support the activities agreed on as next steps.

PROCESS LEVEL 2

Support



1

Define

The living wage gap by using the Salary Matrix or a similar tool, and presence of social dialogue.

Output

- ▲ Understanding of the supply chain
- ▲ A filled in Salary Matrix or similar tool
- ▲ A filled in social dialogue questionnaire

Support on filling in the Salary Matrix or similar tool and social dialogue questionnaire

Support on knowledge building: living wages, supply chain collaboration, social dialogue practices

Understanding complexity of supply chain and selecting potential suppliers

Support with setting up commitments, internal policies and KPIs.

2

Acknowledge

The need to work towards living wage with supply chain partners, while acknowledging that it is unrealistic for a producer to structurally raise wages.



3

Agree

On the type of financial contribution (direct or via Fairtrade or Rainforest Alliance)

On the share of the voluntary contribution and the height of the contribution (e.g. per trade unit).

On the distribution of the contribution to workers at one or multiple locations, which is decided by the producer and worker (representatives).

Output

- ▲ Signed letter of intent or contractual agreement
- ▲ Filled out implementation and monitoring plan (partially, without evidence request)

Assistance on engagement with workers, potentially together with union representatives.

Support the activities agreed on as next steps.

Assistance on distribution mechanism of voluntary contributions

Assist in customizing the agreement on voluntary contribution & distribution plan template

Supporting process of signing letter of intent or contractual agreement

Support the activities agreed on as next steps.



4

Execute

Payment of the voluntary contribution by buyer and producer as agreed in the contract, following the implementation plan.



5

Assure

There is no assurance required in level 2 by certification.

But there is a self-assessment to collect data on the contribution.

Support on filling in self-assessment on distribution voluntary contribution



PROCESS LEVEL 3



1

Define

The living wage gap by using the Salary Matrix or a similar tool, and presence of social dialogue.

Output

- ▲ Detailed mapping of the supply chain and list of individual locations.
- ▲ A verified Salary Matrix or similar tool (audit report)
- ▲ Verified social dialogue presence

2

Acknowledge

The need to work towards living wage with supply chain partners, while acknowledging that it is unrealistic for a producer to structurally raise wages.



3

Agree

On the type of financial contribution (direct or via Fairtrade or Rainforest Alliance)

On the share of the voluntary contribution and the height of the contribution (e.g. per trade unit).

On the distribution of the contribution to workers at one or multiple locations, which is decided by the producer and worker (representatives).

Output

- ▲ Signed letter of intent or contractual agreement
- ▲ Filled out implementation and monitoring plan (partially, without evidence request)

4

Execute

Payment of the voluntary contribution by buyer and producer as agreed in the contract, following the implementation plan.



5

Assure

The distribution of the voluntary contribution paid by the buyer, as agreed on in the implementation and monitoring plan, by a trained auditor.

Output

- ▲ Audit report stating the correct implementation and distribution.



Support

Support on filling in the Salary Matrix or similar tool

Support on knowledge building: living wages, supply chain collaboration, social dialogue practices

Support on verification process

Understanding complexity of supply chain and selecting potential suppliers

Support with setting up commitments, internal policies and KPIs.

Assistance on engagement with workers, potentially together with union representatives.

Support the activities agreed on as next steps.

Assistance on distribution mechanism of voluntary contributions

Assist in customizing the agreement on voluntary contribution & distribution plan template

Supporting process of signing letter of intent or contractual agreement

Support the activities agreed on as next steps.

Support during the verification process

Support on reporting and claim management



3.3 Guiding preparations in parallel with supporting the implementation of voluntary contributions

While offering guidance and advice to buying organizations and producers interested in implementing voluntary contributions as a short-term solution to partially address living wage gaps in supply chains, it is crucial to simultaneously focus on the long-term objective:

The primary objective is for workers to earn living wages negotiated through social dialogue and collective bargaining agreements.

A key aspect of achieving a lasting structural resolution is addressing the root causes of the human rights issue related to living wage gaps, namely:

1. Insufficient or limited collective bargaining power.

Collective bargaining serves as a mechanism to establish binding agreements on living wages. As a supporting organization, participation in this process offers producers, trade unions and governments the opportunity to work with buying organizations that are committed to living wages.

How does this work?

The assistance provided during the examination of preliminary conditions for producers lays the foundation for understanding the living wage gap situation, legal implications, and commitments. This information is then used to enable producers, with your support, to engage with workers' organizations and unions, empowering them to negotiate collective bargaining agreements on living wages.

Collective bargaining enables producers and their workers the freedom to negotiate wages, ensuring that mutually agreed-upon standards become binding for everyone involved. Throughout this entire process, the freedom of association is essential for enabling collective bargaining, ensuring that the voices of workers are heard, and they have proper representation. If there is a need to address a lack of freedom of association, you as a supporting organization can facilitate the restructuring of management systems. This includes for instance providing training on diversity, inclusion, and fair employment practices, conducting assessments of current practices, and collaborating with leadership to develop transparent, non-discriminatory policies. Additionally, supporting clear communication of these policies to all employees, organizing workshops on effective communication, and establishing confidential channels for reporting concerns contribute to fostering an open and accountable organizational culture.

Initiatives on living wage programs in collaboration with relevant actors in industry, as well as with you as a supporting organizations and unions enhance worker representation, ensuring that both management and worker representatives have the capacity and knowledge to engage in social dialogue.

2. The prevalent use of one-year trade agreements.

Enduring living wage improvements are impossible without changes in purchasing prices and practices of buying organizations. Establishing sustainable, long-term relationships founded on fair prices is crucial for reinforcing ethical purchasing practices. Any deviation from this framework is likely to be unsustainable in the pursuit of lasting change.



This implies that supporting organizations assist buying organizations in making commitments to enhance their purchasing practices:

- The buying organization commits to incorporating responsible purchasing practices into the corporate policy ([IDH Sustainable Procurement Kit](#)) and is actively working towards establishing long-term commitments, such as 5-year contracts.
- The buying organization pledges that sourcing prices incorporate wages, with wages detailed separately in the purchasing prices. Both direct and indirect labor costs are integral to the costing calculations. Product prices should enable good working conditions and include living wages. As a supporting organization, you can offer guidance to producers on labor costing.
- The buying organization commits to fair terms of payment. Payments to producers align with agreed timeframes. This also involves improved planning and forecasting together with the buying organization and producers, determining dates and frequency, and enhancing dialogue to balance volumes through highs and lows.
- The buying organization pledges to participate in training sessions focused on responsible sourcing practices. As a supporting organization, you have the option to either deliver this training directly or suggest reputable organizations that offer such programs.
- The buying organization commits to adopt responsible approaches when concluding business relationships.
- The buying organization initiates and fosters collaboration among other buying organizations on an industry-wide scale to achieve meaningful and lasting change in living wages.
- The buying organization supports the strengthen of social dialogue and collective bargaining as primary drivers for sustainable change.
- The buying organization engages in joint advocacy to make living wages a part of legislation in producer and consumer countries, helping to level the playing field.
- The buying organization measures its own impact and shares lessons learned regarding what has been achieved, what is still missing, and the goals aimed to be reached in order to accelerate implementation. This can be accomplished, for example, through precompetitive networks, initiatives, or partnerships, whether on a national level, industry level, or cross-sectoral, including support from you as a supporting organization and involvement from unions.

Some publicly shared strategies on living wages for learning and inspiration:

[Fairphone's Guide to paying living wages in the supply chain](#)

[IDH Roadmap on Living Wages – Step 4: Living Wage Action Guide](#)

[Fairtrade Foundation's approach to Living wages](#)

[Aim Progress: Living Wage for FMCG supply chains](#)



[CNV Internationaal and the Platform Living Wage Financials: A living wage throughout the cane sugar supply chain](#)

[TruStone's Guidance Regarding a Living Wage](#)

[PVH Living Wage Strategy](#)



4. Glossary

First-tier supplier

A first-tier supplier is a company that directly supplies goods or services to the buying organization at the top of a supply chain. Buying organizations can have a direct contractual relationship with vendors or the actual producers. This depends on the complexity of the supply chain and the number of upstream suppliers involved.

Social dialogue

Social dialogue refers to the process of negotiation, consultation and exchange of information and views between employers, workers and their representatives (unions or other workers' organizations) and the government. It provides a platform for these key stakeholders to discuss and address issues of employment, workers' rights, working conditions and social and economic policy.

Social dialogue plays a crucial role in shaping labor and employment policies and in improving working conditions and promoting social justice.

What is a living wage?

Earning a living wage means the basic cost of living for a family is attainable by the adult wage earners each month. A living wage is paid when a worker receives remuneration that is sufficient to afford a decent standard of living for the worker and her or his family in their location and time. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

What is a living wage gap?

The living wage gap is how far away workers are from earning a living wage. This means comparing a living wage benchmark (estimate) to the current remuneration in a production location. Identifying the living wage gap is a

starting point for working on closing the living wage gap.

Rationale behind living wages

Poverty has a large impact on people's lives. Globally, 1.2 billion people are multidimensionally poor, of which 579 million people live in Sub-Saharan Africa. This is directly linked to people not earning living wages (UNDP; OPHI, 2022).

Not earning a living wage is linked to other social issues we find in supply chains. Some workers may be compelled to (ILRF, n.d.):

- Work excessive overtime hours or multiple jobs to make ends meet.
- Work even when they are sick, because they cannot afford to take time off.
- Put their children into work instead of school to contribute to the household.
- Become bonded laborers.
- Work in unsafe conditions, because they cannot afford to stay away .
- Be denied their basic human rights to food, shelter, nutrition, health, housing and education and suffer social deprivations such as being unable to take part in cultural events.
- Not fight for better wages, because they might lose their jobs if they demand their rights or join a union.

Calculation of the Living wage gap

IDH has developed a living wage roadmap that is supported by many retailers, brands and producing organizations around the world. This roadmap includes the IDH Salary Matrix that allows farmers and producers to calculate the difference between what they pay their workers (including in-kind benefits and bonuses) and what they should be paid to earn a living wage, following the Anker & Anker methodology. This difference is called the Living wage gap.



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