



# Integrating ILO's guidance into IDH's work on living wages

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# Introduction

At its 349th Session (October–November 2023), ILO's Governing Body decided to convene a meeting of experts on wage policies, including living wages. The meeting took place in Geneva from 19 to 23 February 2024. It was composed of eight experts nominated by governments, eight experts nominated by the employers' group and eight experts nominated by the workers' group. The Meeting unanimously adopted conclusions that are included in the following table.<sup>1</sup> The Governing Body of the ILO, meeting 4-14 March 2024, approved the report of the experts.

## IDH's appreciation

IDH very much appreciates the guidance as adopted by the Governing Body of the ILO, bringing clarity on the concept of living wages, as well as providing principles for the estimation of living wages. We believe our work will benefit from the guidance provided and that our basic appreciation of living wages is in line with the concept as denoted by the ILO. We are inspired to continue systematically supporting living wages along the principles as worked out by the ILO. Our appreciation is also expressed [on our website](#).

As IDH, we highly value learning and continuous improvement of our programs and actions. Learning is inherent also in our Roadmap on Living Wages, as an explicit step (number 5). Following from our initial appreciation of the ILO outcome, we therefore will look to integrate ILO guidance in our ways of working, roadmap and related tools on living wages. This document identifies IDH's work against ILO's guidance. For each of the specific elements of the guidance as provided by ILO, we state how it is being addressed by IDH objectives, frameworks and tools for living wages. Where appropriate, we also indicate areas for further work.

Outcomes of ILO's experts meeting	How IDH addresses the outcome, including further work
1) <b>Key institutions and ILO principles of wage setting</b>	
a. <b>Collective bargaining</b> underpinned by freedom of association, and/or statutory minimum wage fixing through tripartite <b>social dialogue</b> should be the proper modality for setting and adjusting wages.	As part of our <a href="#">Roadmap on Living Wages</a> , we have publicly recognized “that freedom of association, collective bargaining and overall social dialogue at the workplace is key in order for wages to improve towards a living wage and beyond.” And, on this <a href="#">webpage</a> , we further elaborate on how unions can participate in the different steps of the Roadmap. In bananas and aquaculture, for example, we have implemented living

<sup>1</sup> Source: ILO. [Report of the Meeting of Experts on wage policies, including living wages](#). Geneva, 19–23 February 2024.



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	<p>wage related projects that engage unions (Cote d'Ivoire and Vietnam, respectively).</p> <p>In addition, regarding benchmarks, our <a href="#">public position statement</a> includes: "IDH believes that the setting up of living wages should be undertaken by local governments in coordination with employers, unions, and worker representatives through social dialogue processes. The engagement with organizations such as ILO to support such efforts and building capacity of governments to do so is paramount."</p> <p>Beyond the Roadmap, IDH recognizes "workers representation" as part of our definition of "better jobs." And our recommended "baskets of standards" include the promotion of freedom of association and workers representation.</p>
<p>b. Take into account the <b>needs of workers</b> and their families, and <b>economic factors</b> when determining wages. Economic factors include the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.</p>	<p>All methodologies recognized by the Roadmap on Living Wages base their calculations of living wage benchmarks on the cost of living in a given location. These benchmarks are therefore the bare minimum a family should earn in order to be able to afford monthly expenses to live decently. In the estimations as such economic factors are not taken into consideration. The way to achieve living wage is an integral part of IDH's objectives to promote economic development in a structural and sustainable manner, with better incomes and better jobs. We as such concur with ILO's guidance that economic considerations are not to be included in defining living wages, but have to be taken on board in the wage setting process.</p>
<p>c. Ensure <b>gender equality</b> and non-discrimination.</p>	<p>Gender equality is a crosscutting impact theme at IDH and all projects we finance get evaluated in terms of gender intentionality. Tools like the <a href="#">Salary Matrix</a> enable data driven conversations on potential gender pay gaps. At the same time, we will continue to promote companies to advance living wages in conjunction with closing gender pay gaps. All projects that we cofinance require the implementation of an evaluation to determine if those projects are gender intentionally or transformative as a requisite for cofinancing.</p>
<p>d. Utilize <b>robust data and statistics</b> for an evidence-based approach.</p>	<p>Our tools like the Salary Matrix enable data driven conversations on remuneration and living wage gaps. Robust data and statistics are critical, in particular: a) to</p>



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	<p>establish an objective basis of remuneration of workers in global supply chains at present; b) to develop solid estimations of living wages and living wage gaps to be bridged; and c) to assess progress made and the effectiveness and efficiency of measure taken.</p> <p>IDH is looking forward to cooperate with the ILO and ILO-members in assuring availability and best use of reliable data.</p>
<p>e. Consider <b>national circumstances</b> and root causes of low pay.</p>	<p>As it relates to living wage benchmarks, methodologies that we recommend companies to use base their calculations on local data and most of them do field research to determine the local costs of living. However, assessing the root causes of low pay is not as such part of the scope of these methodologies. They focus on calculating the benchmarks. For some projects, IDH has done root-cause analyses on low wages.</p> <p>As referred to under b. above, IDH considers closing living wage gaps an integral part of promoting sustainable economic development, taking into specific challenges, polices and circumstances at the national level. In this, addressing root-causes of underdevelopment and of low pay are central objectives.</p>
<p><b>2) The ILO living wage</b></p>	
<p>a. ILO denotes that the concept of the living wage is: the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work. This definition excludes overtime.</p>	<p>This definition is compatible with the one IDH has been using, which mirrors the GLWC definition: 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. Our tools account for wages earned during regular working hours and exclude overtime.</p>
<p>b. To be achieved through the wage-setting process in line with ILO principles on wage setting.</p>	<p>See under 1a, 1b and 1e.</p>
<p><b>3) Methodologies to estimate living wages/ Principles that the estimation of living wages should follow</b></p>	
<p>IDH has undertaken a revision of the criteria that the Roadmap on Living Wages uses for recognizing living wage benchmark methodologies. In this, we have made full use of the ILO guidance, as elaborated <a href="#">here</a>. The revised- criteria are available on our <a href="#">website</a>.</p>	



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<p>a. Estimation of the needs of workers and their families through evidence-based methodologies.</p>	<p>The revised recognition criteria include the following: “Estimate living wage: based on data collected through field level research, online surveys (excluding those that are solely based on self-selected respondents), national statistics and/or modelling (modelling not accepted as a sole form)” and “Specify when estimates were developed by, or in direct partnership with, local independent research institutions and labour representatives and were subject to local stakeholders’ consultation. Methodologies to describe how they consult local stakeholders.” We used the ILO definition of stakeholders.</p>
<p>b. Consultation with representative employers’ and workers’ organizations on living wage estimates and involvement of social partners throughout their development, with a view to ensuring national and/or local ownership.</p>	<p>See above in 3a.</p>
<p>c. Transparency, including details with regard to data sources and methods of processing, that are open to scrutiny, are comprehensive and replicable.</p>	<p>The revised recognition criteria include the following: “Transparency - Publish a clear and consistent step-by-step methodology for data collection, the data sources used and calculation elements, including a description of each step of the data collection, the calculation formulas used and a breakdown of the different components of the living wage estimation.”</p>
<p>d. Robustness of the data in terms of representativeness and transparent data collection methods.</p>	<p>See 3a. In addition, the revised recognition criteria require “methodologies to explicitly mention the date of the data collection for each category separately. Methodologies to explicitly mention the period for which the estimate is applicable.”</p>
<p>e. Timely public availability of the estimates, data and methodologies.</p>	<p>Not all methodologies have their benchmarks publicly available for free. About having a publicly available methodology, see 3c. IDH will continue to promote our partners to do so, and act accordingly ourselves.</p>
<p>f. Specification on whether estimates are gross or net, namely whether items such as social security contributions are included or not.</p>	<p>The recognition criteria include the following: “Sufficient net income - Provide the gross living wage estimate, which is the gross pay required to ensure sufficient net take home pay to cover for the cost of living. This is necessary because net living wage would not account for statutory deductions from pay (such as income taxes, social security taxes, and union fees) which will reduce the take home pay and money available for day-to-day expenses.”</p>



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g. Regular adjustments to consider changes in the cost of living and the patterns of consumption.	The recognition criteria include the following: "If there is no on the ground data collection research every year, the estimate should at least be adjusted according to inflation every year. Further adjustments beyond inflation, through a full on the ground study, should take place as frequent as possible. Methodologies are encouraged to do so as much as their resources allow and no longer than every 5 to 10 years (considering local circumstances). Methodologies to provide justification on the frequency of their full studies and why they are not conducted within the ideal timeframe (e.g. financial or capacity limitations)."
h. Quality control, including sound technical review, validation, as well as periodic review for continuous improvements.	We have added a new recognition criterion: "Methodologies to be verified by an independent party with no conflict of interest (based on the ILO principle, chapter 3 of the report from March 2024). Methodologies to describe its quality assurance process during the recognition process."
i. Promotion of gender equality and non-discrimination.	See 1c. IDH promotes gender equality as one of our key objectives and operates under stringent guidance for non-discrimination. We will continue to promote the integration of both in our programs for better income, better jobs and better environment.
j. Consideration of the regional or local context and socio-economic and cultural realities.	The recognition criteria include the following: "Differences in context – Benchmarks are city/region-specific or at least account for urban and rural differences. For large countries (e.g. Australia, Argentina, Brazil, Canada, China, India, Russia, USA): methodologies need to indicate whether subnational estimates are provided or not and if the location for which the subnational estimates apply are based on governmental/sub-governmental delimitation (e.g. when the estimate applies to a specific subnational province). Methodologies need to provide guidance on how to proceed when there are not subnational estimates or there is no estimate available for a given region (e.g. suggest that they use the national estimate, or a neighbouring region estimate)."
<b>4) Methodologies to estimate living wages / General considerations regarding methodologies</b>	
a. Should be based on an identification and assessment of a basket of goods, using local prices of the costs of at least the following components: food, housing, health and	The revised recognition criteria for living wage benchmark methodologies include the following: "Methodologies are required to transparently itemize the living expenses included in the calculation of the



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<p>education, and other necessary goods and services, in accordance with national circumstances.</p>	<p>living wage benchmarks based on requirements listed in the COICOP 2018. Typical expense categories include the following but other items might be added based on local contexts: • Nutritious food • Clothing and footwear • Housing (including rental costs, maintenance and furnishing) • Healthcare • Transportation • Information and communication • Recreation, sport and culture • Education services • Restaurants and accommodation services • Insurance and financial services • Personal care and other gender aspects (e.g. sanitary products) • Care (child+elder) • Other • A small margin for unexpected events. Methodologies to provide an explanation on why they do not certain rubrics, for example, childcare.”</p>
<p>b. For some elements in this basket, international standards are well established and should be used.</p>	<p>IDH fully recognizes the need for organizations developing living wage benchmark estimations to use international standards to support their work. We look forward to any further recommendation or guidance from the ILO as regards the specifics of this paragraph.</p>
<p>c. Should be clear on the family size and the number of wage earners.</p>	<p>The recognition criteria include the following: “Cost of living of a typical family - Measure the cost of living of a typical family in a region. A typical family in a region means that the size of a family is estimated based on regional (or national) data through family size data or total-fertility data.” In addition, another criterion states: “Factor in the expected number of working adults in a family by dividing the total cost of living by 1+ the employment rate. Additionally, a living wage that factors in for a single earner by dividing the total cost of living by 1 to represent the single earner in a typical size family is also accepted.”</p>
<p>d. Should be disaggregated by components.</p>	<p>See 3c and 4a.</p>
<p>e. Should be presented in various wage units, including hourly, monthly, quarterly and annual figures.</p>	<p>The Roadmap’s recognition criteria do not have any criterion that explicitly refers to this principle. However, most methodologies do so.</p> <p>As it relates to our own tools, like the Salary Matrix, use the monthly values, which we consider as a possible shared denominator. We do however not have a criterion on whether and how others wage units are to be elaborated, as we are of the view that this would be feasible if required.</p>



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<p>f. Should be the result of robust empirical analysis of the population, including surveys and censuses, at country or regional level.</p>	<p>The recognition criteria include the following: ““Estimate living wage: based on data collected through field level research, online surveys (excluding those that are solely based on self-selected respondents), national statistics and/or modelling (modelling not accepted as a sole form)” and “Specify when estimates were developed by, or in direct partnership with, local independent research institutions and labour representatives and were subject to local stakeholders’ consultation. Methodologies to describe how they consult local stakeholders.” However, future iterations of the recognition criteria could make specific references to censuses as a source if needed.</p>
<p><b>5) Review of current living wage initiatives</b></p>	
	<p>IDH is honoured for the recognition to be among the advanced living wage initiatives, as also reflected in the overviews of the ILO Secretariat. We have a long-standing engagement with the Office, and are extending dialogues and cooperation with ILO-members, both at the global and national level. We continue to stand ready to have an open exchange of information on our objectives and measures to advance living wages, as well as on lessons learned. We are looking forward on any feedback from the ILO, while also seeking for more opportunities for an open dialogue with the ILO Office and Members. We are of the view that our experiences in advancing living wages, including those from working with stakeholders along global supply chains, may also provide inspiration to ILO to implement and further develop its guidance and work programmes in support of living wages.</p>
<p><b>6) The operationalization of living wages</b></p>	
<p>a. The operationalization of living wages should not be a one-size-fits-all approach and should reflect local or regional differences within countries.</p>	<p>Our discourse includes the fact that strategies to address living wage gaps are not standardized or generic and depend on local circumstances. For example, on the webpage with <a href="#">frequently asked questions</a> about our work on living wages in bananas we published: “What kind of activities will be implemented to close potential gaps? Future solutions to reduce living wage gaps will be designed through dialogue between producers, workers’ organizations, suppliers, and retailers. Activities will vary depending on the conditions in each farm, supply chain or country.” And our <a href="#">Action Guide</a> reflects that: a mix of</p>





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	<p>strategies to be chosen based on roles and local circumstances.</p> <p>We will make use of the reconfirmation this guidance provides in our communications.</p>
<p>b. Both tripartite and bipartite social dialogue, particularly collective bargaining, are crucial mechanisms to operationalize living wages.</p>	<p>See 1a.</p>
<p>c. Any sustainable strategy to promote living wages should... include a broader consideration of factors, such as sustainable economic growth and structural transformation, to raise productivity. It should also ensure that productivity growth results in wage growth.</p>	<p>Our <a href="#">Action Guide</a> includes a mix of strategies to be chosen based on roles and local circumstances, and some of those are directly linked to productivity investments that could result in wage improvements. Our work on purchasing practises integrates closing gaps into business-economics. For macro-economic considerations, in particular when gaps are big, it remains crucial not to dilute estimation, but support companies in setting the scene properly, uptake realistic ambitions (as also elaborated by ISEAL) and integrate living wage in a total package of socio-economic action.</p> <p>Moreover, as already mentioned under 1.e, IDH promotes living wages as an integral part of advancing sustainable economic development.</p>
<p>d. Should be evidence-based and take into account the ILO key principles of wage-setting processes (see section above).</p>	<p>See entire section 1 on principles.</p>
<p>e. Considering the needs of workers and their families and economic factors in wage-setting processes.</p>	<p>See 1b.</p>
<p>f. Strengthening social dialogue and empowering wage-setting institutions, particularly collective bargaining.</p>	<p>See 1a.</p>
<p>g. Promoting incremental progression from minimum wages to living wages.</p>	<p>We appreciate this reference, and look forward to additional information and guidance by the ILO on the interrelationship between minimum and living wages, as well as advancing such incremental progression.</p>
<p>h. Ensuring national and/or local ownership.</p>	<p>Regarding local ownership of benchmarks see 3a and 3b. IDH focuses on market-driven approaches, fostering opportunities and responsibilities for all partners in international supply chains to bridge gaps towards living wages. In this, we will continue to promote dialogue between companies operating as buyers, with local</p>



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	producers/sellers, as well as tripartite partners in decent work. As such we foster the integration of national and/or local ownership in global supply chain activities for decent work.
i. Ensuring gender equality and non-discrimination.	See 1c and 3i.
j. Using robust and reliable data and statistics for an evidence-based approach.	See 1d.
k. Taking into account the root causes and challenges of low pay, such as unfair distribution of value, low total factor productivity, informality, weak institutions and compliance systems.	See 1e.
l. Recognizing the role of the State. Governments should invest in the quality and delivery of public services, including health, education, social protection and infrastructure to contribute to realizing a decent standard of living. Furthermore, strengthening compliance systems.	We fully concur with the importance of this guidance. We stand ready to cooperate with governments in ensuring synergies with our activities in support of better jobs and better income.