

## Why Living Wage Matters

In situations of paid employment, living wage refers to 'fair and decent' level of income that can contribute towards enabling workers, particularly in the lower socio-economic sections of society, to fulfil their basic needs and leave some discretionary balance money with them. Living wage has the potential to influence and impact both work life and the quality of life overall, and goes beyond mere economic subsistence of human beings. The absence of living wage denies people a decent standard of living, reduces their resilience and capacity to absorb shock, and can keep them locked in a vicious circle of debt. Recognizing such challenges, the UN Sustainable Development Goals (SDGs) agreed in 2015 to emphasise 'decent work' by calling for the enabling of full and productive employment, the eradication of extreme poverty so no one would be 'left behind'. Living wage, therefore, can have far-reaching consequences for people, societies, economy, business, and policy.

## Living Wage and Supply Chains

The global policy commitment to take everyone along - or 'leaving no one behind' - is the mantra of SDGs. This mantra particularly includes millions of workers in countries such as Cambodia, India, Costa Rica, China, Kenya, Bangladesh. These workers on farms, and in workshops and factories connect inextricably to our daily lives through various visible and invisible products that we buy in shops and consume every day. From avocados to chocolates, shoes to shirts, spices to fruits, to other such commodities and items that we consume, arrive into the UK from different countries across the world, after moving through complex, diverse, fragmented, and far-reaching globalised supply chain system. These supply chains do not just enable products, produce and commodities to be travel from one part of the world to another, they also foster linkages through which value, skills, benefits, and opportunities are both created and distributed. Attention on supply chains in terms of the living wage can, then, play a vital part in helping to realise the UN's SDGs and in moving towards a more equitable world.

Millions of people are employed across supply chains worldwide<sup>1</sup>, often in precarious and informal employment conditions. Many of these workers on farms, and in factories and workshops live in households existing below the poverty line working for less than a decent wage. They often work long hours and are trapped in debt and bondage situations which we now referred to as modern slavery. These workers experience shortage of food and the denial of their basic rights to shelter, nutrition, health and education for themselves and their children. Usually living, without or with a limited social security nets, these farm and factory workers are amongst the most vulnerable to shocks – be they in terms of personal health, family situations, financial crisis or natural calamities. Finding ways to guarantee, ensure and implement living wage within supply chain operations of large firms, then, not only impacts positively for these workers, but has the potential to effect generations of workers and their families worldwide.

Numerous civil society organisations (CSO) have been calling for the protection of basic rights for low waged workers, including their rights to collective bargaining. In an increasingly globalised world, CSO campaigners and the media have become critical actors in employment relations along these supply chains, with their campaigns having the potential to expose poor practices of firms. Oxfam, Ethical Trading Initiative, Asia Floor Wage Alliance have highlighted and reiterated calls for payment of living wages along supply chains. Initiatives such as the Global Living Wage Coalition (GLWC)<sup>2</sup> and the scholars group the Global Living Organizational Wage (GLOW) study conditions, structures and power relations that fuel these inequalities and low wage systems globally, and to support and realise the goals of living wage within supply chains.



<sup>1</sup> UNCTAD report in 2013 estimated that 60% of global trade takes place through such supply chains or global value chains (GVC) and employs 16 million people worldwide.

<sup>2</sup> Comprising of ISEAL Alliance, Rainforest Alliance, Social Accountability International, Goodweave, UTZ and Fairtrade International  
[www.isealalliance.org/about-iseal/our-work/global-living-wage-coalition](http://www.isealalliance.org/about-iseal/our-work/global-living-wage-coalition)

### What Can HR Practitioners Do?

Calls for living wage across supply chains are growing and HR practitioners can contribute by understanding the complexities and challenges with employment relations in supply chains. With broadening of the scope and potential of HR within firms, HR practitioners can proactively plan and should consider living wage issue by taking the following steps:

#### Know your supply chain:

Irrespective of the product, service or industry, supply chains are the dominant way of organising work, and it is important to know the chain, operations, activities, actors and locations. Gather information about the wages paid to workers across your operations and locations through secondary research and liaising with experts in the area and sector.

#### Know your stakeholders:

Be aware of and know the actors and organisations involved in and/or interested in the supply chains and living wages, including NGOs and CSOs.

**Form working groups for determining living wage:** Set up industry/sector/area/firm specific groups for dialogues on living wage in supply chains. Reach out to experts at GLOW/GLWC to learn about how living wage can be calculated for product/s your firm and industry regularly procure from. There is no agreed upon methodology, but several are available, including guidance on determining living wage geographically.

#### Embark on your journey:

After procuring the relevant information, knowing the people/experts/guidance/tools available, embark on your organizational journey to ensure payment of living wages in supply chains, to create an equal world where no one is left behind!



#### Sources

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**Ethical Trade Initiative (ETI) Living wage resources**

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