

Unilever

Unilever Living Wage Partner Programme

The Playbook



This playbook is intended to provide practical guidance and examples for organisations seeking to implement living wages within their operations. It does not constitute legal advice or replace professional consultation. Users should adapt the content to their specific context and consult with their legal, financial and human resources advisors as needed. By using this playbook, users acknowledge that they assume full responsibility for its application and any associated outcomes. Users further understand that IDH does not represent Unilever on any level in providing information through this playbook. To the fullest extent permitted by law, neither IDH, nor Unilever shall be held liable for any errors, omissions, faults, losses or damages arising out of or in connection with the use of this playbook, and/or information provided through the playbook.

Welcome!

Inequality is one of the biggest challenges that we are currently facing in our world. 630 million people or roughly a third of the workers around the world earn less than USD 3.2 per day. We can help break the cycle of poverty and build an inclusive society, by securing a living wage for workers. Providing a living wage not only ensures a decent standard of living for workers and their families but also has demonstrated effects in decreasing worker turnover and enhancing motivation and morale. This in turn initiates a positive economic growth cycle.

By recognising an adequate standard of living as a basic human right, we catalyse unlocking other essential rights such as access to health, food and nutrition, housing, and education.

We at Unilever are collaborating with IDH as our learning partner to bring this playbook to life to support our suppliers. The playbook summarises a number of useful insights and practical examples, to guide our supplier companies through their living wage journey.



Content

Chapter 1

What is a living wage?

- The definition of a living wage
- Why living wage?
- Human rights and living wage
- Living wage and the UN SDGs
- Business benefits & incentives
- The history of the living wage concept
- Living wage vs minimum wage
- Living wage vs living wage
- How are living wage benchmarks calculated?

Chapter 2

Take action on living wages

- Determine your scope
- Calculate your gaps
- Set clear goals
- Create a holistic plan
- Implement living wage gap closing actions

* Tools & Resources

Chapter 1

What is a Living Wage?

What is a Living Wage?

The International Labour Organisation 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*.

According to the Global Living Wage Coalition, this includes adequate food, water, housing, education, healthcare, transportation, clothing and other essential needs, such as provisions for unexpected events.

* The **normal hours of work** refers to the time at the disposal of the employer within the legal working time determined by regulations and national practices. This definition excludes overtime. (International Labour Organisation)

Why we support Living Wage

1 billion workers (ILO, 2020) are not paid a living wage, globally.

Living wage is a human right and is directly linked to the Sustainable Development Goals (SDGs) alongside fighting poverty, hunger, and other social problems such as child labour.

Addressing these issues not only improves our brand reputation but helps ensure the longevity of the value chain. There is also growing pressure from governments, international organisations and investors.



This is why paying a living wage is a business incentive of ours. Many leading companies have already committed to working on living wage in their supply chains.

Living wage in the broader context of human rights

Living wage is a fundamental and globally recognized human right [art. 23 & 25 Universal Declaration of Human Rights]. Other human rights that go hand in hand with living wage include the following:

- Equal pay for equal work, without any discrimination
- Freedom of association & collective bargaining
- Reasonable working hours
- Right to social protection

Shift



Source: Shift. 2021b. *The Human Rights Opportunity: 15 real-life cases of how business is contributing to the Sustainable Development Goals by putting people first.*

Business benefits of paying a Living Wage:

Improved productivity and reduce turnover

- Costco significantly reduced its employee turnover rate and experienced greater productivity ([Harvard Business Review, 2006](#))

Cost savings as a result of changed worker behaviour

- Fortune 500 retailer gained 35% ROI in cost savings due to wage increase yielding positive net return from increased productivity and reduced turnover costs ([Harrington & Emanuel, Harvard, 2020](#)).

Improved reputation and increased recognition

- 86% of UK Living Wage Certified companies reported reputational benefits; 64% said it differentiated them in the market ([UK Living Wage Foundation, 2017](#))

Supports in achieving Sustainable Development Goals

- 78% of citizens stated to be more likely to buy goods & services of companies that signed up to the SDGs ([BFP,CISL, Shift, 2022](#) | [PWC, 2015](#))



Further unpacked – why Living Wage?

BUSINESS INCENTIVE:

Human rights

Reputation

Supply security



LEVERAGE OPPORTUNITIES

- Meet due diligence and reporting requirements
- Lead on SDGs related to human rights (SDGs 1, 2, 3, 4, 6, 7, 8, 11)

- Boost brand value, reputation and customer loyalty
- Enhance market share and secure favorable financing terms from investors or unlock new investment opportunities

- Reduce turnover and business costs
- Improve productivity and quality specifications
- Incentivise interest in sector



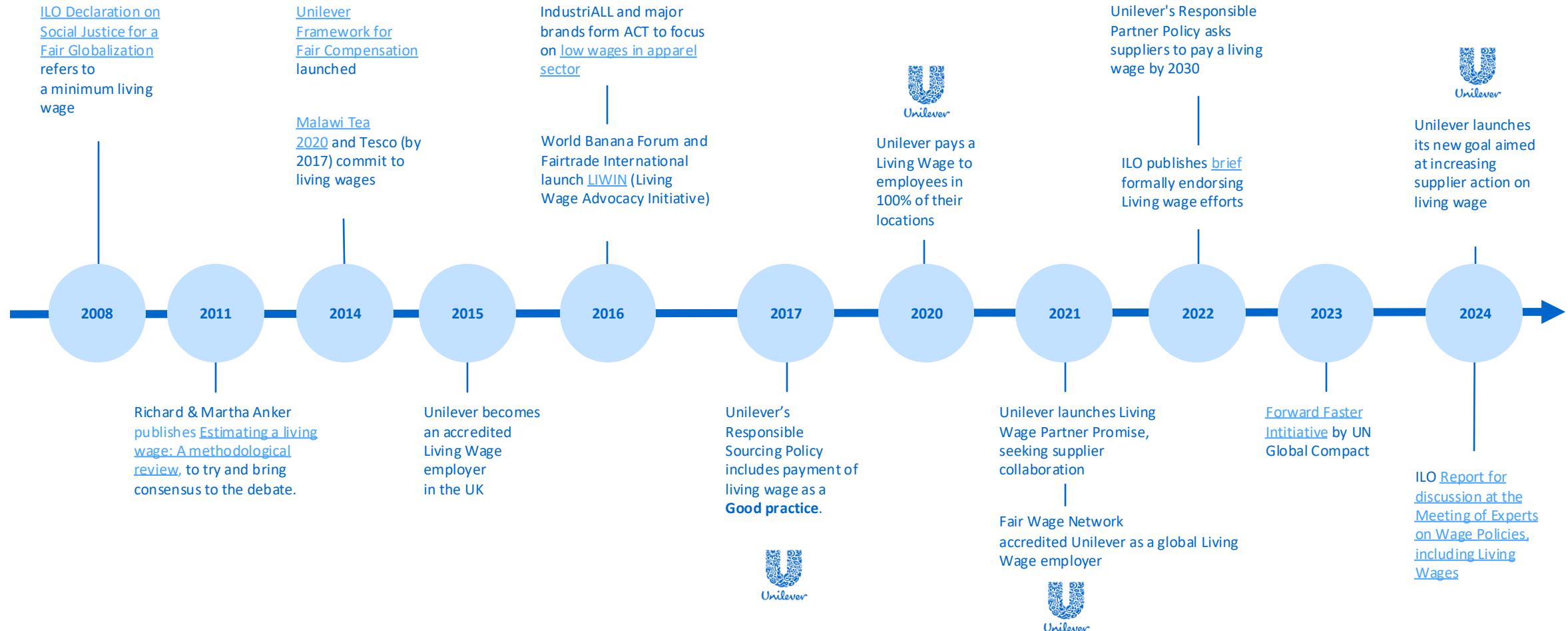
MITIGATE RISKS

- Underpayment of workers
- Low wages increase the risk of forced or child labor

- Controversy and negative publicity

- Destabilized supply chain actors undermine quality and delivery
- Low return on sustainability investments

A Brief History of Living Wage



In the last 15 years we have made enormous progress on the road towards Living Wage

Living wage

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family.



Calculated based on the cost of living, the typical family and the typical number of workers in the family



Yearly inflation adjustment



Provided at the country or region level (depending on the methodology)



Voluntary initiative from companies

vs

Calculation criteria

Minimum wage

Legally mandated pay an employer must pay their workers for performed work



Determined by government to aim at reducing poverty and promoting economic growth



Not adjusted for inflation



Country level or might differ by occupation, sector, region, and/or city



Mandatory by law for companies to adopt

Living Income



Self-employed individuals
(e.g. smallholder farmers)



All sources of income from adults in a household

Living Wage



Hired workers



Wages from adult earners in a household

To learn more about the differences between living income and living wage, click [here](#)

Who calculates the Living Wage Benchmarks?



IDH recognized Living Wage benchmark methodologies

Living Wage benchmarks for specific locations are developed by independent research organizations, using different methodologies.



The living wage benchmarks differ in the following ways:

1. Approach for calculating the benchmarks e.g. inclusion of varying cost elements
2. Number of locations for which data is provided e.g., WagelIndicator – 165 countries, Living Wage for US – 1 country
3. Accessibility of data points: The [Anker Methodology](#) & [WagelIndicator](#) are publicly available online while Fair Wage Network is for purchase.

How is a Living Wage benchmark calculated?



Food



Housing



Education



Health Care



Transportation



Other essential needs

(including provision for unexcepted events)



Identify the living wage

How is a Living Wage benchmark calculated?



Identify the living wage

Comparable current remuneration

Remuneration that is valuable for workers and aligned with safe and better jobs

Wages

A pre-agreed monetary value earned by a worker during a standard workweek (exclude overtime)

Bonuses

All bonuses that are pre-agreed both in monetary value and payment regularity, expected in advance and without being subject to employer discretion (E.g. festival bonus).

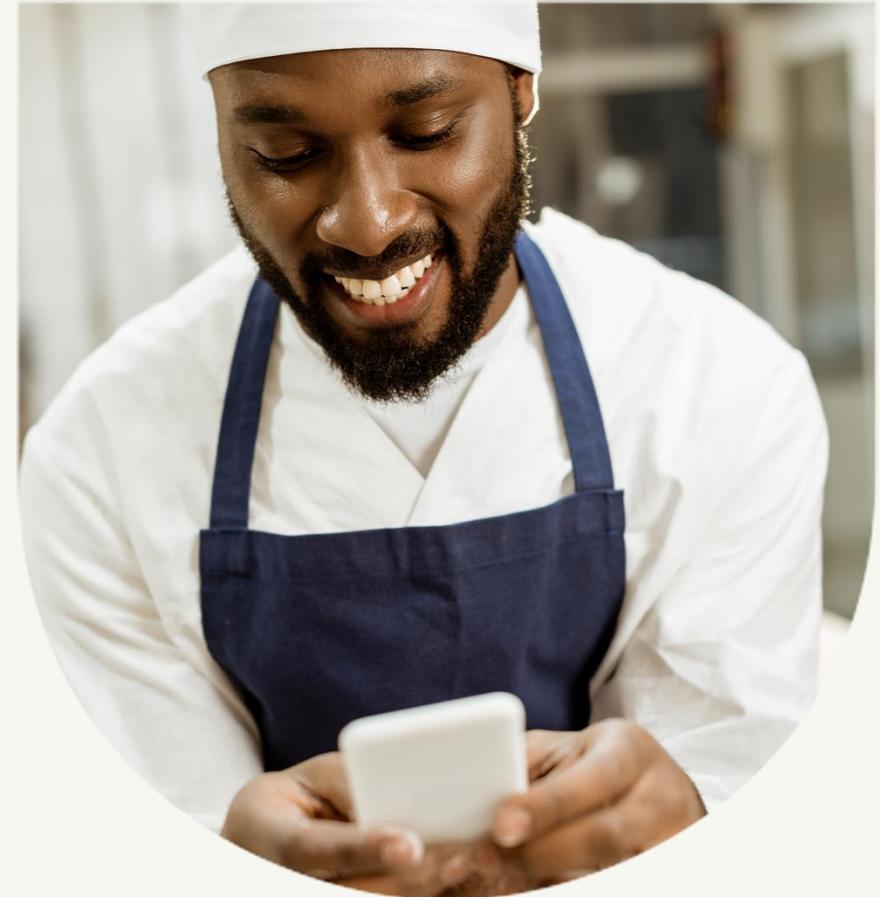
In-kind benefits

Non-monetary benefits such as food, transport, education, healthcare and housing that reduce the amount of cash income that workers need for a decent standard of living.

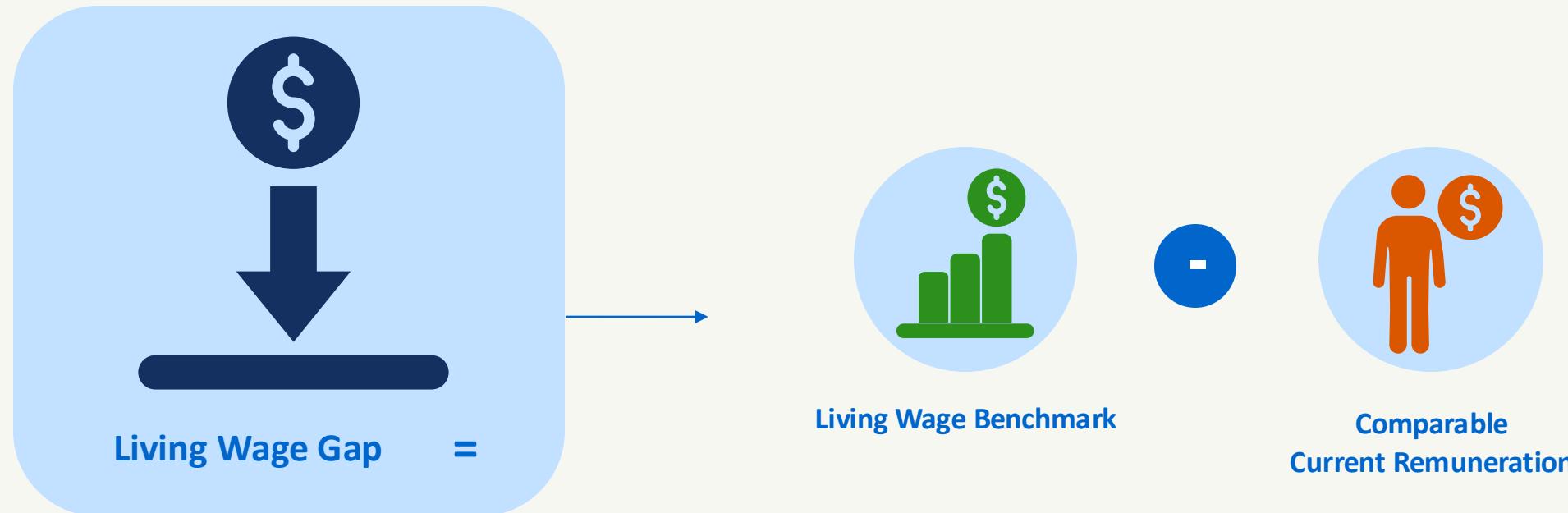
Only certain in-kind benefits are counted towards a living wage. To be eligible, these benefits must amongst others:

- be available, accepted and valued by all workers
- be regularly provided and agreed in advance
- be over and above any mandatory requirement by law

More details on in-kind benefits [here](#).



What is the Living Wage Gap?



Chapter 2

Take Action on Living Wage

Take Action on Living Wage

Now that we have covered the history and concepts of Living Wage, we will look at how you might take action within your company to kickstart your Living Wage journey.

Start by signing [Unilever's Living Wage Promise](#) to signal your commitment to gaining a deep understanding of how your workers' wages align with living wage benchmarks and identifying gaps within your key locations and sectors.

While assessing the size of living wage gaps is crucial, it's important to uncover potential structural issues that may contribute to these gaps. Consider factors such as the distribution of gaps across demographics like gender, ethnicity, race, age, and employment status, as well as the payment mechanisms for workers with the most significant wage gaps, contract durations, and the benefits they receive.

In the following slides, you will find a 5 steps approach for you to take action on living wage.



Take action on Living Wage

 Collaborate with supply chain actors

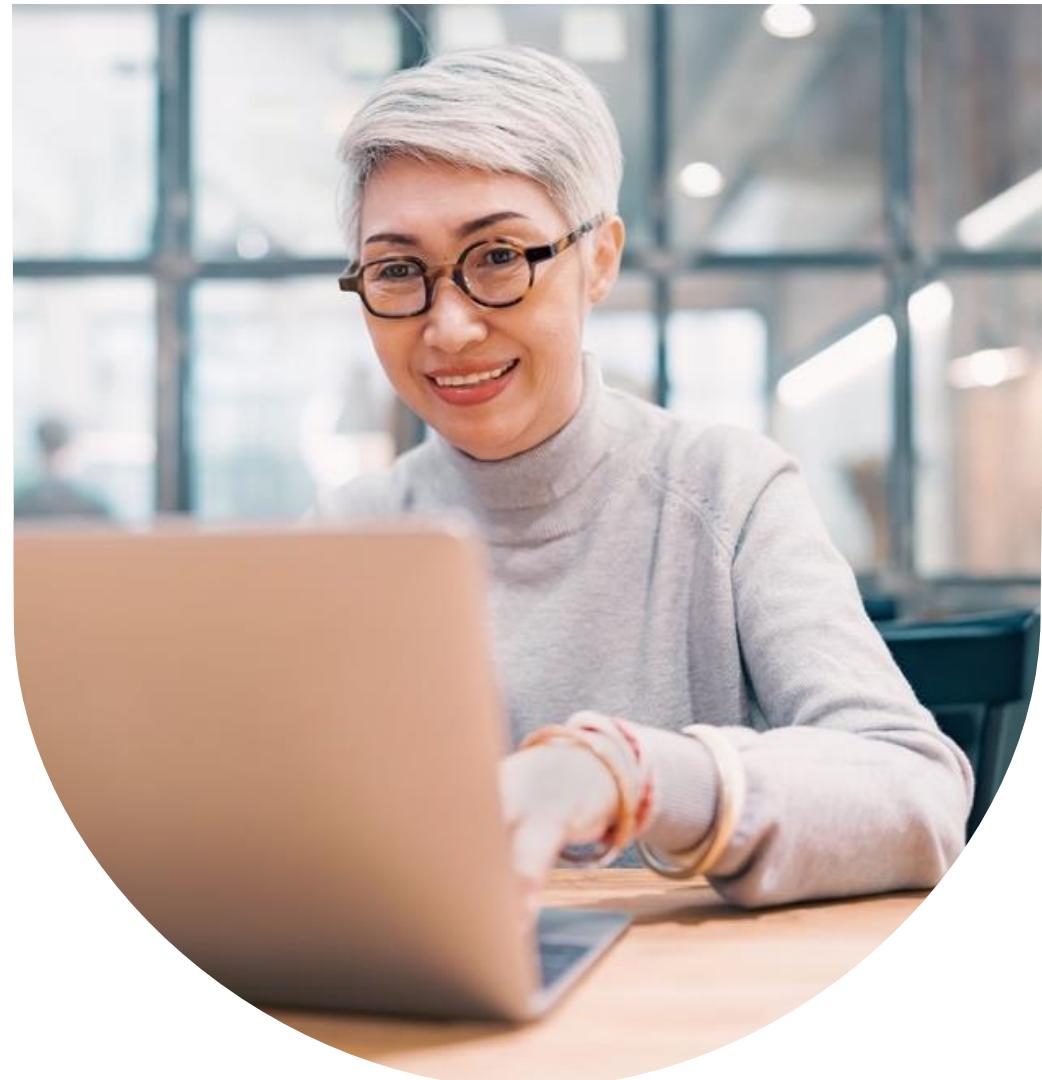


1. Determine your scope

Embarking on the journey towards a living wage requires a solid foundation. Determining the scope is essential for defining the boundaries of your initiative and charting a course for future development. The first step is to start with your own workforce and your own operations.

Scope – Factors to consider:

1. **Geographies/Countries:** Prioritise geographies with a higher structural wage gap & higher share of workers
2. **Operations:** Prioritise critical operations with higher share of workers
3. **Type of workers:** Direct employees, core contract workers, non-core contract workers, other
4. **Vulnerable workers:** Focus on women, minorities, low skilled etc. workers



2. Calculate your living wage gap

Select a tool to calculate your gaps: The [Salary Matrix](#) is a freely available, sector-agnostic solution that helps you calculate your living wage gaps.

1



Enter your wage data in the tool you selected. Make sure that you have all information and data ready to enter your wage data. You can read this [checklist](#) to ensure you have everything you need to compare the remuneration of your workers against a living wage benchmark.

2



Select a benchmark: We recommend use of an IDH recognised methodology e.g. Anker Methodology, WageIndicator, FairWage Network, and others. For more details, click [here](#).



3. Set clear goals

Set transparent and measurable goals that align with your organisation's values and aspirations. Make sure they reflect the multifaceted impact of living wages.

This process ensures a shared understanding and commitment across the organisation, laying a solid foundation for your successful living wage journey.



Parameters to set clear goals:

Specific

What needs to be achieved and the impact wanted, who is responsible, what steps to take

Measurable

Progress is best measured when goals are quantified

Achievable

Goals are more likely to be achieved when they are realistic

Relevant

Key stakeholders' opinions are considered

Time-bound

Keep your goals in a timeframe

Examples:

- 100% of workers in my operations earn a living wage by year X
- Establish a joint action plan with 2 largest customers to address 80% of the living wage gap within the next 3 years
- Reduce the current gap by 10% per year for the next X years

4. Create a holistic plan to address the gap

Once you have clear goals that align with your company's living wage objectives, formulate a strategy for closing the living wage gap using wages, bonuses and/ or in-kind benefits. Below are some tips to keep in mind.



Know your priorities

- Most vulnerable workers
- Highest risk & impact areas

Review your business practices

- Contracting policy (no precarious contracts)
- Working hours (no excessive working hours)
- Discrimination (no difference in pay between genders)
- Wage policies (fixed and regular bonus)

Identify opportunity for value

- Productivity improvements (value from this)
- Quality improvement (value from this)

Identify the challenge

- What is the remaining gap?
- What support is needed to close it?

Involve and inform workers

- Enhance social dialogue (as partners on the journey)

5. Actions to address the gap

Based on the plan and goals identified in the previous steps and considering 1) the size of your gap (small/ large) and 2) the type of trade relationship (direct/indirect), there are different types of actions to address the gap, here are some practical examples that match the local context:



Preferred Option: Fixed monthly salary

- Most preferred option for realising value
- Most long lasting and substantial impact



Living Wage Bonus on pay slip

- Directly impacts workers take-home costs
- Often beneficial for supply chain partners to document contribution



Gift cards

- Value directly benefits workers and contributes to basic needs
- Administration process needed



Subsidised canteen Meals

- Workers committees often select this option for easy access to all workers
- Easily integrates into employer's own canteen system

Best practice: Verify your living wage gap

The added value of data verification

It is advised to get your calculations audited by independent organisations, before self-reporting of gaps.

An independent audit can help you:

- Verify accuracy and validity of your gap
- Lend credibility to your reported progress & claims
- Support meaningful improvement of wages

Where to find auditors?

- You can find IDH licensed auditors & IDH trained consultants [here](#).



Best practice: Collaborate with your supply chain partners

Collaborating with your suppliers and contractors is a pivotal next step of the journey toward living wages in your supply chain.

You can prioritise engagement based on criticality to your business by selecting direct suppliers, or those operating in high-risk countries, or even low-risk suppliers. Actively communicate your scope and goals to ensure a shared understanding and commitment. Emphasise transparency and seek input from your suppliers, considering their perspective invaluable in shaping a collective approach.

There are two main types of supply chain partner collaboration:

- 1) To encourage your direct supplier to pay a living wage: to multiply the impact of your efforts
- 2) To address vulnerable workers upstream in your value chain through alignments with intermediate links in the chain.



Best practice: Track progress, share learnings and communicate about your living wage journey

Once you have established clear goals and a strategy, it is valuable to report any gaps and share your experiences through the [Unilever supplier portal](#). Tracking the progress of your living wage initiatives is crucial, as it allows you to assess whether your strategy is performing effectively. Additionally, having data on your efforts enables effective communication about your progress. This transparency not only enhances collaboration with your partners but also improves your reputation among consumers.

To know more about examples of living wage journey, read the case studies on the [IDH website](#).

What are we asking suppliers to share?

1. What is the total number of workers in your company?
2. What percentage of your workers have you already evaluated for the living wage gap?
3. What percentage of your workers are already earning at or above a living wage?
4. Please briefly describe the strategies and plans you have identified to address the living wage gap (if any) in your business. What kind of support would help you?
5. By when do you aim to address the living wage gap in your business?

[Living Wage Gap Reporting Form](#)

Best practice: Make credible Living Wage claims

Once your company has internally committed to addressing living wages, determine when and how to publicly communicate this commitment. Your 'living wage claim' can further strengthen the momentum of corporate initiative for living wages.

ISEAL Alliance has developed a [guiding framework for credible living wage claims](#) in 2023, with inputs from a range of standard-setting organisations, companies and trade union representatives.

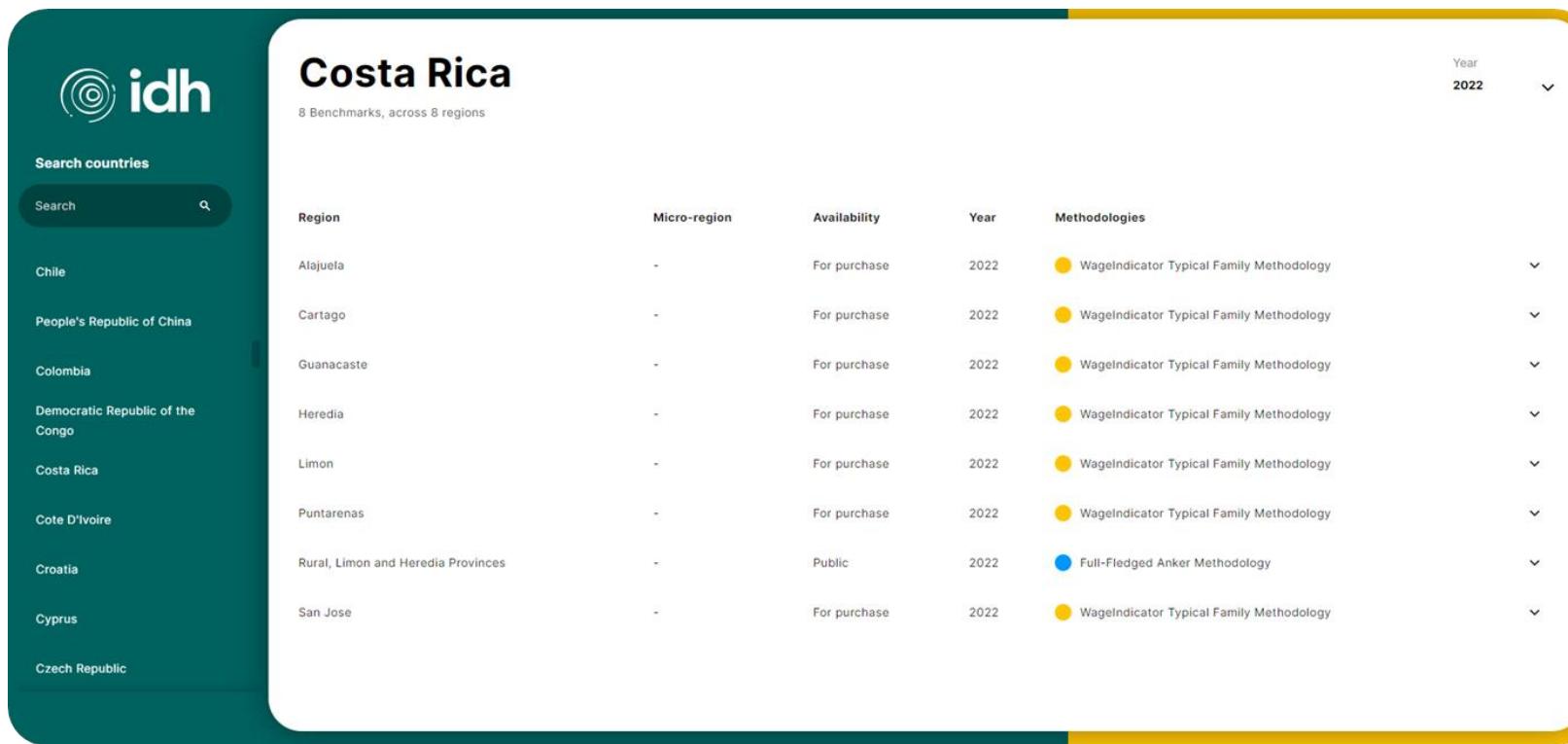
The guiding framework aims to advance the understanding of good practices and improve system robustness to meet living wage goals while also supporting business needs.



Tools & Resources

The Benchmark Finder Tool

The Benchmark Finder tool lists all the living wage benchmarks recognised by IDH that are available for each country. The benchmarks are listed per region and per year.

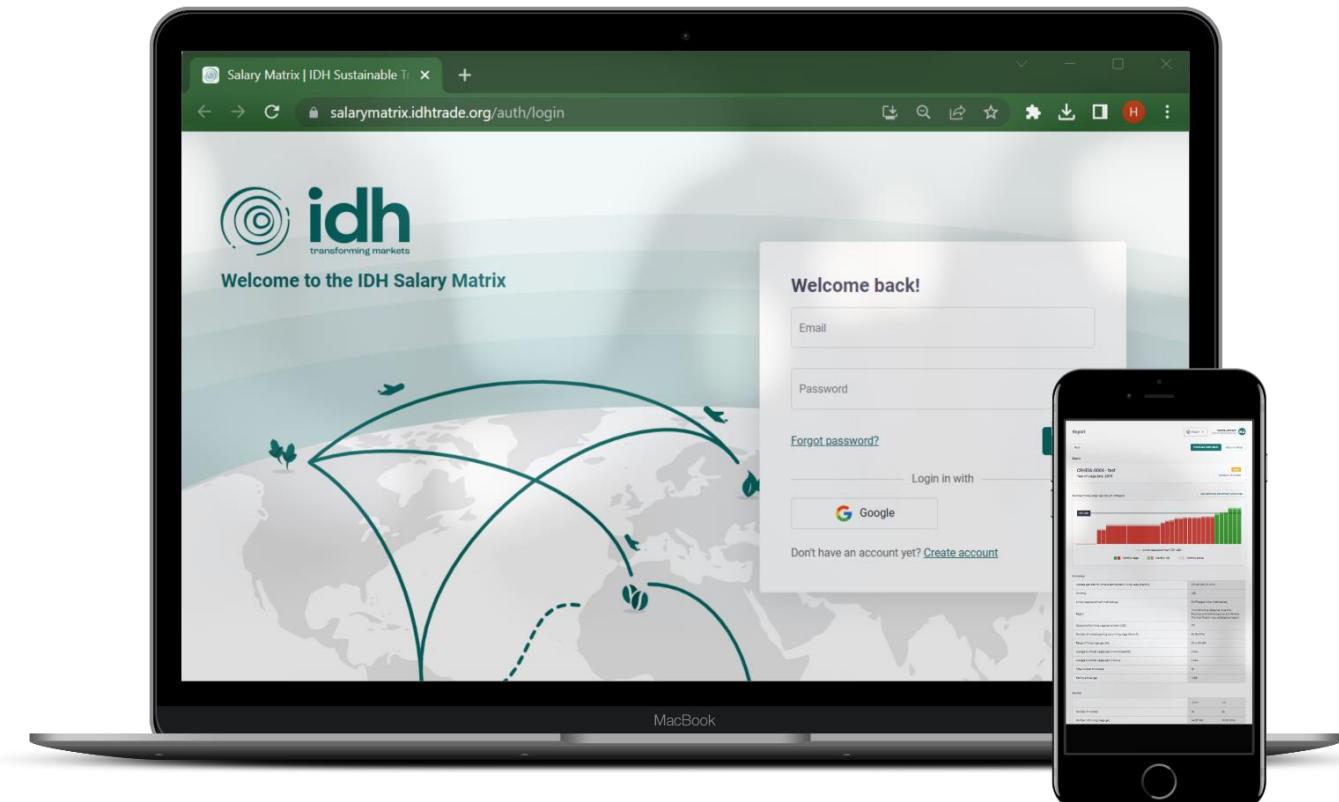


The screenshot shows the IDH Benchmark Finder Tool interface. On the left, a dark green sidebar lists countries with a search bar. The main content area is titled 'Costa Rica' and shows '8 Benchmarks, across 8 regions'. A dropdown menu shows 'Year 2022'. The table lists benchmarks for Costa Rica:

Region	Micro-region	Availability	Year	Methodologies
Alajuela	-	For purchase	2022	WagIndicator Typical Family Methodology
Cartago	-	For purchase	2022	WagIndicator Typical Family Methodology
Guanacaste	-	For purchase	2022	WagIndicator Typical Family Methodology
Heredia	-	For purchase	2022	WagIndicator Typical Family Methodology
Limon	-	For purchase	2022	WagIndicator Typical Family Methodology
Puntarenas	-	For purchase	2022	WagIndicator Typical Family Methodology
Rural, Limon and Heredia Provinces	-	Public	2022	Full-Fledged Anker Methodology
San Jose	-	For purchase	2022	WagIndicator Typical Family Methodology

The Salary Matrix

The Salary Matrix is a practical tool to help you evaluate how **the total remuneration received by your workers** (including wages, bonuses, cash and in-kind benefits) **compares to the relevant living wage benchmarks** for your region.



[Access the Salary Matrix Page](#)

Resources

- Wage Indicator Public Available Living Wage Estimates, funded by Unilever <https://wageindicator.org/>
- IDH Roadmap on Living Wages: <https://www.idhsustainabletrade.com/living-wage-platform/>
- IDH Guidance for Auditors on Verification: <https://www.idhsustainabletrade.com/living-wage-platform/verifying-calculations/>
- IDH Living Wage Action Guide: <https://livingwageguide.idhtrade.org/>
- IDH Call to Action: <https://www.idhsustainabletrade.com/cta-living-wages/>
- AIM Progress Living Wage Playbook: https://www.aim-progress.com/storage/resources/AIM_Living%20Wage%20Playbook_v0.4_FINAL.pdf
- UN Global Compact, Due Diligence Guidance on Human Rights Indicator for Business: <https://unglobalcompact.org/library/5>
- UN Living Wage Microsite: <https://unglobalcompact.org/what-is-gc/our-work/livingwages>
- UN SDG Ambition Reference Sheet for SDG 8 Decent Work and Economic Growth: https://ungc-communications-assets.s3.amazonaws.com/docs/publications/Achieving_the_Living_Wage_Ambition_Reference_Sheet_and_Implementation_Guidance_EN.pdf

Acknowledgments

IDH – The Sustainable Trade Initiative

IDH seeks to transform markets through collaborative innovation, convening and investment in inclusive and sustainable solutions that enable businesses to create value for people and planet. To achieve this, IDH brings together coalitions of committed stakeholders from across global value chains towards joint visions and program agendas for sustainable trade.

IDH's international presence extends to multiple regions and landscapes, facilitated by a network of around 400 staff including experts who are embedded in key agricultural, manufacturing, apparel and commodity value chains. In 15 years of operation, IDH has mobilised private sector investment and support to test and innovate new business models designed to create better jobs, better incomes, a better environment, and gender equity for all.

[Learn more about IDH and their work](#)

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Thank you.