

IDH Roadmap on Living Wages

IDH Criteria for Recognizing Living Wage Benchmark Methodologies

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Companies need reliable living wage benchmarks for every region they source from as a starting point to calculate the living wage gap. IDH is committed to assisting companies in measuring potential gaps between current wages and up-to-date, credible living wage estimates that are relevant to their respective locations. The [Anker methodology](#) is widely accepted as the gold standard for measuring living wages and it has played an important role in catalysing wage improvement in global supply chains. We recommend the use of this methodology, which is supported by members of the [Global Living Wage Coalition](#) that IDH works with.

Additionally, IDH acknowledges that there are other methodologies available to calculate living wage benchmarks. When a benchmark using the Anker methodology is not available, IDH has developed a process to recognize living wage benchmark methodologies that meet the following criteria:

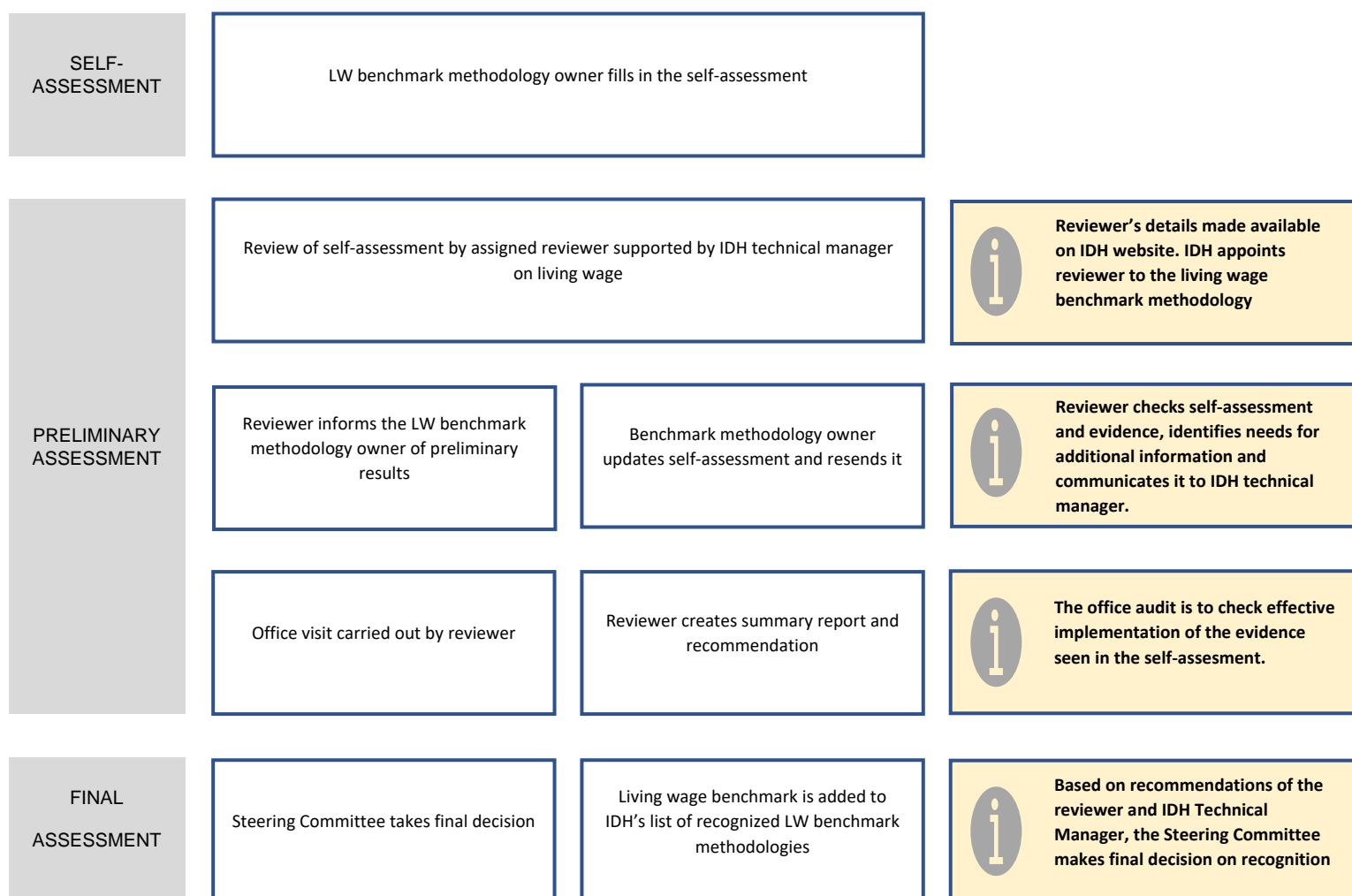
1. Estimate living wage based on data collected through field level research, online surveys, national statistics and/or modelling. Collected data should be representative of the location of the living wage benchmark.
2. Measure the cost of living of a typical family in a region. A typical family in a region means that the size of a family is estimated based on regional (or national) data through family size data or birthrate data.
3. Include in the cost of living, the cost of food based on requirements for good nutrition, housing, education, healthcare, household goods, communication, transportation, personal care, and a small margin for unexpected events.
4. Factor in the expected number of working adults in a family by dividing the total cost of living by 1+ the employment rate.
5. 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.
6. Are city/region-specific or at least account for urban and rural differences.
7. Must have no inherent conflicts of interests. Methodologies must have sufficient distance from funding sources to maintain integrity. In addition, individual benchmark results must not be influenced by the funding source.
8. Publish a clear and consistent methodology for data collection and calculation elements.
9. Update the estimates yearly for inflation. Estimates can be updated for up to 5 years (considering local circumstances) before a new benchmark is needed.

These criteria do not represent a new living wage estimate methodology but provides objective criteria for the minimum elements a living wage methodology needs to include to be recognized by IDH. The list of recognized living wage benchmark methodologies that demonstrated meeting these characteristics will be published on IDH's website.

Each living wage benchmark is specific to a time and location. Still, it may be the case that more than one benchmark meets the above criteria for a location. In case of multiple benchmarks available, IDH recommends prioritizing benchmarks that are:

1. Endorsed or vetted by a legitimate and representative local organization, for instance, through a mechanism for vetting living wage estimates with stakeholders in an open and transparent way.
2. Most specific to the area (first location-specific, then urban or rural benchmarks).

IDH process for recognizing living wage benchmark methodologies



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