Making credible living wage claims

A framework to guide practice

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Introduction

The need for this framework

As company action on living wages gathers momentum, so too does the demand for 'living wage claims'. This is driven by many factors: reporting on corporate sustainability commitments, scrutiny of business actions and accountability, growing consumer expectations, and tightening legislation around business practices. Many companies, and the sustainability standards and systems that support them, are now exploring the use of 'issue-based' claims.

Claims and communications about corporate social responsibility initiatives and sustainability impacts are increasingly part of doing business. However, claims that are unclear, misleading or lacking in evidence can lead to an erosion of public trust in market action, an inability to discern which actions contribute to change and, potentially, legal sanctions. On topics such as wages and decent work,

poorly thought through or self-serving claims can end up having adverse effects on workers' wellbeing and ultimately undermine their interests by potentially eroding public trust in living wage actions.

This document responds to the need for a clear framework to guide claims-making on living wages. It serves two main purposes: firstly, to guide those who wish to make claims to do so thoughtfully, sensibly and in an evidenced manner, and secondly, to promote awareness and knowledge about what makes claims credible. In developing this document, our intent is not to encourage more claims-making. In fact, the first step in the process is to determine whether claims need to be made at all. Where companies or sustainability systems do need to make claims, however, we hope they will use this framework to guide their thinking and ensure claims are credible, clear and relevant.



Scope of this framework

This document aims to help organisations make credible claims related to living wages. The framework can be applied by a range of potential 'claims-makers' including individual companies – upstream and downstream; standard-setting organisations and other voluntary sustainability systems; governments; and trade unions and worker representative organisations.

This framework does not discuss or recommend what actions should be taken to advance living wages. Its focus is only to guide credible communication about the work being done. It should be read in conjunction with applicable legislation and due diligence regulations. While designed to focus on the topic of living wage claims, the core principles within this framework can also be used to guide other types of issue-based claimsmaking. The document provides a structured framework for living wage claims consisting of four parts:

- Part 1 establishes the fundamentals of good sustainability claims and the importance of a robust system to back up claims.
- Part 2 explores the topic of claims when applied to specific issues such as living wages. It proposes a typology to help stakeholders differentiate between types of claims and provides guidance on minimum information and evidence requirements.
- Part 3 goes deeper into the topic of living wage claims by exploring a series of strategic questions and considerations that organisations must work through to make credible claims.
- Part 4 provides a range of examples and case studies that illustrate how this framework can be used by different types of claims-makers in relation to different types of actions on living wages.



A note on legislation and due diligence regulations

It is not possible for this framework to reflect on all legislative or due diligence regulations that apply when making living wage claims. Requirements are continuing to evolve and will vary depending on the location and wider context. The most up-to-date applicable legislation and regulations should be consulted in conjunction with this framework.

Part 1: Fundamentals of good sustainability claims

1.1 What are sustainability claims and communications?

A sustainability claim is a message used to set apart or promote a product, process, service or business, whose content refers to one or more sustainability pillar – economic, environmental or social.

Sustainability claims and communications can range from general written, visual, broadcast and social media communication, to activity and impact reporting, to specific words, images and logos. The distinction between sustainability 'claims' and 'communications' is not always clear and the guidance in this document is intended to apply to both specific claims and more general communications.

1.2 Guiding principles for good sustainability claims

ISEAL's <u>Credibility Principles</u> define the core values of credible and effective sustainability systems. The 10 Principles help organisations to understand the attributes that are critical to credibility, and why these matter for improving sustainability performance and delivering impacts. A key principle that speaks specifically to claims is truthfulness – that the claims and communications allowed by a sustainability system can be trusted. ISEAL defines the truthfulness principle as follows:

ISEAL'S TRUTHFULNESS CREDIBILITY PRINCIPLE:



A credible sustainability system's claims and communications can be trusted.

A credible sustainability system substantiates its claims. Any claims the system or its users make are clear, relevant, and can be checked. They enable customers and other stakeholders to make informed choices. The scope and design of the system is accurately reflected in any claims, ensuring these are not misleading. Claims about sustainability impacts are backed up with data and evidence that is publicly available.

Deriving from this principle, we can outline four fundamental tenets that are the foundations for making good sustainability claims – irrespective of the issue and subject matter of the claim in question. A credible sustainability claim should be:

- Clear, meaning it is easily understood and free from misleading details. A clear claim:
 - a. Uses language that clearly explains what the claim is about
 - b. Explains how the claim was substantiated and verified
 - c. Ensures that more information about the claim is easily and publicly available.

 Accurate, meaning it is truthful and based on substantiated evidence and an accurate interpretation of that evidence. An accurate claim:

- a. Is based on data and information that can be substantiated
- b. Is based on a truthful interpretation of that evidence and data
- c. Is careful to not suggest attribution when there is no such evidence.
- Relevant, meaning that the claim should be about an issue that is material or significant to the product, process or business and not a distraction from more important issues. A relevant claim:
 - a. Is focused on the most significant actions or issues
 - b. Is related to and proportional to the action taken
 - c. Is contextualised, with a clear scope.

- Based on a system that is transparent and robust, meaning that information about the context and evidence behind the claim is freely and easily accessible and there are effective controls in place over how claims are used. This includes ensuring that:
 - a. Information is easily, freely and publicly available about the claim, its scope, how it is verified and the evidence to back it up
 - b. A robust system is in place that controls when the claim can be used and by whom, with clear criteria.

The system behind a claim may include a monitoring mechanism that generates data and evidence to back up claims. This can be extended to include a robust system for controlling claims, with checks and balances in place to verify publicly made claims and to prevent misleading claims.



Part 2: Unpacking living wage claims: a typology

2.1 Delving into issue-based claims

As businesses ramp up action to address sustainability challenges, issue-based claims have come under the spotlight. Issue-based claims aim to draw attention to a specific issue and the claims-maker's role in addressing it.

Issue-based claims are complicated for a number of reasons:

- Variable interpretation: Stakeholders may interpret an issue differently, which means that claims on specific issues can be unclear. This lack of clarity leads to misinterpretation and misleading claims.
- **Dynamism:** Issues are dynamic and our understanding of them and the best ways to address them is constantly shifting. This means that issue-based claims may have a comparatively short shelf life.
- Outcome measurement challenges: Issue-based claims often centre on the question of outcomes what has changed as a result of what the claims-maker is doing. Measuring these outcomes is often difficult and technical, making issue-based claims hard to evidence.
- **Collective action:** Sustainability issues are complex and can rarely be tackled at scale by only one system or stakeholder. This heightens the need for accurate and fair representation of individual claim-makers' efforts, actions and contribution.

Issue-based claims are already being made on topics such as deforestation, livelihoods and wages, so there is a pressing need to ensure such claims are credible. Emerging legislation to address misleading claims reinforces this.

WHAT IS A LIVING WAGE AND HOW IS IT DIFFERENT FROM A MINIMUM WAGE?

Living wage has become the accepted term in English for describing decent wages. This document adopts the definition of living wage as developed by the <u>Global</u> <u>Living Wage Coalition</u>: '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 her or his family'.

The basic components of a living wage, as defined by the <u>Anker methodology</u>, include a low-cost nutritious diet, basic and healthy housing, education through secondary school, adequate health care, other essential needs and a small margin for unforeseen events.

Minimum wage is a legal construct that is required by law, whereas a living wage is a voluntary construct – although some governments are making efforts to set the minimum wage at the level of a living wage. As governments set minimum wages, they are balancing two competing objectives: to reduce poverty and provide for the needs of workers and their families through their wages, and to stimulate employment and economic growth.

A living wage estimate is a value in local currency units equivalent to the "Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family." Living wage estimates are referred to by some as living wage benchmarks, although the term benchmark goes beyond a numerical value to also include detailed contextual research.

Estimating living wages for workers in a particular sector and region is a key step in the journey towards living wages. The Anker methodology is widely recognised as a robust, credible and transparent methodology to estimate living wages.

2.2 A pathway to understanding types of living wage claims

As with many sustainability issues, the topic of living wages has evolved over the last decade from a radical and disruptive concept to a widely accepted commitment for companies across sectors. This had led to a progressive increase in living wage commitments and actions – both within and beyond the supply chain – and increasing interest in the outcomes of such actions. All of this has raised the desire to make living wage claims and the need for a framework to guide practice around this.

To get started on living wage claims, we first present a pathway to understand how commitments and actions link to the changes we wish to see in wages (i.e. outcomes and impacts). There are several steps from making a commitment to seeing impact, and different claims can be made at each of these steps. The graphic below lays out the basic steps in this pathway.



Figure 1: Claims can be made about commitments, actions and performance (from outcomes to impacts)



1. Making commitments on living wages: This step involves a business, scheme or organisation setting commitments on living wages. Commitments can be generic, referring to strategic goals or high-level pledges, or specific, referring to sector, product or worker categories. They should include timelines and targets. Commitments can be internal or public, although the latter attract greater scrutiny and need for accountability. Commitments can be made by individual entities or by a collective. Examples of commitments include committing to pay or progressively pay living wages to employees, or to source from suppliers that pay a living wage.

Before making a commitment on living wages, it's important that a company learns about living wages in the context in which it works and has a clear strategy and action plan to achieve the commitment.

2. Taking actions on living wages: This step involves specific actions and interventions by businesses, schemes and organisations to implement their commitments. A wide range of activities are under way in the space of living wages. Actions can be direct (implemented within the company or supply chain) or indirect (aimed at the wider context or enabling environment to deliver living wage commitments).

Table 1: Direct and indirect living wage actions

DIRECT ACTIONS (WITHIN THE SUPPLY CHAIN)

- Employers and trade unions collectively bargain and implement wage rates, including good practices like negotiated increments that meet and exceed the consumer price index to keep living wage gaps from widening (CPI +).
- Assess prevailing wages and use living wage estimates to calculate living wage gaps.
- Require the payment of living wages based on credible estimates provided.
- Increase wages, bonuses and in-kind benefits.
- Change procurement and sourcing commitments to improve wage outcomes for workers, including setting-up long-term supply contracts.
- Make voluntary financial contributions to closing the living wage gaps for particular worker-product-region categories.
- Stabilise higher prices to allow reliable wage increases to take place.
- Source certified products from schemes that have a commitment to advancing living wages.
- Formalise work arrangements, reduce informalisation, improve personnel documentation to advance wages for temporary/ migrant workers.
- Enhance product quality to command higher prices and wages.
- Support worker productivity (where needed) to advance wages.

Intermediate outcomes: This step covers short-term or intermediary outcomes of living wage actions. Intermediary outcomes are the more immediate changes that contribute to wage increases for workers. However, in and of themselves, they do not constitute wage increases for workers and it is important that claims reflect this.

Examples of intermediary outcomes that may result from living wage actions include improved productivity of workers, improved social dialogue and collective bargaining, formalisation of worker contracts, long-term supply contracts, and improved wage transparency along the supply chain. Making claims at this step should focus on progress along the living wage journey and accountability for those making investments in specific actions.

Wage outcomes for workers: This step focuses on changes in real wages, such as higher cash wages, better in-kind benefits, or both. These are the types of claims that companies and organisations are most keen to make. Claims about wage outcomes are subject to high scrutiny, as they require verification of actual wage data and remuneration received by workers.

INDIRECT ACTIONS (ENABLING CONTEXT)

- Support social dialogue and collective bargaining to enhance wage negotiations.
- Invest in increased knowledge, awareness raising and capacity building on living wages and related concepts.
- Advocate with or support national governments in improving minimum wage-setting to reflect living wage concepts.
- Advocate with governments to improve corporate accountability and reporting on wages and decent work in supply chains.
- Enhance price and supply chain transparency.
- Use financial sector leverage to incentivise business action on wages.

Additionally, claims should be supported by information that connects the wage outcomes to actions taken by those making the claim, and to the intermediary outcomes resulting from those actions.

Broader impacts: This step recognises improved wages as a pathway to attaining broader sustainability impacts such as improved worker livelihoods, enhanced decent work or poverty alleviation. At this step, claims might seek to draw on the link between wage increase and its consequent contribution to wider impacts. Although claims can be made at this stage, attributing wider impacts to wage increases is complex. This limits the types of claims that can be made.

It is important to also consider how the results achieved will be maintained or further improved. The value associated with being paid a living wage can vary significantly over time so it is important to monitor and continue to analyse what is required to maintain existing commitments or how these might be expanded upon. Action plans should be updated in line with an ongoing review of the current context. This means it is particularly important for a living wage claim to include the timeframe that it relates to.

2.3 A typology of living wage claims

This section lays out a simple typology for classifying living wage claims. It focuses on three basic types of claims that are

aligned with the steps laid out in <u>section 2.2</u> – commitment claims, action claims and performance claims.

Figure 2: A typology of living wage claims: commitment claims, action claims and performance claims



- 1. Commitment claims are claims about commitments to advance on or achieve living wages and wage improvements. E.g. *"We are committed to 75% of workers in our banana supply chain earning a living wage by 2025 and 100% by 2027."*
- Action claims are claims about specific actions taken to advance on or achieve living wages or wage improvements. E.g. "Since 2021, we have been measuring living wage gaps on an annual basis in all of our sourcing regions, as a first step to narrowing the wage gap by 2024."
- 3 Performance claims are claims about change realised or progress towards achieving living wages or wage improvements. E.g. "Our actions have contributed to 60% of workers in our supply chain in 2022 receiving a living wage, a 20% increase in the last three years."

2.4 Minimum information to make credible living wage claims

The fundamental tenets of good sustainability claims (see <u>section 1.2</u>) apply for each claim type: all living wage claims should be clear, accurate, relevant and based on a transparent and robust system.

To ensure that living wage claims are clear, accurate and relevant, the content of the claim must contain information that, at minimum, includes:

- A description of what/who the claim is about
- The scale of the action and associated change committed to, completed or achieved
- The timing and/or duration of the action/performance.

Claims are strengthened by the disclosure of supporting information that substantiates the content of the claim. This information could be disclosed publicly or as part of a robust verification process (see section 3.8) depending on the sensitivity of the information involved. Supporting information that backs up the actual content of the claim itself includes:

 Information about your pathway to improving living wage performance: Claims are more credible if there is supporting information about the living wage vision or strategy of the claims-maker that presents a path connecting its actions with any reported changes in wage outcomes. This can be a full theory of change or a simple results chain. Claims will be more robust if they make clear connections between commitments, actions and performance. For instance, a commitment claim is stronger if it talks about the type of actions that will be taken to implement the commitment. Likewise, a performance claim should reference the contributing actions. Such information could also illustrate how potential adverse impacts from living wage actions have been assessed and are being avoided or mitigated. For example, making a claim about raising worker wages would be disingenuous if it's achieved through reducing the overall number of jobs available, as the overall impact on workers could be negative.

Information about your supply chain and sourcing infor regions: Claims about living wage actions or performance or co will benefit from more information about the context chan

will benefit from more information about the context in which the actions are being taken. This includes information about the sector, region, country and worker profile, which can serve as a reference point to contextualise the scale of action or change being reported.

• Information about monitoring your actions and performance: Credible and verified data is the backbone of any claim. Claims-makers should provide more information about how they track and report on their actions, how they measure the quality of their actions, and how they gather data to measure changes resulting from their actions. Information about monitoring can also extend to information about verification. For example, if the scheme or company relies on self-assessments to track actions and change, what steps are taken to verify such data and by whom? Best practice in claims-making includes making the data openly and transparently available to stakeholders who can judge the veracity of living wage claims for themselves.

• Information on partners: If the subject of the claim, whether a commitment, action or performance, involves the support of other actors, it is important to share this information for transparency and to manage the risk of double-counting. Where a collective claim is made, all the partners involved should be cited in the main text of the claim.

Figure 3: The types of information to include when making a commitment, action or performance claim.



Part 3: Making living wage claims: a step-by-step guide

3.1 To make or not to make living wage claims

At the outset, the first consideration is whether there is a need to make living wage claims at all. Claims of any type – commitment, action or performance – should be made consciously and genuinely and only when it is possible to substantiate the claim based on information provided in section 2.4.

Important prerequisites to be met before schemes and companies make living wage claims include:

- The availability of credible living wage estimates for the product/country/location in question. Estimates should be based on a robust methodology (such as the Anker methodology) and be publicly available. Credible calculations of prevailing wage levels that are based on reliable data are also a prerequisite (such as verified self-assessment data submitted by employers, or audit or monitoring data from third-party sustainability schemes).
- The ability to track worker-level wage data either through existing tools at company level (such as contracts, books of account) or scheme level (wage data collection tools, audits).
- The ability to verify wage data used to make performance claims linked to wage improvements self-reported wage data from employers is not robust enough to back up public claims.

In addition, you should ask the following questions before making living wage claims:

- Are you clear about your living wage strategy or action plan?
- Do you have the processes and information in place to back up claims?
- What actions are you triggering with your claims and are such actions going to result in better outcomes for workers?
- Do you have the internal staff resources to ensure claims are made credibly and checked?

You should avoid making multiple potentially overlapping or conflicting claims. Claims-making should be sensitive to the cultural and socioeconomic realities, especially when made in reference to specific regions, countries or sectors. Ultimately, claims should be made respectfully, to demonstrate genuine and robust efforts to incentivise further action and not with predatory or competitive intentions.

3.2 Who the claims-maker is and why it matters

A range of stakeholders and organisations might want to make living wage claims, but implications differ based on who the claims-maker is and the level of supporting information that is needed in each case. The following considerations should apply for different types of claims-makers:

Upstream and downstream companies: Individual companies are likely to be the largest category of claims-makers. This comprises downstream companies (such as large retailers, brands, manufacturers) making living wage claims about their employees and supply chains, and upstream companies (estates, factories, producer organisations) making living wage claims about their employees.

In both cases, individual companies need to consider the following:

- The subject of the claim own workers and employees or supply chain partners' workers and employees
- The legal requirements and considerations around wages and claims-making in the jurisdictions where the company operates
- Anti-trust, confidentiality and non-disclosure considerations in relation to the content of a claim or supporting information to back it up. Such considerations should not become a blanket barrier to providing information to back up a claim and claimsmakers should consider options to work around specific obstacles to information-sharing.
- Avoiding conflicting claims, such as an upstream and downstream company within the same supply chain making contrasting claims within the same context or region. Ideally, partners across the supply chain will work together to develop the content of the claim and consult each other before making a claim, so as to reduce the risk of differing claims and recognise the collective effort of all supply chain partners in undertaking an action or realising an outcome.

Sustainability systems: Sustainability systems, such as those that operate voluntary standards and codes of good practice that include living wage criteria, will be another important category of claims-makers. Sustainability systems should consider the following:

- Follow ISEAL good practice on claims
- Putting procedures and practices in place to control claims made by business partners who are members or clients or who source products certified by the system
- Clarifying the ambition of claims in relation to the scheme in light of due diligence and claims legislation.

3.3 Is the claim being made by an individual entity or collective?

Individual entities can make claims about the commitments, actions or performance results they are responsible for, or about their role within a wider collective. The collective itself may also want to make claims.

Table 2: Identifying whether the claims-maker is an individual or collective

WHO IS MAKING THE CLAIM?	DEFINITION
Individual entity	The claim made is about a single entity: this could be a company, a scheme, an organisation, a government or another individual entity.
Individual entity within a collective	The claim made is about a single entity and its contribution towards a collective effort. The collective should be clearly referenced in the claim.
Collective	The claim made is about the collective commitments, actions or performance by a group of organisations or a coalition, undertaking actions collectively.

It is important that claims do not mislead their audience on the extent of the claims-maker's contribution. It should be clear what has been achieved directly by the claims-maker and where additional partners (or external influences) have contributed.

3.4 Identify the type of claim you are making – commitment, action or performance

You should identify what primary type of living wage claim you want to make – commitment, action or performance – and ensure you have all the necessary information, both to include within the content of the claim and to back it up. If you don't have this information, you should not be making a claim. In addition to the general guidance in <u>section 2.4</u>, the following additional guidance should be considered when making commitment, action and performance claims.

If making commitment claims, consider the following:

- Are you making a public commitment or an internal commitment (only to key partners and suppliers)?
- Is there an intention to make a public commitment over time and if not, are you clear why?
- Are your partners, suppliers and stakeholders aware of your commitment? Do they support it?
- Do you have a timeframe for your commitment? Is it realistic? What if it is not met in that timeframe?
- Do you have a system in place to report progress against your commitment?
- Are you clear about what actions you are taking to implement your commitment? Are your actions adequately resourced and achievable in the timeframe you have set?

If making action claims, consider the following:

- Are your actions linked to your commitment and can you show how they are linked?
- Is the action a direct action in the supply chain, or an indirect action linked to the enabling environment?
- For direct supply chain-based actions, do you have the consensus needed to implement them? Is there shared responsibility?
- Do you know what the prevailing wages are in the sector/ country where you are acting? Have you done a living wage gap assessment based on a credible estimate?
- Is the living wage estimate you are using for calculating gaps and planning actions publicly available?
- Is your action related to certified products that you source? Is the certification scheme aware of your actions?
- Are you making a claim based on an individual action, on your role within a collective action, or as part of a collective? (see table 2 above for more on this).
- Do you have a monitoring mechanism in place to track and report against your actions? Have you collected baseline data?
- Does your action require verification (i.e. proof that the action has actually occurred)? Who will provide this verification and how?
- Will you publicly report on your actions?
- Do you have a process to support learning from your actions?
 Will your learnings be shared with your partners and peers?

If making performance claims, consider the following:

 Are your performance claims linked to the actions and commitment claims you have made? Is your theory of change that links actions to outcomes being realised in practice?

- What level of performance or change are you making claims about? Do you have systems to monitor and verify the level of performance you are claiming?
- Are you making a 'status claim', i.e. reporting on a status at a point in time, or a 'trends claim', i.e. reporting on a change in status over time? Status claims need to be supported by data at the point in time of making the claim. Trends claims need comparative data over two or more points in time, such as a baseline and endline or before and after scenarios.
- Are you making claims about changes in actual wages received by workers? Claims about living wage

performance, especially about changes in wage outcomes for workers, should be made extremely cautiously as their validation requires direct wage data verification, which is difficult and resource-intensive to do.

 Are you claiming attribution or contribution towards performance outcomes? This is an important difference and needs to be made clear. Attribution claims imply a direct causal link between your actions and the outcome achieved. Contribution claims imply that your actions contributed to the outcomes, but are not the sole cause, recognising that other factors may also have had a role in achieving the outcome.

ATTRIBUTION OR CONTRIBUTION CLAIM?



Attribution claims – An attribution claim can be made where performance outcomes resulted directly and solely from a set of defined actions or investments made by the organisation, enabling that organisation to claim responsibility for specific outcomes. Making an attribution claim requires the highest degree of causality, quantitative accuracy and rigour because it results in the right of sole ownership of an outcome. A counterfactual is required to act as a baseline or reference point – for example, data from a comparable location that didn't benefit from the intervention. As such, attribution claims are usually reserved for quantitative claims about discrete outputs or short-term outcomes.

Example: "Our investment of $\notin 150,000$ resulted in a wage increase of 3% for 50% of workers in our coffee supply chain in 2022 compared to an average of 1% in the same region and timeframe."

Contribution claims – A contribution claim can be made when an organisation's actions or investments have contributed to specific living wage performance outcomes. Stakeholders should make claims about contribution only if their actions are relevant to that performance outcome, are timely (leading to improvements in a timely manner) and are at a scale to meaningfully impact performance. Contribution claims are humbler than attribution claims and require a lighter burden of proof. But they still need to be backed by research or data that clearly links the action of the claims-maker to the outcome realised over a set period of time.

Example: "Our actions have contributed to 75% of workers in our cocoa supply chain in West Africa receiving a living wage in 2023."

3.5 Clarify the scope of living wage commitment, actions and claims

Clear claims are specific about the scope of the living wage commitment or action being undertaken in the first place, rather than being generalised. Living wage claims should clarify the sector/product and the country/region that the claim applies to.

Another dimension to consider is which category or categories of workers the claim applies to. Caution is needed when making claims about workers that aren't direct company employees, as the burden of proof still falls on the company. Claims should clearly and transparently reflect if commitments or actions are restricted to specific worker types (such as tier 1 of the supply chain or preferred partners and suppliers) and should not mislead the reader into thinking they apply to the entirety of the company's action or supply chain.

3.6 Clarify the subject of the claim

Figure 4: Range of worker categories in a supply chain



The subject of a claim is who the claim is about. Is the living wage claim being made about workers, a product (or partial product e.g. ingredient), a programme or a company? Claims can have different subjects and it is important that they are clear about this. Supporting information also needs to be provided for the relevant subject. For example, a claim about a product introduces questions about traceability and chain of custody, so a traceability system needs to be in place to provide the evidence required to back up the claim.

Examples of subjects for living wage claims include:

- Workers: "70% workers in our supply chain earned a living wage in 2023"
- Products: "This is a living wage product"
- Programme: "Our wage improvement programme has estimated living wages in all our sourcing regions"
- Company: "We are a living wage employer".

The subject of any claim should be made clear. Different levels of proof and types of supporting systems need to be in place depending on if the claim is being made about a worker, product, programme or company. Claims should not be made about a particular subject if the systems are not in place to provide the evidence required to support it.

3.7 Contextualise the claim to audience and location

A claim can be targeted to different audiences – business to consumer, business to business (e.g. producers, companies), internal (within an organisation or collective) – and can be made publicly or privately. Being clear about the audience is critical to ensure they can clearly understand the claim and access the supporting information. Also, claims to specific audience groups such as consumers are bound by stricter legal requirements in the country of production and point of sale. A claim made to the general public, for example, would usually require a greater level of evidence than one made internally. However, a lack of consistency between internal and public claims could indicate misrepresentation by the claims-maker.

In addition to the audience, where the claim is made is a key consideration to ensure it is not misleading. Claims can be made:

- On product
- In store (such as on retail shelves, in shops or at point of sale)
- On public websites and in communications
- On social media
- In due diligence or annual reports.

Claims-makers should account for the following:

- Legal requirements for certain types of claims, such as those on product and in store.
- Space available to make clear claims and whether it's possible to share or link the reader to supporting information.
- Traceability mechanisms, especially for product-based living wage action or performance claims.
- Ability to correct claims (for example, claims made on X (formerly Twitter) cannot be edited).

Claims-makers should note that on product and in-store claims are particularly tricky and they have a high level of responsibility for ensuring that information is clear and accurate and that claims do not mislead consumers.

Finally, the overall placement or context of the claim is important. This refers to the wider context of the reporting or information being provided. For example, a commitment claim about a company 'starting to strategise on living wages' in a section of a report on 'human rights impacts' is misleading as it suggests that the organisation is delivering impacts on living wages when in reality it is not. Contextualising a claim also extends to providing information about the sector, region or country that the claims apply to, showing how your commitments, actions or outcomes are relevant in this context.

3.8 Managing your claims

Claims management refers to the system the claims-maker puts in place to consult over, verify, control and review claims. Holistic claims management brings together all the elements laid out in this guidance. Here, we focus on three elements of claims management that are essential in the living wages context.

Consultation: Progress on living wages and wage improvements for workers are likely to require concerted and collective efforts that combine supply chain actions with a strong enabling environment. Claims made on living wages must reflect this reality. Claims-makers must make efforts to be open, consultative and transparent with partners on the claims they are making – for individual as well as collective claims.

It is useful to ask the following questions:

- Do the claims reflect and respect the contributions and collective efforts made by others, even if you led the action?
- Have you consulted with important partners such as supply chain partners or sustainability schemes involved or given them the chance to preview claims before going public?
- For claims reporting on wage outcomes for workers, have you consulted with trade unions or worker representatives to verify the claim? Are worker representatives supportive of such claims being made?
- Have you discussed the timing of the claim (i.e. when you are going public with it) with partners to ensure that it is being made at an appropriate time (such as accounting for when annual contracts are being negotiated or in line with timelines for collective bargaining agreements) and is not disruptive to any ongoing dynamics at the local or supply chain level?
- For actions or outcomes that occur within the context of a specific supply chain or sourcing region, have partners considered joint and collective claims to avoid duplicative and confusing claims on the same outcomes?

Verification: Claims verification refers to the processes the claims-maker puts in place to ensure the veracity and robustness of the claim and the accuracy of the supporting information provided. The primary responsibility of claims verification rests with the claims-maker, but it is possible to seek the support of others or work in partnership to make or verify specific types of claims. For example, a company making an action or performance claim in relation to a certified product or supply chain may rely on the certification scheme owner to support with verification of some or all claims made. In such cases, we strongly recommend documenting roles and responsibilities for verification for internal and public accountability.

The extent and depth of verification depends on the type of living wage claim made. In general, claims-makers should ensure that a system is in place to provide verification or assurance of accuracy of the information provided within the text of a claim and the supporting evidence provided. Additionally, consider the following:

- Which of your living wage claims are assured? Assured claims are those that result from an assurance process carried out by a standard-setting or verification body, or an internal assurance processes established by the company. A robust and transparent verification system 'assures' that the claim made is accurate.
- Does the frequency of verification support how frequently claims are being made?
- What is the cost of verification of living wage action or performance claims, and who bears these costs?
- What are the relative merits of self-verification and external verification (especially for certain types of claims such as wage outcomes for workers)?
- Who bears the verification burden (i.e. who has to participate in verification exercises?) and how can this be fairly distributed for all types of claims being made?
- What systems do you need to store, clean, anonymise and share data, especially linked to verifying claims at worker level?
- What level of proof is required? Does making a claim for a certain category of worker require verification for every worker or for a robust sample?

Control and review: A controlled claim is a claim that requires prior approval for use. Examples of controlled claims are marketing claims that need to be approved by a company, product claims that need to be approved by a legal or regulatory body, or sustainability logo claims which are controlled by specific standard-setters and sustainability schemes. The claims management system should, at a minimum, include the following:

- A record of all living wage claims made and supporting information provided
- A system for keeping supporting information updated and relevant
- A system to assess the shelf-life of living wage claims and archive or renew outdated claims
- A centralised team or department for controlling who makes living wage claims and how
- Resourcing to support making credible claims and enabling partners to do so
- A public contact point to raise or manage complaints about claims.

A note on legislation and due diligence regulations

Claims management is a key area of focus for upcoming legislation and due diligence regulations. While these requirements are still being defined and may or may not apply to a living wage claim, there is an increasing focus on the need for third-party verification and a trend towards establishing official preapproval processes for claims. Understanding existing and upcoming requirements that are in scope for the claims you want to make is an essential step in establishing effective claims management systems and processes.

A step by step guide to making and managing credible living wage claims



Part 4: Examples and case studies

To bring the steps in section three to life, part four contains a selection of simple illustrations of commitment, action or performance claims. It also contains a more comprehensive discussion of how to apply the steps for particular scenarios, including claims about certified products and collective claims. Claims-makers should combine the insights from these examples with the minimum information criteria detailed in section two. These are examples of good claims and should not be quoted verbatim; actual claims made will depend on specific contexts.

4.1 Illustrative examples

COMMITMENT CLAIM | SCOPE - TYPE OF WORKER

Scenario: A global brand and manufacturing company working across sectors has made a commitment to pay a living wage for tier one workers or those working in its direct manufacturing and sourcing operations.



We are committed to delivering living wages for workers in our supply chains by 2030.



We are committed to delivering living wages for workers who are involved in direct manufacture or direct provision of goods and services to our company globally by 2030.

PERFORMANCE CLAIM | GENERAL

Scenario: A global sustainability system with living wage criteria in its standards conducts a field study in Colombia that shows that wages for banana workers have gone up by an average of 25% in the last three years for certified (vs non-certified) farms. A newly negotiated collective bargaining agreement for workers in the Colombian banana sector last year also pushed up the base wage rate.

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Our standards resulted in a 25% wage increase for banana workers in Colombia over the last three years.



Compliance with our standard contributed to wage increases for certified banana workers in Colombia by an estimated 25% over the last three years.

ACTION CLAIM | SUBJECT OF CLAIM

Scenario: A global company is certified as a living wage employer by a national living wage initiative in Australia that means it pays its local employees the national living wage level. Note that employees are not the same as workers.



We are proud to pay our workers a living wage.



We are proud to pay all our employees in Australia at least the local living wage.

COMMITMENT CLAIM | SCOPE OF CLAIM – PRODUCT/REGION

Scenario: A national retail giant has made commitments to advance on living wages in the tea sector, as tea is one of its major categories. It is taking numerous important actions to progress on this including assessing existing worker wages in key sourcing regions. It is investing in in-store communications about its work on living wages.



We are advancing on living wages for the most vulnerable workers in our food supply chain (against a picture of a tea farm).



We are committed to advancing on living wages for tea sector workers in regions we source from.

COMMITMENT CLAIM | SUSTAINABILITY SYSTEM AS CLAIMS-MAKER

Scenario: A fast-growing sustainability scheme that certifies agri-food products has released a new strategy, which includes a focus on living wages and sets out some high-level actions it is planning. It releases its annual report the following year with a section on 'Our impact'.



We have made rapid progress on empowering workers and improving worker wages through our focus on living wage.



We have made living wage a focus of our work on worker empowerment and will be implementing a variety of actions towards this in line with our new strategy.

ACTION/PERFORMANCE CLAIM | GOVERNMENT AS CLAIMS-MAKER

Scenario: A major South American pineapple producing country has updated its minimum wage level for all workers in line with a living wage estimate generated five years ago. This was the result of a long campaign by national trade unions. The government is now keen to promote its work and sector and expand exports to key importing countries.



We are proud to say that all pineapple workers in El Dorado earn a living wage.

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We are proud that minimum wage levels in El Dorado are now at par with the latest living wage estimates for our country*. Working in partnership with unions, we are now closer to achieving living wages for all workers.

*Link to latest credible publicly available estimate

PERFORMANCE CLAIM | EMPLOYER AS CLAIMS-MAKER

Scenario: A major apparel manufacturer located in South Asia and supplying to all major global brands has raised permanent worker wages by 10% as a result of multistakeholder commitments by brand owners and pressure from local workers' unions. Wages are now on par with the living wage estimate for that region released last year. It says the following in its corporate sustainability report.



Welcome to the world's first living wage lipstick.



This lipstick uses rose essence from farms in Country X where workers are earning a living wage.

ACTION CLAIM | REACH AND SCOPE OF LIVING WAGE ACTIONS

Scenario: A leading consumer food company with a global living wage commitment is talking about the reach of its living wage actions in its annual sustainability report. Its actions are mainly to assess current worker wage levels and living wage gaps in major product categories and main sourcing farms. Internal estimates suggest that these efforts have reached around 10,000 workers, but the company doesn't have the traceability to back this up.



We have expanded the reach of our living wage actions to cover 10,000 workers in the last year.



We have expanded the reach of our living wage action to calculate living wage gaps for priority farms we source from across our top five product categories.

4.2 In focus: Certified products and living wage claims

Introduction

Certified products are those that have been verified against a certain standard or code, and often carry a label to indicate this. Certification serves as a differentiator to consumers, who may choose to buy these products because they support what the certification stands for. Claims are an essential part of this process, and both sustainability schemes that run certification programmes and retailers and brands who source certified products make a wide array of claims. As consumer consciousness around social issues and worker wellbeing increases, the desire to make claims linked to living wages associated with certified products will likely rise.

Application of the living wage claims typology

Table 3: Examples of living wage claims related to certified products

ТҮРЕ	COMMITMENT CLAIM	ACTION CLAIM	PERFORMANCE CLAIM
Certified product claims (by scheme)	We are committed to continually improving wages of workers who produce the 'x' certified tea that you buy.	Living wages is a requirement in our standard. By buying 'x' certified products, you're supporting producers that are advancing on living wages for workers.	Since the inclusion of living wage criteria in our standards, the average wage for a flower worker in Zerbera has increased by 20% as a result of efforts by unions, employers and business partners to close living wage gaps.
Certified product claims (by retailer, manufacturer, brand)	As part of our living wage commitment, by 2025 100% of our flowers will be certified to the 'x' standard, which is advancing living wages for workers.	We source 'x' certified flowers as part of our commitment to advance living wages for flower workers.	We source 'x' certified flowers from Zerbera, where the living wage gap has been reduced by 45% in the last three years as a result of collective efforts.

Making living wage claims: step-by-step consideration for certified products



IDENTIFY PURPOSE AND TYPE OF CLAIM

In the context of certified products, assessing the need to make living wage claims at all is an important first step. This is because making the link between a certain product and the wages of workers who have helped produce it is extremely difficult, requiring end-to-end traceability and associated data to track and link wage outcomes along that chain. As such, restricting the scope of living wage claims to actions taken at the scheme or company level may be wiser than trying to make the link between living wage actions and certified products.

If claims-makers (schemes or companies) do wish to make the link to products, identifying the type of claim being made is of critical importance. Sourcing certified products is itself a type of action that a company could make action claims about. Commitment claims could include a company committing to 100% certified sources across its range or for a particular product, or a certification scheme setting living wage goals for a particular product or commodity. However, as noted above, performance claims linked to certified products need to be made with caution and should avoid making or suggesting direct links between product price and purchase with worker wage increases. A more credible approach is for performance claims to focus on contributions to wage increases or reductions in living wage gaps for workers from the region from which the product is sourced, as this avoids the need to trace the product to the farm/factory and provide evidence of the precise wage levels of workers there.



CLARIFY SCOPE AND CONTENT OF CLAIM

Claims-makers should carefully consider and communicate the scope of claims about specific products linked to living wages or progress made. Claims should specify the region that the product is sourced from, linking this to wage data gathered by the scheme or company. The level at which wage data collection is being tracked and can be verified should be the level at which claims are made. Clarity on what category or type of work the living wage claims apply to is important as there are numerous levels and categories of workers who may be involved in producing a product. For example, a living wage claim about certified bananas should make it clear that the claim refers to workers who grow the bananas, rather than workers involved in transporting, packing or stocking them in supermarkets.



CONTEXTUALISE YOUR CLAIM ADEQUATELY

It is important to differentiate between living wage claims made about certified products from claims made on certified products. On-product claims are strictly regulated in most countries with laws tightening around consumer-facing claims to counter greenwashing. Limited space available on product packs may mean nuanced and informed claims with supporting evidence are difficult to communicate. Schemes and companies should make on-product claims linked to worker wages with extreme caution considering all aspects of this guidance and relevant legal requirements. A more credible alternative could be to share claims through promotional materials about products such as via websites or other communication channels, e.g., via an on-product QR code where consumers can go to read more about the topic. As certified products are sometimes priced higher than non-certified alternatives, claims linking the product and worker wages may lead consumers to question whether the additional price they are paying is going directly to increase worker wages. Schemes and companies need to think about addressing this by explaining the link between the conscious choice of purchasing a certified product and contributing to higher wages for workers who produced it.



MANAGE YOUR CLAIM

Living wage claims about certified products should primarily be verified and controlled by the scheme owner who is responsible for the certification. The scheme owner should have strict guidelines in place about the content of claims and how these are approved, and for ensuring that its clients and business partners (both upstream and downstream) adhere to its rules. Misleading claims by businesses about certified products affect the credibility of the business and the scheme. Schemes should clearly communicate what level of verification is undertaken in relation to the product and make sure product claims are restricted to that scope. For example, a scheme that has a living wage requirement in its standard should clearly communicate what the standard requires (payment of a living wage or progress towards a living wage) and what it verifies (payment of a specific wage or continual wage improvement) in the context of any living wage claims it makes.

4.3 In focus: Collective living wage claims

Introduction

The need for collective action to drive systemic change at scale for workers is increasingly being recognised. With the accompanying growth in collective action by multistakeholder groups, guidelines are needed for those wanting to communicate and make claims about their commitments, actions and performance results.

Application of the living wage claims typology

A collective claim is a claim made by a group of organisations or a coalition about their collective commitments, actions or performance. An organisation can also make an individual claim about its contribution towards a collective effort.

Table 4: Example collective living wage claims

ТҮРЕ	COMMITMENT CLAIM	ACTION CLAIM	PERFORMANCE CLAIM
Individual entity as part of a collective	We are part of a coalition that aims to reduce the living wage gap for 100% of farm workers in our collective banana supply chains by 2030.	We have contributed €X of a total €Y investment to raise awareness between 2022- 2025 of wage improvement strategies in five top orange exporting countries.	Our company's €X investment has contributed to increasing the number of avocado farm workers across our coalition's collective supply chains who earn a living wage by 10% in 2023.
Collective: claim on behalf of collective e.g. national retailer group	As a coalition of European retailers, we aim to close the living wage gap for all farm workers in our juice supply chains by 2027.	As a coalition of Canadian retailers, we have collectively invested €X in 2023 as part of a multi-year initiative to support all farm workers in our cotton supply chains to receive a living wage by 2025.	As a coalition of Indian retailers, our efforts have helped increase wages by an average of 15% year-on- year between 2020-2023 for 100,000 farm workers in our tea supply chains.

Making living wage claims: step-by-step considerations for collective claims





IDENTIFY PURPOSE AND TYPE OF CLAIM

Collective performance claims can be an effective way to communicate impact at scale, without needing to delineate individual contributions. However, when seeking to make a collective claim, the first step is to understand whether it is appropriate to make the claim at all. Are the collective efforts meaningful and do they have the potential to make a significant contribution towards the living wage outcome being described? Is there evidence to support the collective claim you want to make?

If you want your individual contribution within a group to be recognised, you can combine an individual action claim

with a collective action or performance claim. If you want to quantify your individual contribution within a collective so that it counts towards your individual targets, the collective needs some way to apportion the performance outcomes. Attribution claims (i.e. 'I am responsible for this') don't work well in a collective effort scenario. The alternative could be to make a proportional contribution claim by agreeing how to apportion the outcomes between all contributors. The basic steps to apportion collective claims are discussed from the perspective of landscape and jurisdictional approaches in ISEAL's joint position paper on 'Effective company claims about contributions to landscape performance outcomes'.



CLARIFY SCOPE AND CONTENT OF CLAIM

It is important to be transparent about the scope and subject of the claim. The scope and subject should refer to the coalition or collective effort, not just an individual entity, but the language should not overstate its reach. For example, if a claim refers to workers producing a particular commodity, does it apply to all workers in the supply chains of all companies in the coalition (including direct and indirect suppliers), or only to workers in those companies' direct supply chain operations?



CONTEXTUALISE YOUR CLAIM ADEQUATELY

Considering the audience for the claim is key to providing appropriate information and using language that can be clearly understood. Where a claim is located and how it is placed in relation to other information is equally important. A collective claim located, for example, in a individual retailer's stores or on a specific brand's products is at a much higher risk of appearing misleading than the same claim made on the coalition's website.



MANAGE YOUR CLAIM

Collective claims need to be made in agreement with all the organisations involved. It is important to factor in the time and resources required for this step. The convener of the collective needs to establish processes for verifying and controlling collective claims. This may be more complex if the contributions of different organisations vary within the collective or if they start their contributions at different times. The collective should establish early on how it will manage claims to set clear expectations for coalition members and to plan and budget appropriately.

Glossary

TERM	DEFINITION	SOURCE
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 her or his family. 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	Global Living Wage Coalition
Living wage estimate	A living wage estimate is a value in local currency units equivalent to 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 her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing, and other essential needs, including provision for unexpected events."	Global Living Wage Coalition, 2016, cited in Anker and Anker, 2017.
Living wage gap	A 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.	IDH
Assessment	Review of compliance or performance of a product, process, system, person or entity against specified requirements.	ISEAL
Assurance	Demonstration that specified requirements relating to a product, process, system, person or entity are fulfilled.	ISEAL
Audit	A component of an assessment. A systematic, documented process for obtaining records, statements of fact or other relevant information and assessing them objectively to determine the extent to which specified requirements are fulfilled.	ISEAL adapted from ISO 17000
Claim	Promotional communications about the sustainability attributes of a product, process, service or organisation. This includes communications about the assurance status of a client and/or the client's association with the scheme. Note: These communications can be business-to-business or business to-consumer and can be made by the scheme owner or by its clients. Claims can be made via a range of media including text, logos, labels, trust marks, etc.	ISEAL
Claims system	A systematic approach to managing claims use by clients and other stakeholders, in which a set of rules and procedures is consistently applied.	ISEAL
lssue-based claims	Issue-based claims are a sub-type of sustainability claims whose content speaks specifically to a primary sustainability issue or topic of focus.	ISEAL
Commitment claims	Claims about commitments to advance on or achieve living wages or wage improvements	ISEAL

Action claims	Claims about specific actions taken to advance on or achieve living wages or wage improvements	ISEAL
Performance claims	Claims about change realised or progress towards achieving living wages or wage improvements	ISEAL
Impacts	Long-term, higher-level changes resulting from the scheme. Intended impacts are the long-term, higher-level changes the scheme owner intends for its scheme to produce.	ISEAL
Outcomes	Short-term and medium-term results or changes resulting from the outputs of a scheme or part of a scheme.	ISEAL
Outputs	The direct results from scheme activities	ISEAL
Scheme	 The collective set of decisions and activities carried out by an organisation or group of organisations to: establish standards or similar tools focused on one or more sustainability issues measure, monitor, or verify performance or progress against these tools allow for claims Note: A scheme can also undertake additional activities that contribute to its sustainability outcomes and impacts, such as capacity-building or advocacy work. See ISEAL's resources on sustainability systems for more information 	ISEAL
Scheme owner	The legally constituted organisation that is responsible for the standards or performance requirements and accountable for the effectiveness of the assurance and claims management systems. The scheme owner determines the objectives and scope of the scheme, as well as the rules for how the scheme will operate.	ISEAL
Standard	A document that provides, for common and repeated use, rules, guidelines or characteristics for products or services, or related processes and production methods, with which compliance is not mandatory. Note: It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, service, process or production method.	ISEAL
Theory of change	A planning and management tool that defines all building blocks required to bring about a defined long-term goal or impact. This set of connected building blocks, made up of outputs and short- and medium-term expected outcomes, is often depicted graphically as a causal pathway that maps the expected steps and links in the change process. A theory of change also identifies assumptions underlying the logic and steps in the causal pathway.	ISEAL
Traceability	The ability to trace something as it moves through a process. The completeness of the information about every step in a process chain allows for verification of information related to the origin of the material.	ISEAL
Verification	Confirmation, through the provision of objective evidence, that specified requirements have been fulfilled.	ISEAL adapted from ISO 9000

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