



Workers' Representatives Guidelines: Voluntary Contributions to Support Closing Living Wage Gaps

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For recommendations on how to further improve these guidelines, please reach out to us at academy@impactbuying. Your insights are greatly valued.

1. Introduction to Voluntary Contributions

In a world where economic disparities persist, the pursuit of social responsibility has taken centre stage, bolstered by upcoming due diligence legislations worldwide. Companies are increasingly acknowledging their role in addressing issues like income disparities, specifically regarding living wage gaps. To fulfill the corporate responsibility of upholding fundamental human rights in supply chains, it is important to recognize the risks associated with low wages and take action to mitigate or remedy them, which includes continued progress towards living wages.

Working on addressing living wage gaps ideally requires a long-term cooperation between buyers and producers, and other key players in the supply chain. The reality is that around 99% of the trade agreements are based on 1-year contracts, which is unlikely to change overnight. Therefore, it is of importance to look at what is possible instead of what is not. A start could be made with voluntary financial contributions from buyers to alleviate living wage gaps that might exist among workers of their producing partners. This will only happen at scale when buyers can trust that when given a financial contribution, it is truly received by workers. With a confirmation from an independent auditor that a voluntary financial contribution was truly distributed to workers, companies would have a reassurance they are looking for.

Based on the insights gained from previous studies on possible solutions for closing living wage gaps—part of the first phase in developing these guidelines—the concept of voluntary contributions was introduced. Voluntary contributions, paid to a supplier/trader/producer with the aim of ultimately benefiting the workers of producing sites, serve as a temporary solution to initiate the living wage journey. Meanwhile, structural changes need to be implemented, particularly at the country or governmental level, to systematically raise wages through social dialogue and collective bargaining. While this falls outside your sphere of influence as an individual buyer, voluntary contributions do not.

Voluntary contribution as temporary measure

It is crucial to highlight that the ultimate goal is to ensure workers receive living wages through negotiations, particularly via social dialogue and collective bargaining agreements. While voluntary contributions can play a role, they cannot fully address the root structural issues causing living wage gaps or replace the importance of collective bargaining.

Relying solely on voluntary contributions is limited in addressing living wage gaps because they are not a steady income source and fall short of being considered actual wages. While these contributions can serve as an initial step toward addressing living wage gaps, it is essential to simultaneously work on long-term solutions for more sustainable outcomes.

Objective of guidelines

These guidelines are intended to guide workers' representatives in enabling the implementation of voluntary contributions as a tool for living wages, while simultaneously advocating for long-term solutions to increase wages.

2. Preliminary Conditions

The following preparation is required to provide assistance in addressing living wage gaps of workers through voluntary contributions.

Effective workers' representation

These guidelines are specifically designed to guide workers' representatives that genuinely represent the interests of workers. They focus on facilitating negotiations on crucial matters like wages, hours, benefits, and working conditions. The representation of unions and workers' organizations is typically carried out through works councils or similar structures elected by all workers. Active engagement is a key aspect of this representation. Consequently, workers' representatives need to confirm their authority to discuss and negotiate on behalf of the workers, particularly regarding the issue of voluntary contributions.

Social dialogue

As an integral part of the voluntary contributions process, social dialogue must be organized, with workers' representatives actively participating as the voice of the workforce.

Social dialogue

Social dialogue refers to the process of consultation, negotiation, and exchange between employers, workers, and external stakeholders. The workers can be represented by trade unions or by other acting structures (works councils or committees). The external stakeholders can be authorities or civil society organizations that have a relevant stake in matters between the actors.

Social dialogue provides a platform for such stakeholders to address and discuss issues of employment policies, remuneration, working conditions, health & safety at the workplace, social development, and community impact.

When social dialogue is well established, it functions as a fruitful mechanism between employers, workers, and other stakeholders to address issues of common interest and reach common grounds.

Building up knowledge

A foundational understanding of living wage concepts is crucial to provide high quality and knowledge for the implementation, and impact necessary for stakeholders to address wage increases globally.

Here are some valuable online resources related to the concept of living wage:

[Living Wages Around the World](#)

[OECD Guidelines for Multinational Enterprises](#)

[Anker Research Institute](#)

[IDH Roadmap on Living Wages](#)

[Global Living Wage Coalition](#)

[IDH Salary Matrix E-Learning Site](#)

Wage changes and legal implications

Workers' representatives need to have the knowledge and experience on how changes in wages work out for different groups of workers in the supply chain (male, female; permanent, seasonal; recently joined, years of experience in a company; rural, urban; etc.). Additionally, they should conduct research on the legal implications of implementing voluntary contributions, particularly concerning liability to continue payments regardless of whether voluntary contributions are still made or not, as well as tax implications.

Voluntary contributions guidelines for diverse stakeholders

To ensure the successful implementation of voluntary contributions and to offer effective support to supply chain actors, it is crucial to understand the specifics outlined in the following guidelines, as all aspects are aligned and interconnected. Therefore, it is strongly recommended to follow the procedures detailed in these guidelines:

- Buyers' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Buyers-Guidelines_June-2024_Impact.pdf
- Producers' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Producers-Guidelines_August-2024.pdf
- Standards' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Standards-Guidelines_Third-Party-Schemes_June-2024.pdf
- Supporting Organisations' Guidelines: https://www.idhsustainabletrade.com/uploaded/2024/10/Supporting-organizations-Guidelines_Aug-2024.pdf



3. The Role of Workers' Representatives

This chapter outlines the role that workers' representatives are expected to take for implementation of voluntary contributions in international supply chains. It also discusses steps required to advance structural improvement of wages through social dialogue.

Representing workers on implementation of voluntary contributions

Initial involvement phase

As soon as the buyer and the first-tier supplier or producer agree to collaborate on voluntary contributions, you as the workers' representative can get involved in the negotiation and decision-making process regarding how to utilize the voluntary contribution for the benefit of workers.

Typically, you as the workers' representative, recognized by the producer (i.e., the employing company), would be informed by either the producer or the buyer that a voluntary contribution has been pledged. At this stage, the buyer or the producer shares all the pre-work done so far, such as living wage gap calculations, living wage audit reports, calculated voluntary contributions, commitments made, the memorandum of understanding between the buyer and the producer or first-tier supplier, and any other relevant documentation related to this matter, in order to provide you with an overview of the current situation.

Engagement in discussions and decision-making process on utilization of voluntary contributions

Subsequently, discussions and decisions need to take place on how to utilize the voluntary contribution for the benefit of the workers in scope.

The role of the workers' representatives could be to inform all workers in scope that a voluntary contribution has been agreed upon by a buyer, and workers can express their preferences on how to use the funds. This involves dialogue with you as the workers' representative, the producer, and its workers in scope to introduce workers to voluntary contributions and explain the ways in which they can be disbursed. It is essential to be transparent about the limitations of voluntary contributions, explaining to avoid raising false expectations. In fact, the voluntary contribution is an instrument for the temporary improvement of workers' remuneration; thus, the use of the voluntary contribution is clearly defined and limited.

You, as a workers' representative, are tasked with identifying the priorities and preferences of the workers regarding the nature of the voluntary contribution. Subsequently, workers' preferences need to be collected and considered in a democratic way (decided by the workers/producing site). A survey template, which can be found in the buyers' and producers' guidelines on social dialogue, can be used to gather all individual preferences for later aggregation. The outcomes of this survey need to be shared with you, and your consent and formal approval are required.

Negotiations with the buyer, first-tier supplier/producer and you

Once the outcomes of the surveys are shared by the first-tier supplier with the buyer, you, as the workers' representative, can (also) become involved in negotiations on behalf of the workers in scope with the employer and buyer. The objective is to reach a decision on the use of the voluntary contribution and



ensure that it aligns with the workers' preferences. A formal contract will be signed between the negotiating parties.

Communication on agreement made with workers in scope

As soon as the decision is reached, it can furthermore become your responsibility to inform the workers in scope about the outcome and provide details on how and when they will receive the voluntary contribution.

Oversight of voluntary contributions implementation

After the payment is processed, your potential role as the workers' representative involves overseeing and monitoring the proper implementation of the agreement between the first-tier supplier/producer (employer) and the buyer. This includes ensuring that workers have received the voluntary contributions as outlined in the agreement. If any discrepancies or defects are identified, your responsibility is to inform all parties involved and request corrections to be made.

Workers' satisfaction assessment

Conclusively, you may evaluate the impact of the voluntary contribution on workers' livelihoods and satisfaction. This process entails actively engaging in dialogue with the workers.

Guiding workers towards living wages in the longer run

Voluntary contributions can offer temporary relief to workers with a total remuneration below the living wage benchmark. However, closing the living wage gap in the long term requires additional efforts focused on structural changes in remuneration. The social dialogue established for the implementation of voluntary contributions provides an existing platform to work in parallel towards long-term solutions.

The overarching long-term objective is for workers to earn living wages negotiated through social dialogue and regular collective bargaining.

Collective bargaining enables producers and their workers to negotiate wages, ensuring that mutually agreed-upon standards become binding for everyone involved. Throughout this process, the freedom of association is essential for collective bargaining, ensuring that the voices of workers are heard, and they have proper representation.

Initiatives on living wage programs in collaboration with relevant actors in the supply chains provide technical capacity on remuneration, labor conditions, and living wage to workers, thereby enhancing worker representation and the bargaining position of you as a worker representative. This improves your role and negotiating basis for social dialogue towards a long-term closing of the living wage gaps.



4. Glossary

First-tier supplier

A first-tier supplier is a company that directly supplies goods or services to the buying organization at the top of a supply chain. Buying organizations can have a direct contractual relationship with vendors or the actual producers. This depends on the complexity of the supply chain and the number of upstream suppliers involved.

Social dialogue

Social dialogue refers to the process of negotiation, consultation and exchange of information and views between employers, workers and their representatives (unions or other workers' organizations) and the government. It provides a platform for these key stakeholders to discuss and address issues of employment, workers' rights, working conditions and social and economic policy.

Social dialogue plays a crucial role in shaping labor and employment policies and in improving working conditions and promoting social justice.

What is a living wage?

Earning a living wage means the basic cost of living for a family is attainable by the adult wage earners each month. A living wage is paid when a worker receives remuneration that is sufficient to afford a decent standard of living for the worker and her or his family in their location and time. 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.

What is a living wage gap?

The 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.

Rationale behind living wages

Poverty has a large impact on people's lives. Globally, 1.2 billion people are multidimensionally poor, of which 579 million people live in Sub-Saharan Africa. This is directly linked to people not earning living wages (UNDP; OPHI, 2022).

Not earning a living wage is linked to other social issues we find in supply chains. Some workers may be compelled to (ILRF, n.d.):

- Work excessive overtime hours or multiple jobs to make ends meet.
- Work even when they are sick, because they cannot afford to take time off.
- Put their children into work instead of school to contribute to the household.
- Become bonded laborers.
- Work in unsafe conditions, because they cannot afford to stay away .
- Be denied their basic human rights to food, shelter, nutrition, health, housing and education and suffer social deprivations such as being unable to take part in cultural events.
- Not fight for better wages, because they might lose their jobs if they demand their rights or join a union.

Calculation of the Living wage gap

IDH has developed a living wage roadmap that is supported by many retailers, brands and producing organizations around the world. This roadmap includes the IDH Salary Matrix that allows farmers and producers to calculate the difference between what they pay their workers (including in-kind benefits and bonuses) and what they should be paid to earn a living wage, following the Anker & Anker methodology. This difference is called the Living wage gap.



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