

Fair Wage Network Typical Family

What is Fair Wage Network?

The Fair Wage Network (FWN) was created in 2009 with the objective of improving wage practices in global supply chains. With more than 150 researchers across the globe, FWN provides three key services to companies: fair wage assessments, remediation and local certification; advisory support to help define and develop a company's overall wage strategy; and an online living wage database with living wage estimates for nearly 200 countries and more than 3,200 localities. On the basis of these benchmarks, the FWN also can carry out a full-scale living wage gap analysis and help brand to reach its global living wage certification for all their employees and/or those in their supply chain. Beyond the Typical Family Methodology which meets IDH's twelve criteria for recognition, FWN also uses other methodologies to produce more estimates, such as the single-earner family methodology.

Number of estimates¹: 3,203 subnational localities (along IDH criteria) and 3,411 estimates in total.

Availability of estimates: Access to online database for purchase

[Access to the methodology](#)

[Contact](#)



How does the methodology meet the IDH criteria?

	Criterion	Narrative text from organisation
1	Collecting data: the living wage estimation organisation shall estimate the living wage based on data collected through field level research, online surveys (excluding those that are solely based on self-selected respondents), national statistics and/or modelling (modelling not accepted as a sole form).	The field work is carried out by the FWN in a multi-step process, through two main types of surveys: - First, a sample of workers (at different levels of income) is selected in different factories/farms in one particular locality, that allows to capture what are the daily and also monthly expenditures of workers and their families, and also what do they consume and in what quantities. - Second, surveys carried out in local markets and local shops allow to capture the right prices of basic goods and services that enter into the basic basket of households. The combination of these two surveys allows to know the level and structure of consumption together with the prices of basic goods and thus to reconstitute what is the living wage to cover those basic living costs in the different localities covered by these surveys.
2	Cost of living of a typical family: The living wage estimation organisation shall 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 total fertility data.	FWN has data that reflect the needs of a typical family along local demographics (measured by the national fertility rate) by using the UN data on total fertility rate (that gives us the typical family composed of 2 adults + the fertility rate) and along local employment rates (captured by the average number of income earners in the household in each country collected through our surveys).
3	Items of cost of living: The living wage estimation organisations shall transparently itemize the living expenses included in the calculation of the living wage estimations based on requirements listed in the COICOP 2018. Typical expense categories include the following but other items might be added based on local contexts: - Nutritious food - Clothing and footwear - Housing (including rental costs, maintenance and furnishing) - Healthcare - Transportation - Information and communication - Recreation, sport and culture	FWN calculates the living wage based on a comprehensive basket of goods and services that encompasses all essential areas of expenditure for workers and their families. This basket reflects a modest yet adequate standard of living and includes the following components: 1. Housing (Covers rent, utilities, maintenance, and basic furnishings required for a decent living environment.) 2. Food (Includes provisions to ensure a nutritional intake of 2,200 to 3,000 kilocalories per adult per day.) 3. Education and Childcare • Considers costs for both education and childcare, grouped together for calculation purposes. • Childcare Costs: Assumed for preschool-aged children. • Education Costs: Includes potential tuition fees and costs for necessary materials for school-aged children, typically based on public schooling scenarios. Training costs for workers or family members may also be considered. Elder care can also be part of this category when relevant.

¹ Available for purchase the 30th of May 2025

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	<ul style="list-style-type: none"> - Education services - Restaurants and accommodation services - Insurance and financial services - Personal care and other gender aspects (e.g. sanitary products) - Care (child+elder)* - Other - A small margin for unexpected events <p>The living wage estimation organisations shall provide an explanation on why they do not certain rubrics, for example, childcare.</p>	<p>4. Healthcare</p> <ul style="list-style-type: none"> • Incorporates out-of-pocket healthcare expenses disclosed by survey participants. • Validated through cost surveys of medical services (e.g., general practitioner visits) common medications but also hospitalizations. • Includes Health and Wellness: personal hygiene contributing to overall health such as soap, shampoo, dental care; can also include elderly personal care (adult diapers and personal hygiene products). <p>5. Transport and Communication</p> <ul style="list-style-type: none"> • Combined in the living wage breakdown, but survey respondents are required to separately report expenses for transportation and communication services. <p>6. Leisure and Discretionary Spending/precautionary saving</p> <ul style="list-style-type: none"> • Leisure: Accounts for cultural activities, durable goods for leisure, and occasional dining out. • Discretionary Spending/precautionary saving: Allows for miscellaneous goods and services or precautionary savings to address unexpected expenses. o Includes essential personal expenses such as basic insurance and financial services. <p>o This category's allocation is informed by both qualitative and quantitative data from lifestyle surveys, enabling flexibility in expenditure/saving based on individual and family needs (e.g., personal miscellaneous goods, savings). Though, some items are not included: the workplace-related insurance (e.g., health, life, or disability) which are typically covered by social contributions and deducted from net take-home pay. Likewise, long-term investments, such as individual retirement plans or real estate, are not included, as they are not considered essential for basic living standards.</p> <p>Approach and Philosophy</p> <p>The living wage reflects a modest lifestyle centred on essential needs, ensuring adequate coverage of basic expenditures, while also ensuring a decent participation in the life of society. Leisure and non-essential items are minimally budgeted, maintaining a focus on affordability and necessity.</p> <p>This methodology is guided by trust in survey respondents' descriptions of their needs, supported by robust data collection and analysis.</p>
4	<p>Working adults: The living wage estimation organisation shall factor in the expected number of working adults in a family by dividing the total cost of living by 1+ the employment rate.</p> <p>Additionally, a living wage that factors in for a single earner by dividing the total cost of living by 1 to represent the single earner in a typical size family is also accepted.</p>	<p>FWN in its 'typical family' definition provides living wage estimations that reflect the need of a typical family along local demographics (fertility rate) and local employment rates (average number of income earners in the family) as well as an estimation for a family maintained by a single earner (that leads to higher and more ambitious living wage thresholds). The Living wage certification can be obtained for both types of working families: the multiple income earners' (called the adjusted) living wage; and the one income earner (also called the non-adjusted) living wage.</p>
5	<p>Sufficient net income: The living wage estimation organisation shall 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.</p>	<p>FWN provides benchmarks for both net and gross living wage.</p> <p>The Living Wage Equation</p> <p>The FWN conducts its living wage gap analysis using a structured equation that guarantees alignment with workers' needs. This approach is designed to accurately capture and benchmark the income required by workers to meet their basic living expenses. The equation consists of two distinct components:</p> <p>1. Right Side – Costs of Living (Living Wage):</p> <ul style="list-style-type: none"> o Represents the costs associated with a decent standard of living. o Derived from detailed field surveys that measure a representative basket of goods and services needed for workers and their families to maintain a decent livelihood. <p>2. Left Side – Salary/Income Package:</p> <ul style="list-style-type: none"> o Reflects the net income workers receive, referred to as "take-home pay." o The take-home pay is calculated as the net pay after deducting social contributions and upfront income taxes from gross wages (as typically shown on pay slips). <p>This focus on the net take-home pay ensures that workers' living wage benchmarks directly correspond to their ability to meet essential household expenditures, without any further deductions affecting their income. An alternative method would be to use the 'Gross Living wage' on the right side of the equation and ask corresponding employees' gross wage data (for the left side of the equation). This is</p>

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		<p>why the FWN provides the two types of living wage (net or gross) living wage benchmarks.</p> <p>Gross Living Wage Development together with a Net Living wage</p> <ul style="list-style-type: none"> • FWN "gross living wage" estimates incorporate three types of elements: 1) contributions and charges; 2) income tax; but also 3) governmental social transfers. This provides the necessary gross living wage figures to the companies that want for instance to use IDH salary matrix. • At the same time, along this enhancement, FWN users will be able to continue to benchmark their employees' net take-home pay against our net "typical living wage." <p>Rationale for the Net Pay Benchmark</p> <p>The net take-home pay remains the essential reference point for household expenditure coverage, as:</p> <ul style="list-style-type: none"> • Taxes and social contributions primarily fall under the responsibility of governments through redistribution policies. • This principle is detailed in the FWN-OECD working paper, emphasizing the importance of net pay as the baseline for assessing living wage compliance. By structuring the living wage equation in this manner, FWN ensures a robust and equitable framework for assessing wage adequacy. This approach supports employers in aligning wages with workers' actual cost-of-living needs while acknowledging the broader societal role of tax policies in redistribution.
6	<p>Differences in context: The living wage estimation organisation shall assure that estimates are city/region-specific or at least account for urban and rural differences. For countries above a certain size (e.g. Australia, Argentina, Brazil, Canada, China, India, Russia, USA):</p> <ul style="list-style-type: none"> - Living wage estimation organisations shall indicate whether subnational estimates are provided or not, and if the location for which the subnational estimates applies are based on governmental/sub-governmental delimitation (e.g. when the estimate applies to a specific sub-national province). - Living wage estimation organisations shall provide guidance on how to proceed when there are not subnational estimates or there is no estimate available for a given region (e.g. suggest that they use the national estimate, or a neighbouring region estimate). 	<p>Guidance for Addressing the Absence of Subnational Living Wage Estimates</p> <p>FWN has established living wage thresholds for nearly 200 countries, providing national estimates, as well as over 3,200 subnational benchmarks at regional and city levels. These estimates cover a wide range of geographies, including large countries such as Australia, Argentina, Brazil, Canada, China, India, Russia, and the United States. Despite this extensive database, there may occasionally be instances where living wage estimates are unavailable for specific localities. This document provides a structured approach for addressing such cases.</p> <p>FWN's Layered Approach to Living Wage Estimates:</p> <p>FWN employs a multi-layered methodology to ensure that users can identify the most appropriate proxy for a living wage, even in the absence of a direct estimate for a specific location.</p> <p>Step 1: Identify the Closest Local Living Wage Benchmark</p> <ul style="list-style-type: none"> • Primary Search: Begin by referencing FWN's database of 3,203 localities. Locate the living wage estimate that corresponds to the exact location where workers are employed. • Proxy Selection: If no exact match exists, identify the nearest locality with similar characteristics (e.g., population size, urban density) and use that living wage estimate as a proxy. This ensures that the estimate reflects conditions comparable to the worker's actual environment. <p>Step 2: Use Regional Living Wage Benchmarks</p> <ul style="list-style-type: none"> • If no proximate locality-level living wage is available, escalate to the next administrative level: o Examples: Use provincial benchmarks in China, county or state-level benchmarks in the U.S., or state-level benchmarks in India. • This step maintains regional specificity, even in the absence of precise local data. <p>Step 3: Refer to National Living Wage Estimates</p> <ul style="list-style-type: none"> • Fallback Option: When no subnational living wage estimates are available (an extremely rare scenario), refer to the national living wage estimate for the country. While less granular, national estimates provide a standardized baseline for compliance and analysis. <p>Step 4: Capturing living costs also in rural areas</p> <ul style="list-style-type: none"> • A number of surveys have been done in rural areas where the locality itself in our database represents a rural threshold (for instance in Madagascar); • In a number of large countries, there is also a distinction available in the database between rural and urban areas (as in India and a number of African countries/regions). • For areas lacking rural-specific benchmarks, consider using estimates from neighbouring cities with similar suburban or semi-rural characteristics. <p>METHODOLOGY NOTE: Details of this layered approach are included in FWN's publicly available methodology, ensuring users understand the logic and application of proxies.</p> <ul style="list-style-type: none"> • Iterative Updates: FWN's database is updated regularly, incorporating new data to

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		<p>minimize gaps in living wage coverage.</p> <p>Conclusion</p> <p>The FWN's layered approach ensures that users can make informed decisions, even in the rare cases where living wage estimates are unavailable for specific localities. By leveraging proxies, regional benchmarks, and national estimates, users can maintain alignment with FWN's standards while addressing real-world data limitations</p>
7	<p>Conflict of Interest: The living wage estimation organisation must have no inherent conflicts of interests. Methodologies must have sufficient distance from funding sources to maintain integrity. In addition, individual estimations results must not be influenced by the funding source.</p> <p>Organisations who have other activities that can be perceived as a conflict of interest, such as auditing and certifying companies that use these estimations, need to publicly disclose what are the systems that have been implemented to avoid such conflicts.</p>	<p>An 'integrity policy note to avoid conflicts of interests' has been published by the FWN and is currently available on its website. To safeguard the integrity and objectivity of its processes, the Fair Wage Network (FWN) has implemented a robust structure that minimizes the risk of conflicts of interest. The FWN 'Integrity Policy Note: To avoid conflicts of interests' outlines the framework and measures adopted by FWN to ensure the independency and transparency of its operations.</p> <p>Organizational Structure</p> <p>FWN operates through three distinct and largely independent branches, each with specific roles and responsibilities:</p> <ol style="list-style-type: none"> 1. Data Collection Branch: <ul style="list-style-type: none"> o Composed of local teams of assessors, former auditors, and experts. o Responsible for collecting wage and cost-of-living data on objective grounds. 2. Analytical Branch: <ul style="list-style-type: none"> o Conducts analytical work, including living wage gap analyses and validation surveys. o Uses wage data provided by companies and other external sources to ensure rigorous evaluation. 3. Certification Branch with a scientific committee taking final decision: <ul style="list-style-type: none"> o Responsible for issuing certifications based on independent evaluations of results conducted by the Analytical Branch. o Ensures full compliance and coverage before providing the evidence to a scientific committee that takes the final decision. <p>While these branches operate independently, they are designed to collaborate through structured feedback mechanisms. For instance:</p> <ul style="list-style-type: none"> • The Analytical Branch or scientific committee can highlight gaps in living wage benchmarks to the Data Collection Branch, prompting future surveys in specific localities. • The Certification Branch or Scientific committee may request additional analyses from the Analytical Branch to address specific requirements for certification, for instance additional workers' validation surveys, pay slips etc. <p>Operational Safeguards Against Conflicts of Interest</p> <ol style="list-style-type: none"> 1. Independence of Processes: <ul style="list-style-type: none"> o Data collection at the local level is performed by independent teams unaffiliated with FWN's clients or members (examples provided during the interactive assessment process with IDH). The annual data adjustment is done in September so that the new data are then immediately communicated to the users (with the reasons behind such adjustments) and then cannot be changed anymore. For any ongoing fair wage assessment or living wage gap analysis, the FWN will take the already existing living wage data even if the surveys carried out on that occasion are a new opportunity to collect fresh data on workers' family expenditures that will then be stored and used in an anonymous and globalised way in the next annual living wage database adjustment the following September. o Analytical work, such as living wage calculations, is conducted centrally by the Headquarters team based on objective workers and employers' survey data and established methodologies 2. Annual Adjustment of Living Wage Thresholds: <ul style="list-style-type: none"> o Living wage thresholds are revised annually and finalized at the end of September. o Updated thresholds are immediately communicated to all users (approximately 100 companies) and published online. This prevents external influence from the brands on the already published figures. 3. Segregation of Data and Services: <ul style="list-style-type: none"> o The collection of living wage data and the services provided to companies are entirely separate processes. o Companies cannot influence the data, which are collected and analysed independently.

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		<p>Policy Accessibility</p> <p>This policy is included in FWN's methodology note and will be reviewed periodically to address evolving needs and challenges. By adhering to these principles, FWN ensures that its processes remain impartial, credible, and trusted by all stakeholders.</p>
8	<p>Transparency: The living wage estimation organisation shall publish a clear and consistent step-by-step methodology for data collection, the data sources used and calculation elements, including a description of each step of the data collection, the calculation formulas used and a breakdown of the different components of the living wage estimation (see criterion 3).</p>	<p>FWN is committed to ensuring transparency in its living wage calculations. To achieve this, the FWN publishes a comprehensive, step-by-step explanation of its methodology on the homepage of its website (Fair-wage.com). This detailed methodology is also made readily available to all users of the online Living Wage (LW) database.</p> <p>Access and Communication</p> <ul style="list-style-type: none"> • Electronic Distribution: The methodology is directly sent via email to any individual or organization, including students, NGOs, governments, and consumers, who contact FWN for additional information. • Event Participation: FWN actively explains its methodology at international conferences and events, such as the UN Global Compact, IDH, B4IG, ILO, and the EU. • Collaborative Research: The methodology is further highlighted through participation in scientific research and publications, such as the joint working paper developed by FWN and the OECD. • Didactic Approach: To ensure accessibility, the methodology is presented in a clear and pedagogical manner, suitable for diverse audiences. Upon request, FWN also provides a detailed breakdown of the various components included in its living wage estimations. • Communication about living wage adjustments: Excel table that we send to all the users of our database early October so that they know exactly what countries were adjusted according to inflation (generally those where we carried out surveys in the previous years) and which ones were adjusted according to new surveys or a combination of both. This Excel sheet also shows what are the new localities that we added in the database on the basis of new surveys. On the basis of the Excel sheet generally some of the users are asking more information about the reasons behind an adjustment higher than inflation and the FWN provides them this information. They can also ask for specific 'living wage reports' (samples communicated to IDH independent expert for this assessment process). Finally, if there is a need to further explain the adjustment, the FWN writes a specific note as it was done for Singapore and Hong Kong in 2023/2024 (note also shared with IDH independent expert). <p>Living Wage Calculation Formula (details in FWN Methodology Note 2025) :</p> $\frac{\sum (\text{Monthly Housing, Food, Education/Childcare, Healthcare, Transport and Communication, Leisure, Discretionary spending/precautionary saving})}{\text{number of average income earners}} = \text{Monthly living wage}$
9	<p>Update of estimates: If there is no on the ground data collection research every year, the living wage estimation organisation shall at least adjust their estimates according to inflation every year.</p> <p>Further adjustments beyond inflation, through a full on the ground study, should take place as frequent as possible. Living wage estimation organisations are encouraged to do so as much as their resources allow and no longer than every 5 to 10 years (considering local circumstances). Living wage estimation organisations shall provide justification on the frequency of their full studies and why they are not conducted within the ideal timeframe (e.g. financial or capacity limitations).</p>	<p>FWN updates its data every year on the basis of two main sources of adjustment: all the results of the surveys carried out through the year that have been systematically put aside for the yearly adjustment; and then yearly inflation rates generally taken from the IMF complemented by national and other sources of statistics. Considering the large number of localities we cover; we cannot repeat the field work surveys every year but generally repeat them every 2-3 years. We also carry out new surveys when we realize we did not well cover one specific region or country or locality. Considering that we carry out many 'Fair Wage Assessment' exercises for companies, we have opportunities every single day to collect data from new workers' surveys on family expenditures that we then complement with market surveys. We also complement these surveys originated from companies' requests with our own planning of surveys to further consolidate our database. Our annual adjustment rates are the result of these two sources of information: new surveys and inflation rates. Inflation rates may be the only source of adjustment if no new surveys were carried out in a specific locality throughout the year. We thus alternate in our geographical coverage of surveys: one year, the focus will be South-East Asia, another year will be the US, another India etc.</p> <p>A file with the comparison of previous living wage estimate against newly published estimates with back-up explanation of the year-to-year increase is made available to users.</p>

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10	Collection date and applicability: The living wage estimation organisation shall explicitly mention the date of the data collection for each category separately and to explicitly mention the period for which the estimate is applicable.	<p>Applicability Period: The living wage data currently published is applicable from the end of September of the current year until the end of September of the following year.</p> <p>Continuous price adjustments: The current living wage data include price adjustments for the period spanning July 1 of the preceding year to June 30 of the current year. There can be exceptional quarterly living wage adjustments in countries with high or hyper-inflation such as currently Venezuela, Argentina or Turkey.</p> <p>Annual Updates and Inflation Adjustments</p> <p>To summarize, each year, new living wage estimates are established through a combination of:</p> <ul style="list-style-type: none"> o survey data from multiple time points. New surveys complement and enhance the validity of existing data. o Adjustments reflecting inflation rates over the past 12 months. <p>To provide additional transparency, FWN may include information on its online living wage database regarding the countries where the most extensive surveys were conducted over the past year.</p>
11	Local stakeholder participation: The living wage estimation organisation shall specify when estimates were developed by, or in direct partnership with, local independent research institutions and labour representatives and were subject to local stakeholders' consultation. Methodologies to describe how they consult local stakeholders.	<p>FWN indicates the teams involved in fieldwork surveys, including cases where local research institutes have been commissioned for specific studies. Workers' representatives are systematically engaged in FWN's living wage initiatives. This includes discussions with trade unions to refine the composition of the optimal basket of goods and services and to determine whether specific questions should be added to surveys to account for local or national specificities.</p> <p>FWN also encourages workers' representatives, in collaboration with the management, to conduct annual surveys on workers' living costs. These surveys help identify potential challenges related to living expenses and highlight at-risk worker profiles. The findings from these surveys serve as valuable input for FWN's fieldwork on living wage assessments.</p> <p>For each living wage breakdown report, FWN highlights consultations with local stakeholders in a dedicated final section. Examples of this practice are available in reports for regions such as Madagascar and Indonesia, demonstrating FWN's commitment to inclusivity and transparency in living wage estimations.</p>
12	Quality assurance: The living wage estimation organisation shall ensure that the methodology is verified by an independent party with no conflict of interest (based on the ILO principle, chapter 3 of the report from March 2024). The living wage estimation organisation shall describe its quality assurance process during the recognition process.	<p>FWN ensures the quality and reliability of its Living Wage (LW) methodology through rigorous evaluation and engagement with independent and expert organizations. One key example is the collaborative research conducted with the Organisation for Economic Co-operation and Development (OECD), where FWN data were assessed against absolute and relative poverty lines defined by the OECD. This exercise aimed to validate the accuracy and robustness of FWN benchmarks and ensure alignment with internationally recognized standards.</p> <p>FWN actively seeks further collaborations for similar quality assurance (QA) initiatives, including localized efforts. For instance, in Asia, FWN's work with a major brand will undergo review /audit by an independent organization. However, such QA exercises require specialized expertise and independence, which may limit their applicability to all regions.</p> <p>Additionally, FWN has presented its methodology to prominent organizations, including investor groups like the Dow Jones Sustainability Index, and published findings in reports such as those for ROBECOSAM and S&P Global. FWN has also contributed to auditing processes linked to the European Union's Corporate Sustainability Reporting Directive (CSRD). In these instances, consultancy firms, including Deloitte and PwC, have evaluated FWN's methodology and database, consistently commending their rigor and reliability.</p> <p>FWN remains committed to transparency and quality assurance, welcoming verification by independent third parties. These efforts are often driven by requests from member companies to enhance compliance and credibility. This proactive approach underscores FWN's dedication to maintaining a high standard in its living wage methodology and ensuring confidence among stakeholders.</p>