



ESG

# Living wage: An emerging standard

**Global research into the role of Living Wage  
in creating a sustainable business**

October 2023

● • WageIndicator





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# Foreword

**Paying a living wage is becoming a priority for organisations and an important consideration in creating sustainable business.**

**As an area that provides a tangible measure within the Social aspects of Environmental, Social, and Governance ('ESG') strategies, many organisations are asking how they currently compare, and if not already doing so, how can this be achieved and embedded in the future to encourage pay fairness and integrated into the wider reward strategy for the global workforce?**

This report has been produced by PwC and WageIndicator Foundation to provide insight into the current landscape of living wages and market practice, whilst considering the key drivers and challenges faced by organisations.

We are glad to share the findings of our first global survey considering the role of living wages and its role in creating sustainable businesses with the aim of providing a baseline of the current state globally, to inform organisations on current market practice to help navigate the topic.

Our findings reflect the ongoing experience we find working with clients on how they are approaching the complexities of implementing a living wage, first in their own operations and increasingly across their, often complex, supply chains. There is no one way to approach this, but we believe that understanding the various drivers and complexities is a first step on the route to achieving implementation of living wages.

There is no doubt that this topic has gained traction in recent years, and continues to do so; from our experience with clients, it is apparent that living wages has risen to become one of the core considerations within the rising prominence of the Social aspects of the ESG agenda.

With the direction of travel only moving towards increased commitments from businesses, we hope this survey will be the first of a series of research dedicated to understanding how businesses can integrate the living wage to fulfil increasing reporting requirements, ESG targets and Sustainable Development Goals (SDG) Commitments; ultimately benefiting organisations and workers alike.

Thank you to all who participated in the survey and shared their views and information on a topic that is sensitive, yet so important.

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# Executive summary



There's been a marked increase in the consideration of the living wage, and its role in creating a sustainable business whilst ensuring that all employees receive a wage which is sufficient to allow a reasonable standard of living. In our experience there is a common recognition that it is an appropriate strategy to adopt, however there are only a limited number of organisations who have mature strategies and clear commitments and policies in this area, and more generally around pay fairness. Our survey was therefore designed to gather information about the current global position, how this may develop in the future, whilst also highlighting wider considerations.

For many reward teams, paying a living wage globally is linked to their need to develop the social aspects relevant to their overall ESG strategy within a business. There can be many attributes within this (linked to employees, customers, community and supply chain), however the living wage is a tangible measure which can be adopted for employees and also within the supply chain. The E in ESG has been much more at the centre of business focus as well as media and activist campaigning in the past, however, the S—for social, and thus relating to people and social issues—is gaining a great deal more attention and rising in prominence.

It's well cited that people are facing the difficulties of a cost-of-living crisis, which is leading to increased pressure from the public and on governments to do something to protect employees and families from today's turbulent and unpredictable economic reality.

One influencing factor relevant to any strategy is emerging regulations and the requirements for increased transparency (e.g. the the 2020 Adequate Minimum Wages Directive of the EU Commission, the upcoming Corporate Sustainability Reporting Directive (CSRD) which are prompting businesses to increase their focus on social issues and to identify that they are an integral component of their overall sustainability strategy. Not only this, there is increasing pressure externally from investors, ESG agencies and external bodies, including the United Nations (UN)Global Compact.

Paying a living wage, and publically committing to this, alongside broader consideration of pay fairness, is a step forward for businesses in the move to promoting and guaranteeing workers sustainable, fair pay and aligned to the UN's Social Development Goals (SDGs).<sup>1</sup>

Since 2014, the [WageIndicator Foundation](#) has been actively engaged in collecting prices of essential items required for calculating the cost of living. In 2017, a dedicated WageIndicator Cost of Living database was established to incorporate the collected price data. The calculated living wages are regularly published on a quarterly and annual basis for various countries and regions. As of 2023, WageIndicator has estimated living wages for 164 countries (over 2,300 regions), and therefore has detailed insight of how the rates of the living wage have changed over time.

Both PwC and WageIndicator have come together to educate and report on an area which can assist with this worldwide problem, for both businesses and society: a living wage. We surveyed 205 participants across 43 global territories—clients of PwC and WageIndicator—on their positions on paying a living wage, and from which we have provided further information in this report with new data on the multi-faceted aspects of paying a living wage and challenges faced on the route to doing so on a global scale. We explore the various benefits and potential that such an undertaking has in empowering workers to live in a way that enables them to afford their needs to lead a decent life. However, there can also be challenges to overcome, and which will need to be planned for (eg. which benchmark to adopt, availability of data on a global scale, costs, reporting and upcoming regulation, implementation across the supply chain).

This report will look at a wide range of factors concerning paying a living wage, including regulatory demands and other compliance standards, the business outlook on the progress towards a living wage, how this may be approached with the supply chain aspect, and what we might expect in the future. Our findings demonstrate that we should see a marked increase in the number of employers who are committing to pay a living wage in the next five years (with 54% of our respondents indicating this) given the acknowledgement of the benefits in doing so, which we hope will then translate into the human business and economic benefits that are well cited.

It's worth noting that there is no global definition of a living wage. The 1919 preamble of the International Labour Organization (ILO) called for “an urgent improvement in conditions of labour, including the provision of an adequate living wage”. Various ILO documents and declarations adopted since then have reaffirmed this mandate, and although the current version of the ILO Constitution does not mention how a living wage should be defined, up until 1946 it specified that an adequate living wage referred to “the payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country”. This definition is similar to other more recent definitions, which all generally point towards the idea of a level of wages that enables workers and their families to reach some minimum living standard<sup>2</sup>. For the purpose of this report we describe a Living Wage as:

“  
The level of remuneration that allows a person and their family to afford all necessities, pay required taxes, and save for emergencies to live a decent life.”

One thing is clear: a growing number of businesses are aware of the need to take the living wage seriously. In order to satisfy regulatory requirements, address external pressures and attract and retain talent, organisations need to act now. Change starts within the business, and those seeking to promote living wages in their own operations and across their (often complex) supply chains have to start somewhere. As found from the results of our survey, there are a number of complexities and wider considerations that an organisation will need to navigate as they develop and implement their strategy.

- Paying a living wage is becoming a priority for employers**

  - 67% believe that paying a living wage is a priority for their business.
- Employers are moving towards paying a living wage for their own workforce**

  - 24% currently pay a living wage to employees globally. For those who aren't, 54% expect to meet this within the next five years.
- Living wage considerations are a key part of wider sustainability measures for businesses**

  - Over half (53%) include living wage considerations within the Social aspects of the ESG strategy for the business.
  - Fewer (23%) currently include the supply chain in living wage commitments.
- Living wage is being considered alongside broader aspects of workforce fairness**

  - Over a fifth (22%) reported that they analyse the impact of living wages on workforce diversity.
  - Pay fairness aspects (including living wage) are being factored into executive pay – 33% state that their Remuneration Committee has explicitly discussed living wage alignment.

<sup>1</sup>As extensively researched and mentioned in a.o. the recent book and website “Principles of Sustainable Business. Frameworks for Corporate Action on the SDGs”, [www.principlesofsustainablebusiness.nl](http://www.principlesofsustainablebusiness.nl)

<sup>2</sup>[https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/briefingnote/wcms\\_857876.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_857876.pdf)





# Introduction: A global shift

In conducting our joint survey, PwC and WageIndicator found that of the businesses we surveyed:

**67% believe that paying a living wage is a priority for their business.**

This is encouraging and aligns to the movement towards fair wages within new and emerging regulation and creating a sustainable business and economy, whilst taking employees needs into consideration.

This is prioritising progress towards a sustainable living wage which exceeds the minimum required linked to statutory minimum wage (where one exists<sup>3</sup>), which is important as for the majority (82%) of countries reviewed for this research executed in July-August 2023, WageIndicator have found that the statutory minimum wage is below what is calculated to be a living wage and therefore what is considered as the minimum necessary to meet the basic needs of the worker and their family. This is where meeting the living wage will have the most impact for workers and economies alike, and addressing this gap will have an impact which transcends global regions, industries and geographies.

The lack of mandatory requirements for organisations to meet the living wage, and the increasing economic and social pressures currently faced across the globe, highlights the importance for organisations taking responsibility and prioritising living wages for their people.

There is global momentum building for action on living wages. The United Nations Global Compact (UNGC) — a global sustainability initiative of the United Nations — launched the Forward Faster<sup>4</sup> campaign in July 2023 with a call to action in September 2023, which sets out two targets for companies to advance living wages and incomes in their own operations and supply chains<sup>5</sup>

**Target 1:** 100% of employees across the organisation earn a living wage by 2030.

**Target 2:** to establish a joint action plan (or plans) with contractors, supply chain partners and other key stakeholders to work towards achieving living wages and/or living incomes with measurable and time-bound milestones.

This is supported by a number of global organisations as part of the Business for Inclusive Growth (B4IG) Coalition<sup>6</sup> and reflects the support amongst the business community for such measures.

It's clear that in an environment of increasing accountability, there's an emerging trend for organisations to be transparent in terms of what they pay their workers. This is supported by the recent introduction of a number of sustainability reporting requirements around the globe that include pay fairness and equality measures.

One of the most notable examples in the EU, is the Corporate Sustainability Reporting Directive (CSRD) coming into force in as early as 2024 for some, in which member state organisations will be held responsible for both measuring and reporting on the state of a number of ESG metrics within their workforce and business.

The Social aspects of ESG are generally not as progressed within organisations as those relevant to the Environment and Governance, although have been gaining prominence in recent years. This is reflected within the CSRD, which is the first of its kind to bring together the reporting of such a breadth and depth of Social issues on a global scale. Living wages is one such area included in the Social reporting requirements, as detailed in the draft European Sustainability Reporting Standards (ESRS) S1 Own Workforce<sup>6</sup> (November 2022). Disclosure Requirement S1-10—Adequate wages states:

“The undertaking shall disclose whether or not all workers in its own workforce are paid an adequate wage, in line with applicable benchmarks. And if not, which type of workers do not receive an adequate wage and what percentage of its own workforce is paid below the adequate wage.”

Within the ESRS reporting standards, an adequate wage is defined as: A wage that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions.

Where not all workers in its own workforce are paid an adequate wage, disclosure is required for countries impacted and for each country, a percentage breakdown is required to show the employees and the non-employee workers paid below the adequate wage.

If companies are not already working towards collecting, analysing and reporting this data in order to address the living wage gap, they may find difficulty in satisfying the CSRD regulators and external interest from investors and the public alike, who will undoubtedly be scrutinising the disclosures when the regulations take effect.

It should be noted that the CSRD is only one, albeit one of the more notable, examples of sustainability regulations that take account of living wage requirements. A number of countries are looking to influence organisations in adopting policies, such as the Pay Transparency Act in Norway. Next to this, following in light of the successful campaign in the UK, there are a growing number of living wage accreditation schemes that accredit employers who pay their workers a living wage across their own operations, such as in the UK<sup>7</sup> and the US<sup>8</sup>.

This highlights the direction of travel for regulation in a world of ever increasing pay transparency requirements and more importantly, the importance for organisations to prioritise their readiness now.

From our findings and the external environment as described above, one thing is clear – the concept of living wages has become an expected and integral part of the Social considerations within ESG, and is now becoming recognised as such by regulators, investors, ESG ratings agencies, organisations and workers.



<sup>3</sup>[https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/briefingnote/wcms\\_857876.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_857876.pdf)  
<sup>4</sup>There are 16 out of 200 countries (including non-recognised and overseas territories) that do not have a Statutory Minimum Wage. These include: Denmark, Finland, Italy, La Reunion, Norway, South Sudan, Sweden, Zimbabwe, Singapore, Iceland, Brunei, Djibouti, Somalia, Tonga, Tuvalu, North Korea. Source: WageIndicator Minimum Wage Database: <https://wageindicator.org/salary/minimum-wage>

<sup>4</sup><https://forwardfaster.unglobalcompact.org/living-wage>  
<sup>5</sup><https://forwardfaster.unglobalcompact.org/living-wage>

<sup>6</sup><https://www.b4ig.org/the-b4ig-coalition-accelerates-action-on-the-living-wage/>  
<sup>7</sup><https://www.efrag.org/Assets/>  
<sup>8</sup><https://www.livingwage.org.uk/>  
<sup>9</sup> <https://livingwageforum.org/>



# An emerging standard: Why is it important?

Alongside emerging regulations, there are a multitude of pressures facing workers and organisations that are increasing the urgency with which a living wage must be addressed.

Perhaps the most notable for the global community is the recent rising inflation and cost of living pressures, and how that has affected pay.

PwC's 2023 Global Hopes and Fears survey found that financial hardship is more widespread than in 2022, with 42% of workers responding that they pay their bills every month with little / nothing left over (+5% from prior year) and 14% of workers saying they struggle to make ends meet every month (+4% from prior year).

Despite today's economic uncertainty, there is a marked increase in the numbers of employees who say they plan to change jobs in the next 12 months than said so last year (36% compared to 19%).

When considering workers in households that cannot pay the bills, 49% are likely to change employer in 2023 (compared to 22% in financially secure households). Of those who have a second job, 69% have done so to earn more money.

The UN Global Compact (UNGC)<sup>10</sup> estimates that today, over a billion working people worldwide – 1/3 of all workers – are estimated to earn less than they need to afford a decent standard of living.

Paying a living wage is a crucial part of addressing a number of the UN's Sustainable Development Goals ('SDGs')<sup>11</sup>: Goal 1: **No Poverty**, Goal 8: **Decent Work and Economic Growth** and Goal 5: **Gender Equality** and Goal 10: **Reduced Inequalities** and acts as an accelerator to contribute materially to the achievement of several other goals.

Taking all of this into account, paying a living wage is not only a need for workers who struggle to make ends meet, but an important benefit to organisations, contributing to attracting and retaining workers in a global environment where workers are more likely to seek alternative employment and are increasingly looking to other competitors to do so.

Throughout this report, we will consider the virtuous cycle that is created by paying a living wage between employers and workers by promoting pay fairness and a key aspect of the people aspects in the creation of sustainable supply chains.

## Achieving Living Wage – Potential Challenges

While the majority of businesses we surveyed are aware of the need to address pay fairness and introduce a living wage across all global operations, it is clear that it is neither a clear-cut nor easy task to tackle. This awareness is important, but such an undertaking comes with its own specific challenges.

We surveyed our respondents on the challenges they consider to be the biggest barriers to implementing a living wage, which provides an indication of the knowledge and support that organisations may need to approach this task confidently and efficiently.

Biggest barriers to paying a global living wage		
Cost	Lack	Complexity
of implementa- tion (58%)	availability and consistency (34%)	of the task (32%)

**1. Cost** is an inevitable factor in investigating, understanding and implementing living wages, particularly when this is considered on a global scale.

Not only is there the potential cost associated with implementing the living wage (including pay uplifts as part of a wider reward review and to maintain grade differentials), but the cost also needs to be considered for the future. In the global context, this presents some uncertainty where living wage rates fluctuate based on inflation and cost of living, and in relation to volatile economies.

Organisations can opt to use an external living wage database, such as that provided by WageIndicator Foundation, which releases quarterly living wage rates as well as annual averages. This allows organisations to track any gaps to living wage rates throughout the year, to inform the annual reward cycle and also budgetary requirements.

For many organisations, the first step in considering living wages in practice, is to consider the current “as-is” position and analyse the cost implications of moving to a living wage if gaps exist – we found over 40% reported to have considered the cost implications of paying a living wage. Of these, 24% of these completed this for all global markets, whereas others are taking a phased approach for certain markets (17%).

For those who were willing to disclose, 15% reported no additional costs were expected to implement the living wage in the first three years (including restructuring paycales where relevant), 10% reported costs in the region of £21,000 and £200,000. For the majority (59%), the cost is currently not known.

Over half (53%) of employers are considering how living wage costs / compliance will be monitored on an ongoing basis. Of these, the majority (86%) are expecting to perform an annual review, with others suggesting more regular reviews – quarterly (4%), monthly (2%), bi-annual (1%).

**2. Lack of available data** was another key challenge. This is an issue that is not new, nor isolated, when considering different aspects of pay fairness in an organisation. Especially when doing so on a global scale. Reporting on a multi-territory basis in areas such as pay equity, gender and ethnicity pay gaps is leading to additional complexity and data requirements. It is therefore imperative for organisations to understand what data is currently held and available, and identify the crossovers between areas of review and reporting to allow for efficiencies.

Data collection, analysis and reporting are key enablers towards gaining clarity on any potential living wage gap. The first step for this is being able to access the relevant data required – typically the baseline for this is accessing pay data (per pay element) as well as certain HR data for global workers. We would also recommend that consideration is also given to additional data points to allow for an increased level of insight from any exercise (say in terms of geography, grade, gender etc).

Once data is collected, an external database needs to be considered to access living wage rates. A principle aspect that makes paying a living wage a complex and difficult endeavour is that there is currently no standard definition or consistent globally defined approach to apply living wages. As set out further above, recent definitions generally point towards the idea of a level of wages that enables workers and their families to reach some minimum living standard. While there is no set definition or living wage rates provided for businesses to use, there are a number of databases available to businesses, such as ageIndicator's, which calculate a living wage per region in each country to use as a baseline.

Our research found that the three most commonly used databases used by respondents for conducting this research are provided by WageIndicator Foundation, FairWage Network and Global Living Wage Coalition.

Thanks to organisations like WageIndicator, reliable, consistent and up-to-date estimates are available for living wages across the globe that can be used to perform the gap analysis of pay across all jurisdictions within their own company to compare against the living wage rates.

**3.** Whilst the **Complexity** of the topic should not be overlooked, thankfully there is a growing trend of leading practices in the market that can be used as a reference point. Moreover, recent efforts of living wage data and service providers to increase alignment and standardisation across methodologies are taking form in a new collaboration called **WageMap**, and also aim to provide more clarity for organisations and policy makers on the use of living wage benchmarks. Despite challenges, over half (55%) of the respondents said that the the business is well equipped to understand the complexities of living wage.

Complexity can typically take the form of:

- The size of the exercise (possibly due to the number of regions in which they operate, number of employees given the global reach).
- Decentralised pay policies / elements across the globe and different data formats and sources of payroll and/or HR data, and
- Developing a robust methodology for adoption (i.e. how to technically assess pay elements and how to practically perform the gap analysis).

Our survey found that of businesses who are not yet paying a living wage globally but where it is on the agenda, 78% have been considering this for up to four years (22% for over four years). This reflects the time requirements and complexities that need to be factored in before external commitments can be made.

Others in the survey mentioned challenges such as a lack of sufficient internal alignment (for example differing departmental priorities or between group and local offices), or a lack of internal resources. Some also saw the lack of external alignment on living wage definitions as a barrier.

While there are a number of challenges ahead of organisations who are on a journey to implementing the living wage, the fact that many are aware of these is a good sign and will allow them to factor particular requirements into their road map, project plan and communication strategy. We are confident that many of these challenges will not hinder implementation indefinitely: they are manageable, with enough time, people and resources can be understood and addressed.

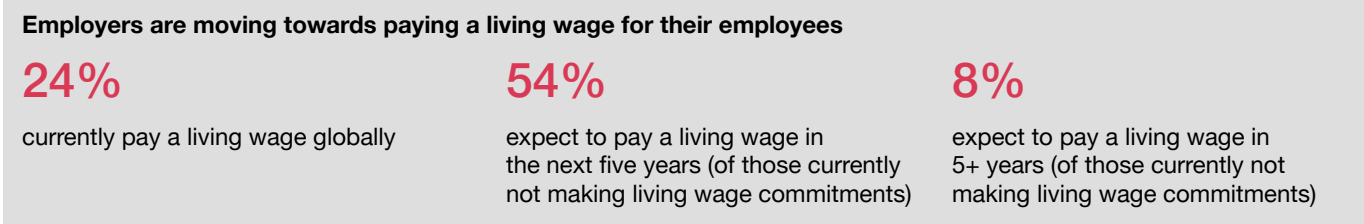
There are a number of steps and considerations that organisations need to take before committing to paying a living wage globally and to ensure that they achieve this in a sustainable way should be at the core. Due to the size and complexity of this exercise and movement of travel by peers, competitors and external factors, we would recommend that organisations act now.

<sup>10</sup><https://forwardfaster.unglobalcompact.org/living-wage#:~:text=Today%2C%20over%20a%20billion%20working,a%20decent%20standard%20of%20living>

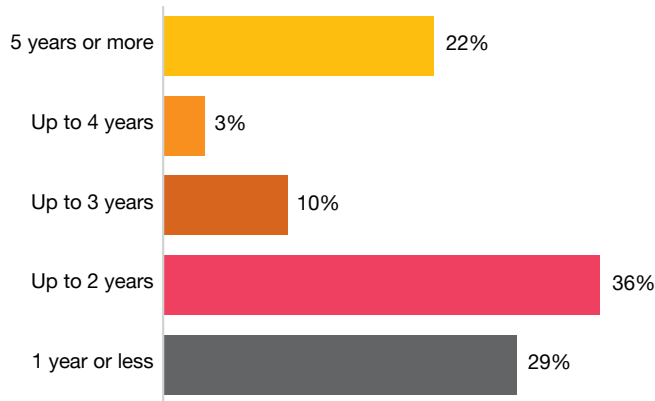
<sup>11</sup><https://unglobalcompact.org/what-is-gc/our-work/livingwages>

# Closing the living wage gap: Key drivers

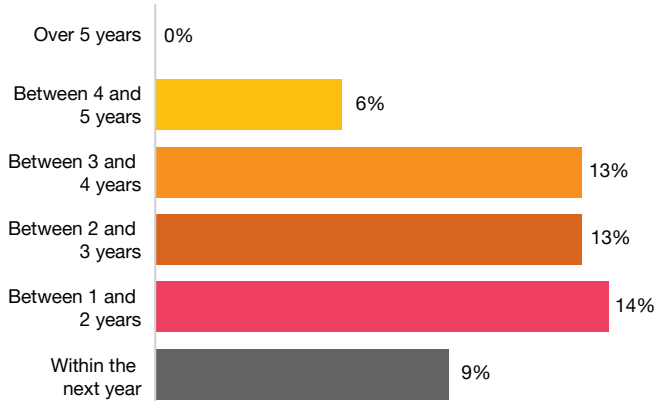
## 1. The current state



If the living wage is currently being considered globally by the business, how long has it been on the agenda?



If not already paying a living wage for all employees globally, how far in the future is this expected?

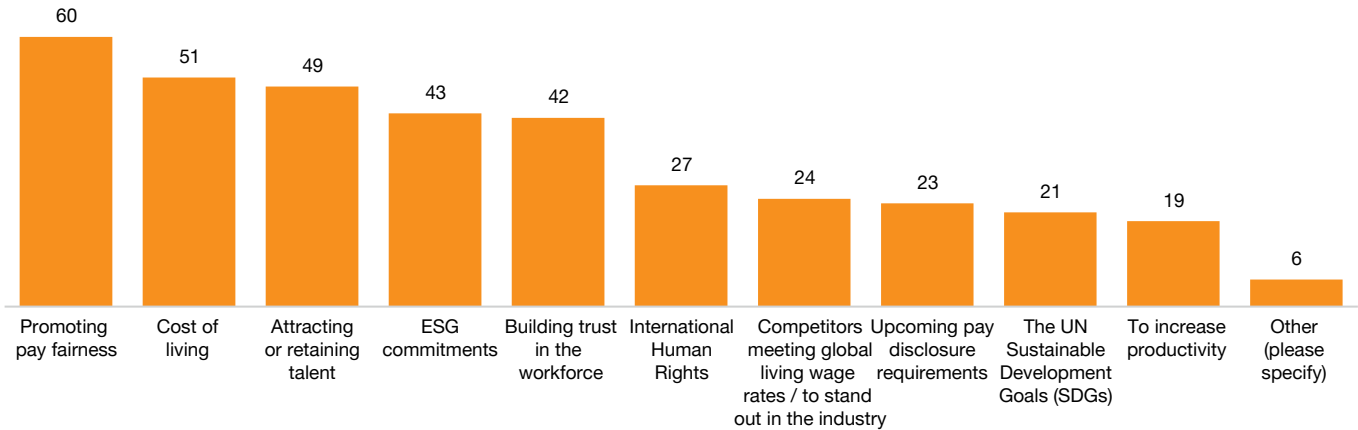


These statistics give a clear indication of the potential timelines within which our respondents plan to introduce a living wage. That 24% are already paying a living wage to employees is a positive finding, and for the majority remaining, this is expected in the next five years. This five year timeline is encouraging when considering the UNGC targets ahead of 2030 – based on our findings above, this aligns for the majority of respondents to be on track for the first target (for 100% of employees across the organisation to earn a living wage by 2030).

Organisations who are considering introducing a living wage, have reported to be motivated by a number of drivers, including pay fairness, cost of living, attracting or retaining talent, building trust in the workforce and ESG commitments. A smaller number are motivated by the upcoming pay reporting requirements (such as CSRD), which is an area expected to gain traction as new reporting requirements are implemented in coming years.

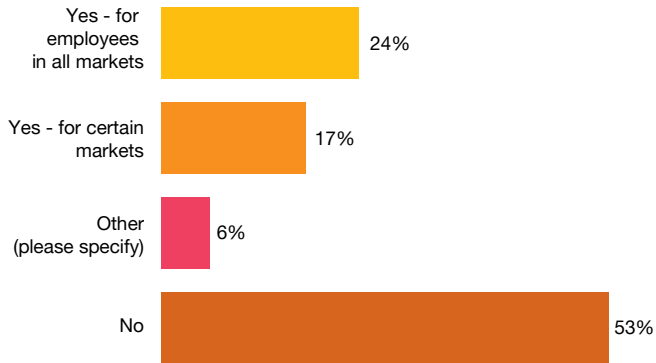


If living wage is currently being considered globally by the business, what factors are driving this?



As mentioned above, many respondents have already considered or investigated the cost implications of paying their workforce a living wage. Some have completed this for all markets, and some are taking a phased approach for certain markets. This is understandable given the associated complexity and data requirements and a phased approach allows for the additional costs to be phased, as well as managing resource requirements.

Have the cost implications of paying a living wage been considered, e.g. has the business completed a feasibility/gap analysis to meet rates?





2. The people priority

There's a much greater focus on ESG in today's business landscape, in particular for the social aspects. Of the businesses we surveyed, over half (53%) include living wage considerations within the Social aspects of their ESG strategy.

Organisations rely on their people to conduct operations, and it's becoming increasingly evident that they must invest more in their people in order to attract and retain talent. That investment can be spread across a multitude of areas, such as training, benefits and flexibility, but compensation is paramount. [PwC's 2022 Global Hopes and Fears survey](#) suggests that fair pay is one of the critical determinants of employees' decisions about staying with an organisation.

In recent years, the rising cost of living, economic uncertainty and growing rates of job dissatisfaction fuelled what has been called The Great Resignation, in which large numbers of employees resigned from their jobs in order to secure a more attractive work situation—whether that meant higher wages, less stress or even starting their own business.

[PwC's 2023 Global Hopes and Fears survey](#) showed that despite the uncertain economic situation, 23% of UK employees say they plan to switch jobs in the next 12 months—up from 18% in the previous year.

In a world where Generation Z is a growing proportion of the workforce, employers are facing a talent pool with increasingly high expectations and demands of businesses, both as employers and as societal forces.

[The World Economic Forum reports](#) that over six in ten Gen Z employees “are actively or passively looking for other jobs because they want better pay, work-life balance, or career and growth opportunities.” Transparency around salaries and pay fairness is a key strategy that fosters a culture of progress, which is highly attractive to this generation of workers, who are also the workers most likely to harness the emerging technology skills and capabilities that companies need today.

This was highlighted in [PwC's 2023 Annual Global CEO Survey](#) “If, as many CEOs anticipate, the war for talent remains fierce, even amid deteriorating economic conditions, keeping workers happy and engaged will be a mission-critical priority”.

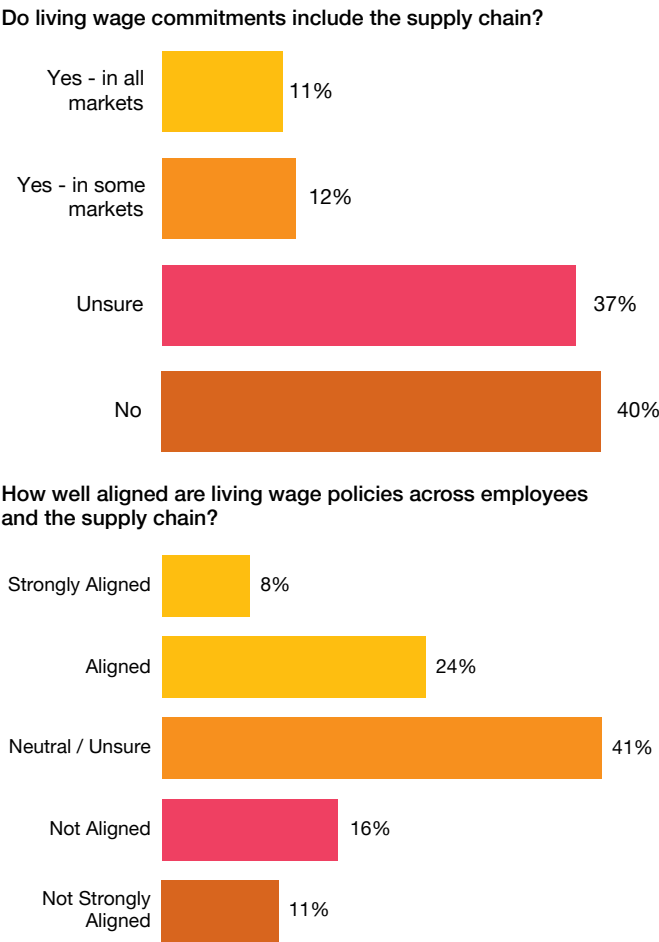
Organisations need to support their staff better than ever if they are to stem attrition and balance cost. The risk of losing employees and the institutional knowledge they possess and facing the challenge of recruiting new, sought-after, skilled workers means retention is often a better strategy than recruitment.

For organisations not paying a living wage, they could be missing a key factor needed to keep the workforce engaged, retained and productive to avoid attrition and the additional costs of interviewing, hiring, onboarding and training new staff. It could be argued that by paying a living wage and ultimately lifting more workers out of poverty, this could act as the catalyst to encourage workers to stay in the same job (rather than working multiple jobs to make ends meet), which may have far reaching productivity benefits.

3. The supply chain

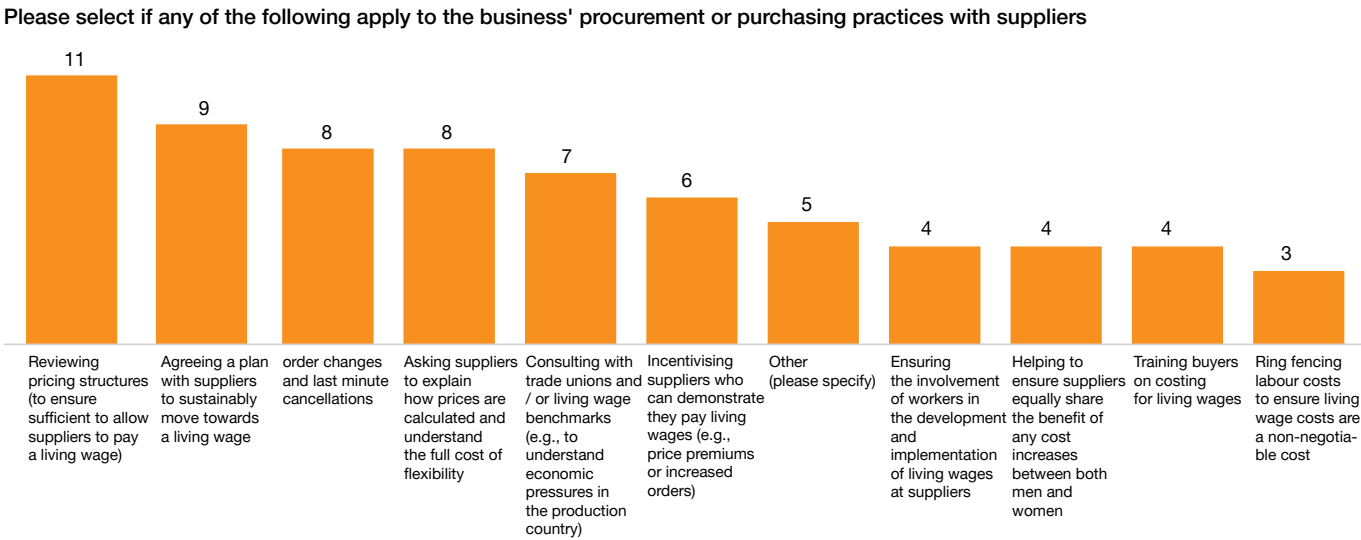
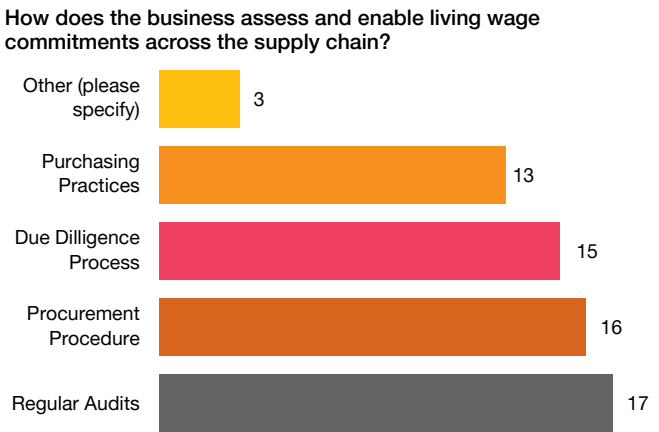
We see less progress when considering a living wage throughout the supply chain. Our survey found that currently, 23% of those that responded are including the supply chain in their living wage commitments—11% of these are looking across all markets. This is as expected, given the additional complexities in identifying and mapping the value chain before reviewing their pay position and working conditions.

Applying a geographical lens, we see more progress across Asia Pacific with 31% including some or all of the supply chain workers within global living wage commitments. This compares to 20% in Europe and 21% in the Americas.



For those who are considering the supply chain, 32% report that there is an alignment of policies with employees. This is an area that requires additional time and consideration given the associated challenge of looking beyond their own entity. We found that whilst regular audits are most commonly used, similar to the employee population, procurement procedures and purchasing practices play a part in assessing and enabling commitments through the supply chain. Practical examples of this are shown below.

For those opting to meet the UNGC Target 2, consideration to these areas will be key in developing the joint action plan with contractors, supply chain partners and other key stakeholders to work towards achieving living wages.



Ensuring that the supply chain is incorporated in the wider social aspects of strategies and included within living wage commitments will be considered a step forward in the move towards a sustainable business.

As many businesses struggle with their, often very complex, supply chain, we expect this topic to be of crucial importance in the coming years, where many companies will focus on their supply chains after focusing on their own employees.





4. The external landscape

Investors are increasingly acknowledging the role of fairness and the treatment of workers in ensuring long-term sustainability, whilst recognising the impact of paying a living wage and risks relating to the supply chain and reputation as part of this.

This is further reinforced as living wages and other areas of pay fairness are, being included and given more prominence in several ESG and sustainability indices. This is evident in the Dow Jones Sustainability Index (DJSI) where questions have been included since 2021 relating to living wage methodology applied across employees, contractors, suppliers, franchises and associated reporting for various industries. These were introduced in recognition of the importance of the topic.

For those organisations who are a constituent part of these indices, living wage considerations will need to be factored into the broader reporting strategy to manage the impact on overall ranking as the indices evolve.

It's also important for an organisation of consider where they would like to sit in the ranking of their peers, one aspect of which may be a comparison of commitments and disclosures made by listed businesses. Our high level research has highlighted differing levels of maturity across the globe.

**Americas**  
Out of the top 10 US companies based on the NASDAQ 100,  
**5** make disclosure in relation to living wages or fair wages.

**Europe**  
Out of the top 10 European companies by market capitalisation,  
**9** make disclosure in relation to living wage or fair wages.

**Other regions**  
Of the top 10 companies based on market size on the Hong Kong Stock Exchange  
**0** make public disclosure in relation to living wage or fair wages.

\*\*Based on market size as of June 2023 (except the NASDAQ 100 as at 10 May 2023) and information publicly available in mandatory and non-mandatory reporting including: Annual / Remuneration / Sustainability / ESG / Human Rights Reports

A joint 2022 report by Cambridge University, Shift and Business Fights Poverty<sup>13</sup> supports the idea that fair wages matter to investors:

<sup>12</sup><https://forwardfaster.unglobalcompact.org/living-wage#:~:text=Today%2C%20over%20a%20billion%20working,a%20decent%20standard%2a0of%20living>  
<sup>13</sup>[https://www.cisl.cam.ac.uk/files/the\\_case\\_for\\_living\\_wages\\_report\\_2022.pdf](https://www.cisl.cam.ac.uk/files/the_case_for_living_wages_report_2022.pdf)

“  
Leading investors increasingly recognise that the time for the “Social” in the Environmental, Social, and Corporate Governance (ESG) sphere is now. The living wage is a social topic that particularly appeals to investors due to its potential for measurability.”

5. The business and economic benefits

While the push for a living wage is centred on fair treatment of workers and the human impact of wages that can't keep up with the cost of living, there are direct business benefits which arise as a result of making this positive change.

The UNGC<sup>12</sup> reports that by committing to pay living wages, there are numerous benefits ranging from: increasing staff productivity, reducing staff turnover and absenteeism and attracting new talent, to improving supply chain relationships, performance resilience and transparency.

Overall, we're seeing more—but not full scale—commitment to paying a living wage. Doing so, the thinking goes, will make the business more competitive compared to organisations that do not move to pay a living wage.

As well as attracting and retaining talent, companies that pay a living wage can contribute to a wider economic uplift too. Paying employees a higher wage enables them to invest back in local communities, giving them the opportunity to spend their discretionary income with businesses they believe in, contributing to a more circular economy. Simply put, paying your employees more means they are able to spend more. This drives economic growth.

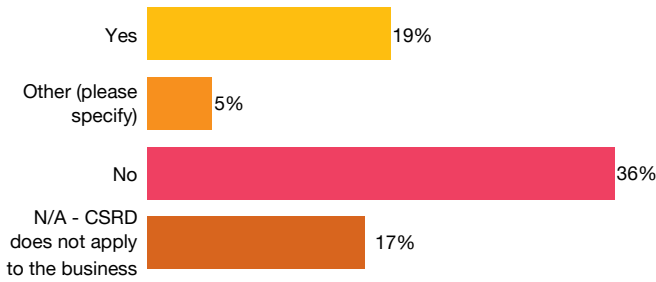
A workforce that is underpaid and barely able to cope with the cost of living has little chance of supporting the economy in ways that fuel wider growth both nationally and globally. Additionally, a workforce that is paid fairly, well-rested from only working one job and generally more positive due to a lack of financial stress, can contribute to a positive workplace culture, which not only helps retain current staff, but is also attractive to potential hires. This helps businesses thrive. A living wage can create a domino effect of positive change that spreads out from the initial economic benefit to the employee, creating new opportunities for growth in many areas.

6. Regulation

As mentioned, there has been an increasing focus of legislation and regulation to enhance corporate social responsibility and increased global non-financial reporting to specifically include living wage. As we are in the infancy of such regulations including living wages, it is important for organisations to start to prepare.

Taking the CSRD for example, the majority of organisations who responded have not yet begun to consider the basis on which 'adequate wages' will be determined.

Has consideration started to be given to upcoming pay requirements within the Corporate Sustainability Reporting Directive (CSRD) including the basis for which 'adequate wages' which will be determined?

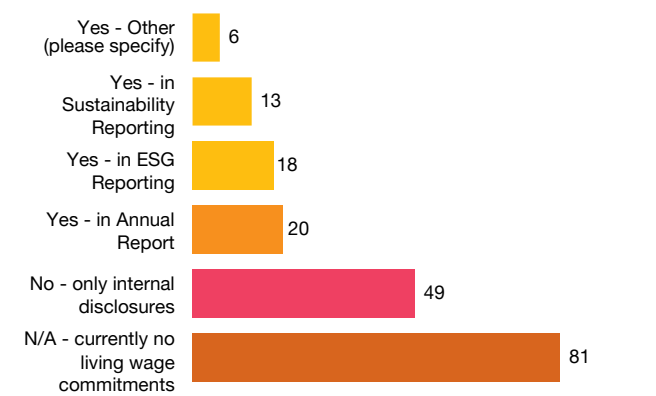


Given the complexity, number of data points required and breadth of pay fairness aspects covered, developing a living wage strategy and roadmap ahead of such regulation is imperative. During implementation, and to ensure that the strategy is aligned with regulatory requirements, the development of a clear process for documenting, measuring and reporting on living wage commitments will help to prepare and get an organisation ready for upcoming regulations.

This planning will be key in creating the strategy for how metrics will be actively measured and reported and the information required to satisfy the CSRD and other future regulations. Therefore those respondents who are already considering this will be better placed ahead of implementation.

It is becoming increasingly common for living wage commitments to be publicly disclosed within Annual Reports (including Remuneration Reports), ESG or Sustainability Reports, typically alongside ESG or Sustainability strategies. However, many are also making internal commitments only, and ensuring the longer-term impact, and costs are understood to future proof commitments that are made publicly.

Does the business make public disclosure about living wage commitments?





# The regional context

Our survey received 205 responses from PwC and WageIndicator’s clients in 43 territories. The most responses came from Europe, with 115. The Americas produced 49 results, followed by Asia Pacific with 17 responses. Africa and the Middle East, unfortunately, produced too small a sample size to draw conclusions from.

Results vary across regions, with Asia Pacific the furthest ahead. 38% of respondents are currently paying a living wage to all employees and a further 31% expecting to pay living wages in the next five years. Asia Pacific is also ahead on including supply chain in living wage commitments, with 31% of respondents paying a living wage to some or all supply chain workers.

Europe and the Americas are trailing behind Asia Pacific, but similar to each other with about 23-24% of respondents currently paying a living wage in all territories, and 40-43% expecting to meet this in the next 5 years.

Around 20% include some or all of supply chain workers within commitments made.

In addition to revealing action on living wages by region, the survey has revealed which industries are leaders in paying living wages. Of our responses, the survey found two industries in which more than 50% of respondents reported that paying a living wage is considered a priority. Those industries are energy, utilities and resources (77%) and pharmaceuticals and health industries (62%).

When it comes to committing to paying living wages to employees, our survey responses showed that energy, utilities and resources is also the industry with the highest percentage (42%). When it comes to the supply chain, our survey responses showed that consumer markets and industrial, and manufacturing and automotive lead the way. Between 26% to 30% of organisations in those sectors report commitments to include some or all elements of the supply chain.



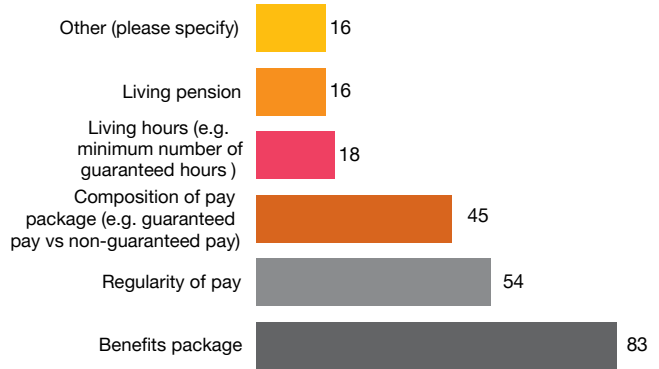
# Living wage in the context of workplace fairness

Living wages, while the focus of our survey, exist in a larger business and social context of workplace fairness. Over half (60%) of respondents say they are considering living wages alongside workforce fairness more broadly.

The results of the survey highlighted that the three areas relevant to the broader pay fairness agenda with the most consideration are the benefits package, regularity of pay, and the composition of the pay package. This is followed by a smaller number considering the living hours and living pension.

It is important to take a holistic view when considering underlying rates of pay and the strategy adopted.

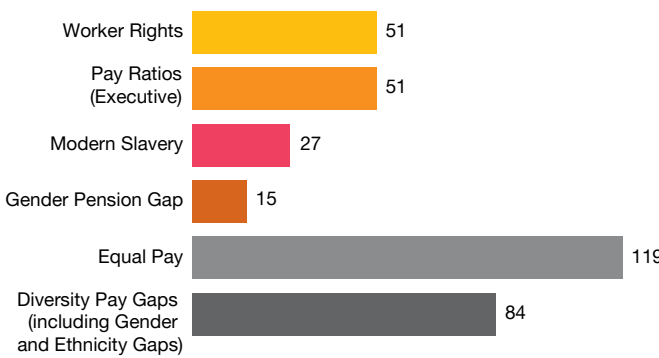
Are any of the following broader aspects currently being considered by the business as part of living wage?



Further, 75% reported that they are also considering broader aspects of workforce fairness.

Equal pay and diversity pay gaps are considered most, which is expected given the mandatory reporting currently in place.

Are any of the following broader aspects of workforce fairness currently being considered by the business?



Given that sustainability regulation has begun to introduce the concept of reporting on a number of these areas in conjunction, we expect that it will become the norm for aspects of workforce fairness to be considered and reported together. In order to do this, it is critical that organisations are collecting the relevant data required across these areas to be able to satisfy the current and emerging requirements.

As previously mentioned, two of the biggest challenges (alongside cost to achieve a living wage globally) are lack of available data and complexity of the exercise. Similar challenges exist for analysing workforce diversity across different demographics and geographies. Where such challenges exist, it is becoming clear that there are crossovers in the data required to report on a number of these areas.

Over a fifth of employers surveyed (22%) reported that they analyse the impact of living wages on workforce diversity (e.g. gender / ethnicity impact of the living wage gap). For those that do, the characteristics most commonly considered are: sex (55%), age (38%), ethnicity (30%), disability (26%), gender identity (21%), socio-economic background (21%), sexual orientation (11%).

These findings show that where employers readily collect this information already, they analyse it for broader workforce diversity analysis and public disclosure (i.e. mandatory gender pay gap). Leveraging this data across different aspects of workforce fairness, including living wage aspects, will help employers to analyse, understand and close the living wage gap, while also addressing wider pay fairness aspects (including gender and ethnicity pay gaps).

Pay fairness aspects are also being factored into executive pay, including living wages:

- This includes living wage alignment, with 33% stating that their Remuneration Committee has explicitly discussed this and 12% are currently considering this.
- Separately, 18% have executive pay incentive targets that are directly linked to living wage and 9% are currently considering this.
- 26% state that executive pay targets are directly linked to other pay fairness aspects (e.g. gender or diversity pay gaps) and 12% currently considering this.
- 31% state that executive pay targets are linked to fairness, albeit not directly pay (e.g. gender or diversity targets).

A wage adjustment to pay a living wage—even where one can be more easily calculated—should be part of a wider initiative to address wage fairness as a whole within a company.





# What next?

Our survey provides a baseline measure of the global landscape when it comes to paying a living wage. There is no doubt that consideration and transparency in relation to fair pay are becoming increasingly expected from a number of stakeholder groups — notably from employees, investors, regulators and from society more broadly. In the case of the EU and its CSRD regulation, taking account of the living wage is specifically mentioned. It is apparent that this is the global direction of travel for ESG and sustainability reporting.

It is commonplace for organisations to undertake due diligence on their suppliers to determine their environmental impact to satisfy customers regulators, investors and other stakeholders, and it is clear that the social aspects (including wages) are now rising in prominence. Regulations and initiatives such as the UNGC Forward Faster campaign are increasing awareness of living wages and other issues of workplace fairness.

As the concept of living wages grows in public consciousness, organisations have to consider their obligations under regulations and beyond, the expectations of both internal and external stakeholders, and how best to balance progress and costs. It is through the collection of data on a global scale, from organisations such as WageIndicator Foundation, that companies can assess the current position and formulate a plan to adopt a strategy to pay a living wage in the future.

One of the clear messages from our findings is that making these changes takes time. It takes time to gather the data, to clarify your current situation regarding pay fairness, and even if this data is available, it will take time to work out the steps and processes to make progress towards paying a living wage as a standard. From experience of working with a wide range of companies, WageIndicator advises that to perform a gap analysis, set a policy and implement living wages can easily take two to three years in a large organisation, but for those who are smaller a policy can be set in one year.

There are many questions that organisations will find themselves asking, and there are others who won't immediately know the questions that need to be asked. Organisations should start preparing now to ensure they are prepared. We would suggest that the key questions to ask in the first instance when determining the current status and what is left to be done are:

- How far along is the organisation on the living wage journey?
- Do living wage policies extend to all markets and to the supply chain?
- Have the operational and/or cost implications for implementing a living wage been considered?
- If a gap analysis is being considered, are there any challenges to consider (i.e. decentralised pay policies or working practices globally?)
- Has consideration been given to relevant reporting, e.g. CSRD and the basis on which adequate wages will be determined?
- If commitments are being made, how are these being reviewed and reported?
- Has consideration been given to wider aspects of living wage and the potential crossover with other pay fairness areas.
- Where pay uplifts will be required, how will this be achieved alongside the current reward structure?

Once implemented, it will then also be necessary to consider what ongoing processes will need to be adopted to ensure that the policy is applied consistently and all commitments are understood and maintained in the future. The introduction of a living wage should not be a decision that only applies to certain groups within your organisation. Given all of the underlying benefits and the direction of travel, we would suggest that a fair wage means a living wage, or more, for all.

# Glossary of terms

**Contractor**—An individual contributor who agrees to a contract to provide labour, services or materials to another party.

**CSRD**—The EU's Corporate Sustainability Reporting Directive is a directive which expands non-financial reporting obligations for entities beyond what is already set out in the Non-Financial Reporting Directive (NFRD).

**Employee**—An individual who is engaged in employment for a salary or wages in exchange for their labour.

**ESG**—Environmental, Social and Governance (ESG) relates to issues which address the environmental, social and institutional or regulatory aspects of policy or initiatives, such as those addressing sustainability or fair treatment of workers.

**Living Wage**—Simply put, it is that level of remuneration that allows a person and their family to afford all necessities, pay required taxes, and save for emergencies.







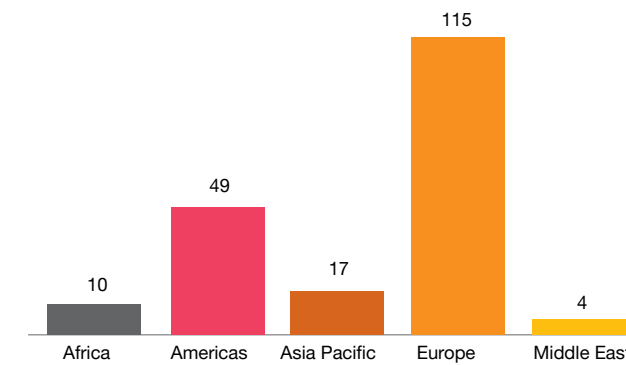
# Appendix

## Appendix: About the survey

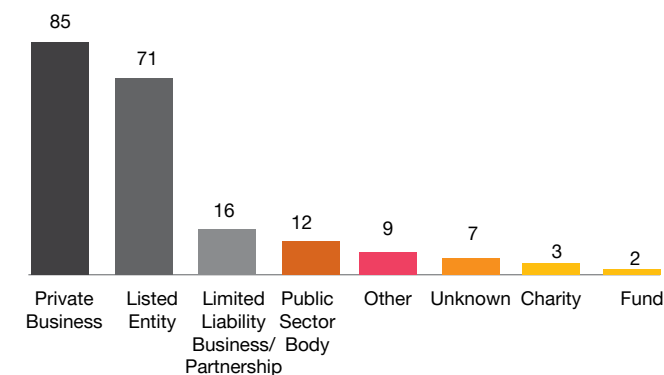
### Demographics

The survey received **205** responses across **43** countries and territories during May – August 2023. The demographic are split as follows:

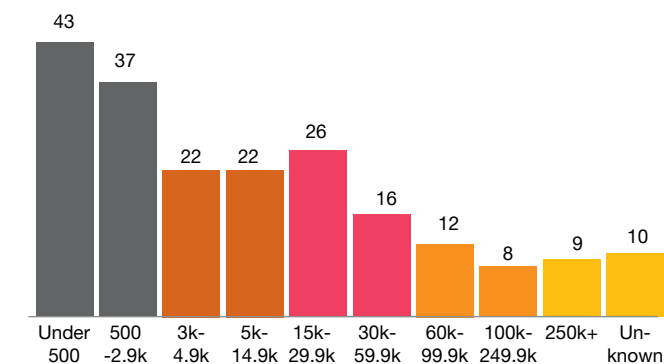
### Global regions



### Number of employees (per business)



### Entity split



Other	Consumer Markets	Financial Services
42	28	28
Technology, Media & Telecommunication	Pharmaceuticals & Health Industries	
20	16	
Energy, Utilities & Resources	Government & Public Services	Industrial, Manufacturing & Automotive
14	6	33
Textile & Apparel	Agriculture	Unknown
7	5	6

Please note that we have applied the following parameters to draw conclusions throughout this document:

- Where responses per segment are 10 or less, we have deemed the sample size too low to draw conclusions.
- Where percentages are quoted throughout, the denominator consists of the total number of responses to each question (i.e. where respondents have left the question without an answer, these are not included in the total).



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