

# Action Plan on Living Wages

## *Results of the European Conference on Living Wages*

This Action Plan on Living Wages is the result of a multi-stakeholder consultation process that culminated in the European Conference on Living Wages. It provides recommendations to all stakeholder groups in addressing the challenges of working towards living wages for workers in international supply chains.

The definition of a living wage used in this action plan is: a wage that meets the basic needs of workers and their families, including food, housing, clothing and other expenses, such as education, health care, and some discretionary income.

### General support activities for all action areas

**Explanation:** Activities of different stakeholder groups that enable, support, and strengthen the actions listed in the four action areas of this action plan.

#### *Examples of action to be taken per stakeholder group*

#### All stakeholders

Actively participate in multi-stakeholder processes with the aim of sharing experiences and lessons learned among stakeholders and across sectors

Support other stakeholder groups and make them aware of their own and shared responsibilities

Increase consumer awareness for social standards in international supply chains

Undertake regular research on data relevant for wage setting in cooperation with all other stakeholders; inform other stakeholders

Engage in dialogue towards framework agreements on the promotion of freedom of association and collective bargaining

Pay appropriate attention to the gender dimension of living wages

#### Governments and international organisations

Protect and fulfil the human rights of workers, including living wages

Ensure the quality of laws and procedures for formulation and implementation

Ensure enforcement of the laws

Provide access to solutions for workers who are not (yet) receiving living wages

Support, fund, and implement activities that are in line with the present action plan

Support round tables in producing countries including government, local trade unions and employers' organisations, and sourcing companies

### Businesses and their associations

Publicly commit to working towards living wages, freedom of association and collective bargaining

Develop a strategy for working towards living wages, freedom of association and collective bargaining in the supply chain

Provide transparent reporting on the implementation of this strategy

Establish grievance mechanisms for workers and civil society organisations in respect of the above

### Trade unions and other civil society organisations

Advocate the human rights of workers, including the promotion of living wages, freedom of association and collective bargaining

Transfer the knowledge to build the capacity of civil society partners in producing countries, and put this into practice

Support workers to use appropriate grievance mechanisms in case of the non-compliance of their employers

### Multi-stakeholder supply chain initiatives

Include living wages in existing standards

Provide a neutral forum for collaborative work on wage issues

## Action Area 1: Transparency

**Explanation:** Transparency between the employer and employee, as well as between the supplier and buyer. This includes:

- at company level: transparent payroll systems, specifying regular wages received for normal working hours, overtime payments, and fringe benefits such as festival bonuses, attendance allowances, annual leave encashment;
- at sectoral and national level: transparent methodology for fixing minimum wages, taking into account the needs of workers and their families;
- at supply chain level: establishment of an overview of pay levels, systems and structures across the supply base of each country by buyers.

*Examples of action to be taken per stakeholder group***Governments and international organisations**

Encourage initiatives for transparency by multi-stakeholder forums and international buyers

Provide assistance to governments and social partners in producing countries in defining and determining living wages

**Businesses and their associations**

Support manufacturers and suppliers in setting up transparent payroll systems

Monitor the gap between figures for prevailing wages and living wages

Provide guidance for companies on the issue of transparent payroll systems

**Trade unions and other civil society organisations**

Monitor prevailing wages through worker surveys

Include figures for living wages in wage negotiations at all levels, i.e. factory, industry, and regional or national level

Demand transparent payroll systems at national, sectoral and/or factory level

Build the capacity of and transfer knowledge to trade unions, workers' representatives, and labour NGOs in producing countries on the above activities

**Multi-stakeholder supply chain initiatives**

Provide transparency on companies' performance on their strategies to promote living wages, freedom of association and collective bargaining

Support manufacturers and suppliers in setting up transparent payroll systems

**Action Area 2: Freedom of Association, the Right to Organise and Collective Bargaining, and the Protection of Workers' Representatives**

**Explanation:** The freedom of association, the right to organise and collective bargaining, and the protection of workers' representatives are important preconditions for establishing sustainable wage-setting mechanisms.

*Examples of action to be taken per stakeholder group***Governments and international organisations**

Ratify, implement and promote ILO Conventions 87, 98 and 135




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Support, fund and implement activities aimed at building the capacity of local actors to engage in social dialogue and collective bargaining

### Businesses and their associations

Require suppliers/employers to respect the freedom of association, the right to organise and collective bargaining, and the protection of workers' representatives at factory level

Train suppliers/employers on the freedom of association, social dialogue and transparent payment systems

Build the capacity of local and national employers' associations to engage in social dialogue and collective bargaining

### Trade unions and other civil society organisations

Build the capacity of local unions to engage in social dialogue and collective bargaining

Build the capacity of workers' representatives to engage in social dialogue with employers

### Multi-stakeholder supply chain initiatives

Establish grievance mechanisms for trade unions and workers where such do not yet exist

## Action Area 3: Buyer and Supplier Practices

**Explanation:** The purchasing practices of brands and retailers from importing countries may have adverse impacts on a supplier's capacity to pay living wages to workers. These can, among others, concern the stability of the relationship with the supplier, timeliness of orders and order modification, costing and pricing.

*Examples of action to be taken per stakeholder group*

### Governments and international organisations

Incorporate living wages in public procurement policies

### Businesses and their associations - Buyers

Assess the impact of buying practices on the ability of a supplier to pay living wages

Redesign buying practices to allow for living wages

Create long-term relationships with suppliers

Team up with other buyers to create leverage and allow for collective action

Work with suppliers to establish transparency in costing for the payment of living wages



Business associations: develop and present (anonymous or hypothetical) business cases for the payment of living wages

### Businesses and their associations – Suppliers/Employers

Comply with national labour rights legislation and buyers' codes of conduct, and respect international human rights standards related to labour rights

Demand and ensure that codes of conduct apply to all workers employed in their supply chains, including outsourced, contract, and seasonal workers

Prevent unauthorised subcontracting of production

Pass on benefits from higher prices to workers, including the employees of subcontracting companies

### Action Area 4: Political Commitment

**Explanation:** European states, the European Union, governments of producing countries, the ILO, and OECD, as well as business associations, trade unions and civil society, can contribute to working towards living wages by increasing political commitment to living wages at a global level.

*Examples of action to be taken per stakeholder group*

#### Governments and international organisations

Promote living wages in international debates, bilateral or multilateral political dialogues, and in trade agreements and policy

Evaluate the impact of national and international policies on wages in producing countries

Promote legal environment that allows for concerted buyer action without violating competition law

Engage the governments of both supplier and sourcing countries to enter dialogue on living wages

#### Trade unions and other civil society organisations

Advocate putting living wages, freedom of association and collective bargaining on the political agendas of governments and international organisations

#### Businesses and their associations

Encourage governments in producing countries to raise minimum wages in the event of a gap between minimum wages and living wages, and to respect the freedom of association and collective bargaining