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WITH RESPECT

# GUIDELINES FOR ACTIONS ON MINIMUM WAGE AND LIVING WAGE

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Principle 6 of the UEBT standard promotes respect of human and workers' rights and decent labour conditions along the supply chain. This includes requirements related to minimum<sup>1</sup> and living wages<sup>2</sup> for workers. Criterion 6.3 focuses on this topic.

## Why this factsheet?

The focus of this fact sheet is to support companies and organisations to make sure that at least a minimum wage (or wage agreed to via a collective bargaining agreement, whichever is higher) is paid to workers and that there is a clear strategy in place for reaching a living wage for workers.

## Why minimum wages?

- The purpose of minimum wages is to protect workers against unduly low pay. They help ensure a just and equitable share of progress for all, and a minimum wage to all who are employed and in need of such protection.
- Minimum wages can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women, by promoting the right to equal remuneration for work of equal value ([wageindicator.org](https://www.ilo.org/wageindicator)).

## A DEEPER LOOK AT CRITERION 6.3— WORKERS' RIGHTS ARE RESPECTED

Let us look at the two indicators in 6.3 related to minimum and living wages:

**6.3.1 Minimum requirement** Wages of workers are paid at least in line with official minimum wage regulations, collective bargaining agreements, or other applicable official wage regulations.



### Tips and guidance

- For production, quota or piece work, the payment must be at least the minimum wage based on a 48-hour work week or national legal working hours limit, whichever is lower. In countries where the minimum wage is not adjusted annually or regulated in a Collective Bargaining Agreement (CBA)<sup>3</sup>, it is adjusted yearly for inflation based on the national inflation rate.
- In-kind benefits cannot be valued and considered to reach the minimum official wage regulation, but they are additional benefits that can be valued and considered to aspire to a living wage (see 6.3.2).
- This requirement applies to any kind of contracted workers, including subcontracted workers.

## REFERENCES

<sup>1</sup> **Minimum wages** have been defined by *International Labour Organisation (ILO)* as "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract."

<sup>2</sup> As defined by the *Global Living Wage Coalition*, a **living wage** is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living (according to the *Anker Methodology*) include food, water, housing, education, health care, transportation, clothing, and other

essential needs, including provision for unexpected events. In-kind benefits can be valued and considered to reach a living wage benchmark or reference values.

<sup>3</sup> **Collective bargaining** is a process of negotiation between employers or employers' organisations and workers' organisations aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. The parties often refer to the result of the negotiation as a collective bargaining agreement (CBA) or as a collective employment agreement (CEA). The purpose of a minimum wage, which sets a floor, should be distinguished from collective bargaining, which can be used to set wages above an existing floor.

**6.3.2 Critical stepwise** Formal commitment and targets are in place to advance towards a living wage for workers.



### Tips and guidance

- The UEBT preferred reference for living wage is the Global Living Wage Coalition (GLWC) ([www.globallivingwage.org](http://www.globallivingwage.org)) and the [Anker methodology](#). The total remuneration (wages as cash and in-kind benefits) should be assessed against a living wage benchmark or reference value in accordance with the GLWC. These benchmarks and reference values can be found on the GLWC web site and are focused on a decent standard of living for a family that is specific to a place, not a particular crop or industry. They are developed with the involvement of local stakeholders and organisations.
- In-kind benefits can be valued and considered to reach a living wage benchmark or reference values. In-kind benefits are defined by the GLWC as non-monetary benefits such as food, transport, and housing that reduce the amount of cash income that workers need for a decent standard of living. A fair and reasonable value for in-kind benefits provided needs to be taken into consideration. What is considered valid are, for example: highly subsidized or donated food services, transport service from home to the workplace and vice versa, school supplies and uniforms, private medical services, and family housing, valued at a local rate opportunity.
- In-kind benefits cannot represent more than 30% of the total remuneration, as too great a reliance on non-monetary benefits hinders empowerment and free choice. (reference: GLWC)
- Indicator 6.3.2's reference to 'Formal commitment' in this context will depend on the structure of each organization and is not restricted to a documented (written) commitment. This can also consider organized meetings to discuss strategies towards living wages, internal policies dealing with this topic, group discussions for a sector-wide approach regarding decent living conditions, etc.

### Example

#### Migrant labour and living wage benchmarks

Living wage benchmarks using the Anker Methodology are specific to a place and consider a decent standard of living for an average size family in that location, including food and housing, education and healthcare, and other essential needs. A company may be working on a strategy for living wages for its workers and not know how to handle migrant or seasonal labor that comes from another part of the country while supporting their families in a less expensive part of the country, or workers that cross international borders with families remaining behind.

When using living wage benchmarks or reference values, a company should follow two main principles:

- Living wage is meant to enable a standard of living that is decent from a human rights perspective and supports the possibility of an intact family in the location where the work is done. Therefore, the living wage benchmark or reference value should be used for the work location to estimate living wages for both migrant and local workers.
- If a living wage benchmark were to take into account a cost of living from a less expensive area (such as where migrant families live) then workers would not be able to receive the sufficient wage that could support them and their families to live where the work is located, even if this may not be feasible or even legally possible.

Therefore, living wage values should never be set differently for migrant workers from the wage values set for local workers. If there are two values used, this encourages discrimination and does not follow the concept of a living wage from a human rights perspective that is promoted by UEBT.

### Where do wage requirements apply?

These requirements apply to field operators (such as farmers or pickers), sub-suppliers, workers, and organisations at source. UEBT defines these as follows:

- **Field Operators** are individuals (farmers/collectors) or groups of individuals directly involved in the cultivation and/or collection of the raw materials. Smallholders and pickers normally use their own workforce or family labour, but they can also hire workers.
- **Workers:** Person hired to perform a task in an organization, whether related to cultivation, wild collection, administrative or other activities.
- **Organizations at Source (OaS)** are the units that manage the cultivation and/or collection activities of the raw material. They are directly responsible for ensuring compliance with the UEBT Ethical BioTrade Standard requirements applicable to them (management system and operations requirements), and, directly or indirectly, for those applicable to the Sub Suppliers and Field Operators (field level requirements) that they manage.
- **Sub-Suppliers** are an intermediary entity (e.g. local person, company, association or producers, NGO) between the OaS and Field Operators, that is in direct contact with farmers/wild collectors and supply certified ingredients to the OaS. The entity may have warehouses, drying/processing facilities and they can formally hire workers.

UEBT reference tools may be available for some living wage benchmarks and estimates. Contact us for these tools or for more guidance and training: [certification@ethicalbiotrade.org](mailto:certification@ethicalbiotrade.org)



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