Unilever Living Wage Framework

A stepwise approach to guide and assist Unilever suppliers' progress on living wage.



AUDIENCE

For Supplier Use

Unilever

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About this guidance

This Unilever Living Wage Framework is structured around five steps of the living wage journey of Unilever suppliers and creates an easy-to-understand guidance for suppliers to progress on living wages.

These steps are aligned with the living wage agenda promoted by leading organizations working on the topic, such as IDH, the Anker Institute, and the International Labour Organization (ILO).

Progression to the next step requires the full completion of the previous one, as the journey follows a structured and sequential approach. At the same time, it is important to recognize that the implementation of the living wage journey will vary across companies.

Each supplier will have its own context, priorities, and starting point, which may shape how these steps are applied in practice. Rather than a one-off exercise, progressing on living wages is an ongoing process that benefits from being reviewed and embedded over time, for example through regular (e.g. annual) assessments and continuous improvement efforts.

This guidance begins with a flowchart of questions that helps companies identify their current step in the Unilever suppliers' living wage journey.

Each step contains the following elements:

What to do: Recommended actions suppliers should take at this stage.

Content showcased: Key living wage information and resources relevant to the step, prioritizing the content that addresses suppliers' most frequent questions.

Additional resources: Further information available for suppliers who need more details.

Using this framework to address living wage audit findings

This framework is designed to help suppliers understand, assess, and progressively address living wage gaps within their operations. It can also support suppliers in responding to living wage-related findings identified through social audits, including SMETA audits.

While each supplier's situation is unique, most living wage-related findings fall into one of four categories:

If your audit finding relates to...	Relevant Step
Limited awareness, ownership or governance of Living Wage	**Step 1: Onboarding and Step 2: Engaging**
Absence of a Living Wage assessment or insufficient evidence of assessment	**Step 3: Measuring**
Living Wage gaps identified but no documented remediation plan	**Step 4: Planning**
Lack of evidence that action plans are being implemented or monitored	**Step 5: Closing**

To support continuous improvement, suppliers are encouraged to:

- Understand the issue identified.
- Assess the root causes.
- Develop a corrective action plan.
- Implement actions within agreed timelines.
- Monitor progress and maintain supporting evidence.
- Repeat assessments periodically and adjust plans where needed.

This framework provides practical guidance for each of these steps.

Alignment with Social Audits and Sedex (SMETA) Requirements

While this framework is aligned with recognised living wage principles and is designed to support suppliers in addressing living wage-related findings from SMETA and other social audits, it does not guarantee a particular audit outcome, audit rating, or closure of findings. Audit assessments remain subject to the methodology, requirements, and professional judgement applied by independent auditors. However, suppliers that consistently implement the practices described in this framework could be better positioned to demonstrate progress, provide supporting evidence, and respond effectively to audit observations and corrective actions. Appropriate documentation and evidence should be maintained to support implementation and continuous improvement.

Framework flowchart

In this flowchart, a set of simple questions is presented to help identify the stage of the Unilever Living Wage Framework your company is currently in.

Based on your responses, you will be directed to the content corresponding to the step you have indicated, where you will find the guidance, information, and actions that need to be undertaken at that specific point of your journey.

Framework flowchart

START

Answer the questions in each step, from top to bottom. Stop at the first step where you answer "no" to any question.

1 Step 1: Onboarding

Any "No" → you are here

- Do you know what a living wage is and how it differs from a minimum wage?
- Are you aware of the business advantages of paying a living wage?
- Are you familiar with credible living wage estimates and how to find them?

Yes to all → continue to Step 2

2 Step 2: Engaging

Any "No" → you are here

- Have you defined the team that will lead the living wage agenda within your company?
- Have you and relevant colleagues within your company reviewed the Unilever Living Wage Partner Promise and understood its expectations?
- Has your company formally committed to join the Unilever Living Wage Supplier Program? (Yes, through signing the Living Wage Partner Promise or the Special Terms of Contract)

Yes to all → continue to Step 3

3 Step 3: Measuring

Any "No" → you are here

- Has your company defined the scope to be included in the living wage gap assessment (i.e. group of workers, locations and operations)?
- Have you selected credible living wage estimates for your gap assessment recognized by IDH?
- Do you know which salary components can be considered in the calculation of workers remuneration to be comparable to a living wage estimate?
- Has your company assessed whether there were any living wage gaps in the past year using available tools?

Yes to all → continue to Step 4

- ***If no living wage gaps were identified, your company is already paying living wages. To sustain this position, formalize through a clear policy and assess wages annually.***

4 Step 4: Planning

Any "No" → you are here

If a living wage gap was identified:

- Has your company defined a clear target for its living wage journey?
- Has your company developed an action plan to close the living wage gaps identified?

Yes to all → continue to Step 5

5 Step 5: Closing

Any "No" → you are here

- Has your company started taking actions at closing wage gaps and progressing towards a living wage in your own operations?
- Has your company set up the governance for the review process of living wages on an annual basis?

Yes to all, congratulations! Your company is actively - your company is actively working on living wage in the scope you set. To sustain this position, ensure that this commitment is formalized through a clear policy, supported by defined procedures, and that wages are assessed annually against credible living wage estimates to maintain ongoing alignment.

Additionally, continue with sharing your learnings with other companies and communicating about your experience; Exploring if you could expand your scope of gap measurement, for instance by repeating step 3 and 4 for more facilities, more countries, more workers, and/or engaging your supply chain.

STEP 1

Onboarding

Understand living wage and build internal buy-in

Unilever

Living Wage Supplier Programme

Step 1: Onboarding

What to do in this step

Build an **initial understanding** by reading the content related to this step and by participating in **living wage learning activities**.

Increase **internal knowledge** and buy-in by involving relevant colleagues from the start.

Living Wage is a **cross-functional journey**, and we recommend engaging Procurement, Human Resources, Sustainability, Sales/Commercial teams, as well as other relevant internal stakeholders. Regardless of who initially receives or reviews this guidance, successful implementation typically requires **collaboration across multiple functions**.

Join one of the **webinars** that Unilever offers to suppliers on a regular basis, where Unilever shares guidance on the **living wage agenda** and engages suppliers on **what is expected**.

1.1 What is a living wage

- The International Labour Organisation (ILO) (ILO, 2024) denotes the concept of living wage as: the wage level that is necessary to afford a decent standard of living for workers and their families, considering the country circumstances and calculated for the work performed during the normal hours of work.
- According to the Global Living Wage Coalition (GLWC), a decent standard of living includes adequate food, water, housing, education, healthcare, transportation, clothing and other essential needs, such as provisions for unexpected events.
- The normal hours of work refers to the time at the disposal of the employer within the legal working time determined by regulations and national practices. This definition excludes overtime (as set by the ILO and GLWC).

1.2 What is the difference between living wage and minimum wage

- Minimum wages are prescribed wage levels that are mandatory by local or national law. In some cases, they are sector specific. Minimum wages are set by governments and often reflect the supply and demand of labour – balancing needs of employers and employees.
- Living wages are determined by assessing the income needed for a basic but decent standard of living. They are based on the actual costs of essential needs such as housing, food, and transportation and consider the difference between net and gross pay to ensure workers take home a sufficient income.

Step 1: Onboarding

1.3 Why Unilever is working on living wage

- Living wage is a human right and is directly linked to the Sustainable Development Goals (SDGs), particularly those related to poverty reduction and food security.
- Living Wage is also a key component of Unilever's Human Rights strategy and commitment to respect and advance human rights across its value chain. Improving wages contributes to stronger worker wellbeing, more resilient supply chains and long-term business sustainability.
- Addressing these issues not only supports the long-term sustainability of the value chain but also strengthens Unilever's brand reputation, as well as that of its suppliers. Many leading companies have already committed to advancing on living wage in their supply chains.
- In parallel, governments, international organizations and investors are increasingly expecting companies to enable living wages.
- This is why paying a living wage is a business imperative for Unilever.

1.4 What are the business benefits for paying a living wage

From Unilever's experience, implementing living wages can deliver important business benefits, including improved employee wellbeing and engagement, reduced turnover and associated costs, and stronger productivity. It can also reinforce a company's reputation as a responsible employer. Check some case examples here:

- **A systematic approach can successfully close living wage gaps** – Through a global roadmap, regular gap assessments and targeted remediation plans, Unilever achieved Living Wage accreditation while strengthening employee retention, productivity and long-term competitiveness. (Case Study - Unilever - fair-wage.com)

- **Investing in Living Wages delivers measurable business and social value** - Unilever's experience in Pakistan showed that paying a living wage improved worker wellbeing and motivation while increasing productivity and sales performance, demonstrating a strong business case for fair pay. (Unilever's Living Wage Impact in Pakistan)

- **Living Wage investment can pay back through productivity, retention and economic value** – Unilever Philippines' impact study showed that Living Wage implementation requires investment, but can support reduced turnover, higher productivity, and economically viable outcomes with benefits outweighing costs. (Report Executive Summary.)

- **Improved productivity and reduced turnover** – e.g. Costco significantly reduced its employee turnover rate and experienced greater productivity. (Harvard Business Review, 2006).

- **Cost savings as a result of changed worker behaviour** – e.g. Fortune 500 retailer gained 35% ROI in cost savings due to wage increase yielding positive net return from increased productivity and reduced turnover costs. (Harrington & Emanuel, Harvard, 2020).

- **Boost brand value, reputation and customer loyalty** - e.g. 86% of UK living wage certified companies reported reputational benefits; 64% said it differentiated them in the market. (UK Living wage Foundation, 2017).

- **Higher retention, better product quality and lower recruitment costs**. It builds trust with employees and customers, and as a supplier it signals leadership in a competitive market where brands and buyers are under growing pressure to meet human rights expectations. (Cardiff University, 2021)

See more case studies on business benefits here.

1.5 How are living wage estimates calculated

- A living wage is measured by estimating the costs of a basic, but decent standard of living in a specific location, including essential needs such as housing, food, transportation, education, healthcare, clothing and other necessities for a family including unexpected events. The costs should reflect local prices.
- For IDH recognized methodologies, the total cost for a family is then divided by the typical number of working adults to reflect the contribution of other wage earners to the total household income. This value indicates the necessary take-home pay for one worker (or the net living wage) in a specific region on a monthly basis. This net living wage is then adjusted to account for taxes and deductions. Living wage estimates are often expressed in both local currency and US dollars.
- The living wage calculation accounts for inflation, as each estimate is specific to a given calendar year.
- Living wage estimates are updated either through new data collected on an annual basis, or by adjusting previous figures to reflect inflation.
- As the cost of housing, food, transportation, education, and other essentials varies across different regions within a country, living wage estimates can also vary accordingly. It is therefore important to use the estimate that most closely reflects the specific region in question.

1.6 What are credible living wage estimates

- Living wage estimates are developed by a range of independent researchers, trade unions, and organizations, typically in consultation with local stakeholders. While the core principles are broadly aligned, living wage methodologies may vary slightly on how they calculate living wage estimates. For instance, some methodologies rely primarily on desk-based research, while others incorporate field data collection. Methodologies may also differ on their geographical scope with some providing estimates at national level while others at the regional or sub-regional levels. Some living wage estimates are publicly available online while others require purchase.
- To support understanding whether a living wage methodology is robust or not, IDH has developed a process to recognize credible living wage estimate methodologies available in the market.
- Based on this process, Unilever recommends the following organizations:
    - WageIndicator Typical Family Methodology (free accessible to Unilever suppliers and the public through Unilever sponsorship)
    - ARI Anker Methodology
    - Fair Wage Network Typical Family Methodology
    - Living wage for US Typical Family Methodology
    - ARI Reference Value (credible, comparable estimates of living wages and incomes where full estimates have not yet been conducted).

Companies are strongly recommended to use any of the methodologies above. Using a methodology recognized by IDH:

1. Reduces the risk of working with incorrect, inflated or underestimated living wage estimates;
2. Avoids the use of non-comparable estimates when different regions are considered;
3. Ensures methodological alignment and ease in external audits.

1.7 What is a living wage gap

- The living wage gap is the difference between the living wage estimate for a particular region and the comparable current remuneration of a worker.
- The living wage estimate for a given region is the net income a worker needs to earn to achieve a decent standard of living for themselves and their family. The comparable current monthly remuneration of a worker includes wages, bonuses, and in-kind benefits (further details can be found in Step 3).

Unilever recognizes that progress on living wage is a shared journey.

Through this framework, supplier engagement, learning opportunities and practical resources, Unilever aims to support suppliers in understanding, assessing and progressively addressing living wage gaps over time.

Additional resources

- Unilever Resource Hub – Dedicated resource page providing suppliers with practical implementation support, including guidance documents, playbooks, FAQs, webinar recordings, and other tools.
- UN Global Compact (UNGC) E-learning - Advancing living wages Forward Faster: Guidance for Supply Chain Implementation.
- IDH Living Wage Roadmap and Resource library with additional resources on living wages.
- IDH Estimate Recognition Criteria and IDH Living Wage Estimates Finder with additional resources on IDH recognised living wage estimates.
- AIM-Progress Living Wage Playbook

STEP 2

Engaging

Learn about and sign the Unilever Living Wage Partner Promise

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Living Wage Supplier Programme

Step 2: Engaging

What to do in this step

Make yourself familiar with the **Living Wage Partner Promise** and its **expectations**.

If you have any questions:

- Join one of the **webinars** that Unilever offers to suppliers on a regular basis, where Unilever shares guidance on the living wage agenda and engages suppliers on **what is expected**, or
- Reach out by email to Social.Sustainability@unilever.com

Sign and submit the **Living Wage Partner Promise.**

2.1 What is the Unilever Living Wage Partner Promise

Unilever's ambition is for everyone in its value chain to earn a decent livelihood, including a living wage. Delivering on this ambition requires the commitment and collaboration of Unilever's suppliers. By signing the Living Wage Partner Promise, suppliers:

- Express their intention to support the living wage ambition.
- Signal their interest in engaging in the living wage journey, starting with their own operations and evolving over time.

The Living Wage Partner Promise:

- Is non-legally binding and serves as a collaboration and engagement tool.
- Does not include fixed timelines, recognizing that each supplier's living wage journey is unique.

Over time, Unilever aims to work with its value chain partners as they progress towards a living wage.

Click here to access the Unilever Living Wage Partner Promise

2.2 What does signing the Living Wage Partner Promise entail

- By signing the Living Wage Partner Promise, suppliers are invited to conduct an evaluation of potential living wage gaps within their operations, explore possible strategies to address those gaps, and share insights, learnings, and plans to support broader knowledge exchange.
- Suppliers are also encouraged to track their progress over time and report on their journey towards a living wage.
- Suppliers are not required to conduct a living wage gap assessment prior to the signing of the Living Wage Partner Promise, and they are also not required to be currently paying a living wage as a condition to sign the document. Both actions may be undertaken after the Living Wage Partner Promise has been signed.
- Suppliers may suggest adjustments to the Living Wage Partner Promise, provided the core intentions remain unchanged. Please contact Social.Sustainability@unilever.com to discuss any proposed changes.
- The Living Wage Partner Promise represents the first step in engaging with the living wage agenda and allows Unilever to better understand where suppliers are in their journey. Signing the Living Wage Partner Promise helps make this engagement visible for Unilever and creates a shared basis for collaboration going forward.

Step 2: Engaging

2.3 What are the differences between the Living Wage Partner Promise and the Special Terms of Contract

- For collaborative manufacturers, aspects related to living wages may be reflected in Special Terms of Contract. The Living Wage Partner Promise applies to all other suppliers.
- Special Terms of Contract are legally binding and establish a defined deadline by which the supplier is required to implement the living wage at the specified site.
- Should you be required to proceed with Special Terms of Contract, your Procurement buyer will contact you directly. All other suppliers are invited to sign the Living Wage Partner Promise through the publicly available link.

2.4 What information is required after signing the Living Wage Partner Promise

After signing the Living Wage Partner Promise, suppliers are encouraged to follow steps 3 to 5 of the framework. This will enable your company to:

- **Step 3:** Determine the scope of implementation and assess the potential living wage gaps.
- **Step 4:** Explore targets and developing a plan to address identified gaps.
- **Step 5:** Take actions over time to support progress on living wages.

Unilever invites suppliers to share updates on their progress on a regular basis (at least annually or when significant progress is made) through the living wage questionnaire available in the HICX Supplier Portal.

The Supplier Portal is a restricted-access platform, ensuring that the information shared is only visible to the supplier and the Unilever team. Supplier-level information is treated confidentially and will not be disclosed outside of Unilever. No sensitive data, such as individual salaries, is requested through the questionnaire.

Illustrative timelines

Every supplier's Living Wage journey will be different and there are no mandatory timelines associated with the Living Wage Partner Promise. However, companies often find it useful to work towards indicative milestones such as:

Building awareness and internal ownership within the **first 3 months**	Completing an initial Living Wage gap assessment within the **first 6 months**	Reviewing progress and reassessing wage gaps on a regular basis, **typically annually**

These examples are for illustration only and should be adapted to each company's context and level of maturity.

Additional resources

- Unilever's Living Wage Partner Promise
- Unilever's Living Wage Supplier Programme

STEP 3

Measuring

Assess the gap between wages and a living wage

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Step 3: Measuring

What to do in this step

- Build more **understanding** by reviewing the **materials** related to this step.
- Determine the **scope** for your **living wage gap assessment**.

- Identify the **salary components** that can be considered in the calculation of workers' **remuneration** to be comparable to a living wage estimate.
- Assess your **living wage gap** using **recommended living wage estimates** and available tools. The assessment should be done on a **periodic basis (usually annually)**.

- As a good practice, consider **verifying your calculations** where possible.
- Start **engaging workers, workers' representatives, and trade unions** at this stage, explaining the **importance of living wages** and encouraging their involvement in the assessment.

3.1 How to define the scope of implementation and which type of workers should be included

- The scope of implementation refers to the group of workers, locations, and operations that will be included in your living wage gap assessment.
- When defining your scope, it is recommended to start with your workforce in operations linked to Unilever.
- It is recommended to take a risk-based and progressive approach (prioritizing workers and locations that are more likely to face living wage gaps), recognizing that it may not be feasible to assess all workers and geographies at once.
- If your company is subject to a SMETA or other social audit required by Unilever, particular attention should be given to the sites supplying to Unilever. These may already provide a structured entry point for assessment. Accordingly, you may consider prioritizing these sites when initiating your assessment.
- Where possible, include a broad range of workers within the selected scope, regardless of:
  - Type of contract (permanent, part-time, seasonal or temporary);
  - The contract holder (your company, a subcontractor, or a temporary work agency);
  - The number of contracts (single, consecutive, fixed-term, or indefinite).
- Contract type or employment arrangement should not, on itself, be a reason to exclude workers from being considered in the assessment.
- As your approach develops, you are encouraged to gradually expand the scope to include additional locations and categories of workers, such as third-party and contracted workers.
- In the longer term, further impact can be achieved through engagement with suppliers and business partners, recognizing that progress on living wages requires collaboration across the value chain.

3.2 How to prioritize regions and workers for your own operations

- Not every part of your operations faces the same risks or creates the same opportunities for action. Under a human rights due diligence approach, prioritization should start with risk – focusing first where workers are most at risk of not earning a living wage or where the potential for harm is greatest.
- Factors to consider:
  - Prioritize geographies and operations with a higher structural wage gap and higher share of workers.
  - Include direct employees and core contract workers (such as contingent workers). Consider the option to include also non-core contract workers (workers who perform supporting/operational tasks and employed by third parties/service providers).
  - Make sure you also include vulnerable workers such as women, minorities and low skilled workers.

3.3 How to find and choose credible living wage estimates

To identify whether a living wage estimate is available for a particular region, IDH has developed the Living Wage Estimate Finder.

This tool helps companies find credible living wage estimates across the countries in which they operate or source from. By selecting a region, users can access a list of available IDH recognized estimates.

- Choose an estimate that best reflects your region and aligns with the year of the payroll data being used for the living wage gap assessment.
- Unilever does not mandate a specific living wage estimate for your organization. However, suppliers are encouraged to use Living Wage methodologies recognized by IDH.
- Working with methodologies recognized by IDH Initiative can also help to ensure accurate and reliable values for external reviews and audits.
- When selecting a living wage estimate, suppliers are encouraged to apply one credible and clearly documented estimate consistently for the relevant site or workforce context. Where more than one estimate is available, the rationale for selecting one over another should be recorded and based on factors such as local relevance, methodological credibility and transparency.

3.4 What to do when credible location-specific living wage estimates are not available

It is recommended to choose an estimate that is:

- Location-specific (city/region/locality)
- If not available: regional/state/province
- If not available: urban vs. rural
- If only a country- or state-level figure exists; use it as a proxy

We recommend that suppliers do not independently measure or edit the estimates.

3.5 Which tool is recommended to calculate the living wage gap

- The Salary Matrix – IDH is a widely used, sector-agnostic and free online tool designed to support the calculation of living wage gaps and demonstrate progress over time.
- It enables companies compare remuneration data with relevant living wage estimates for specific regions, helping to identify potential living wage gaps.
- Further information on how to use the tool as well as details on data confidentiality in the Salary Matrix guidance materials.
- Structured tools such as the IDH Salary Matrix can support more consistent data collection and wage gap calculation. Note that the use of a tool alone does not constitute independent verification. The credibility of the outcome depends on the quality of the underlying data, the transparency of assumptions, and the consistency with which the recognized methodology is applied.

Step 3: Measuring

3.6 How to measure current remuneration

- To measure the living wage gap, you should compare the living wage estimate with what workers actually earn – referred to as current comparable remuneration. To ensure a consistent comparison, in line with the living wage definition, only specific types of remuneration should be included.
- Always evaluate a concluded payroll year in your living wage assessment not to make any assumptions on what will be the comparable remuneration earned within a year.
- The current comparable remuneration of a worker typically includes:

Wages

Regular pay earned during a standard workweek (excluding overtime). For workers who work more or fewer hours than a standard workweek, remuneration should be adjusted to a full-time equivalent basis.

Bonuses

Pre-agreed bonuses that are part of the regular compensation package (excluding irregular or overtime-related bonuses). To be eligible:

- The bonus must be known and expected by the workers at the start of employment and not at the sole discretion of the employer.
- The worker must know in advance the amount they are entitled to receive.
- For workers not employed in a full-time basis, bonuses should be adjusted proportionally to hours worked.

In-kind benefits

Non-cash benefits such as food, housing, childcare, children's education support or transportation. When allowed by national or local legislation, only specific in-kind benefits can be considered. To be eligible, these benefits should:

- **be available to all workers within a given job category;**
- **be accepted and valued by workers;**
- **meet appropriate safety and quality standards;**
- **be additional to what is publicly provided;**
- **be consistent with the definition of a living wage;**
- **contribute to meeting basic living costs reflected in the living wage estimate.**

- In-kind benefits should be included only where they are regular, clearly documented, valued in a transparent way, and genuinely reduce workers' living costs. Their treatment should be consistent with recognized living wage methodologies and current good practice, and suppliers should clearly document how any valuation approach has been applied.
- Based on the principles for in-kind benefits outlined in the Anker Methodology, it is recommended that the total of in-kind benefits should not exceed 30% of the total remuneration to ensure the worker right to self-determination. Within this:
  - Housing is typically capped at 15% of total remuneration.
  - Other benefits are typically capped at 10%.

The IDH Salary Matrix automatically applies these thresholds in its calculations.

- For more detailed guidance on eligible bonuses and in-kind benefits, please refer to the IDH E-learning website
- Living wage estimates are expressed as net values (take-home pay). As such, the comparison should be made using workers' net remuneration after taxes and statutory deductions.
- Engagement with workers, trade unions, and worker representatives is encouraged when assessing the living wage gaps and choosing the living wage estimate. Further guidance on engagement with unions & worker representatives can be found through the link.
- To support a robust assessment, remuneration data should be clearly defined, consistently recorded and traceable to underlying records such as payroll documentation, working-time records and employment contracts. Where wage data is incomplete, inconsistently structured or difficult to reconcile with supporting documentation, this can reduce confidence in the resulting living wage gap assessment.

Note on piece-rate or output-based payment systems

Only remuneration earned during regular working hours should be included in a living wage calculation. Incentives linked to extraordinary productivity should be excluded.

Where workers are paid through piece-rate or performance-based systems, suppliers should ensure that the living wage assessment can demonstrate that workers can earn the applicable living wage during ordinary working hours while working at a normal pace, without relying on excessive productivity or overtime.

3.7 Why living wage gap assessments should be conducted annually

- Living wage estimates reflect the cost of a basic standard of living in a specific region and may change over time, for example due to inflation and variations in local prices.
- Workforce composition and compensation structures may also change from year to year, which can affect the assessment results.
- For this reason, it is considered a good practice to measure living wage gaps on a regular basis (e.g. annually). Regular assessments help track progress over time and support clear communication on the effectiveness of actions taken. This transparency can strengthen collaboration with partners and contribute to building trust.
- As a practical guide, the assessment process should be completed within a few months (commonly 3-6 months), allowing sufficient time during the year to develop and implement actions based on the findings.

3.8 What is the added value of verification

- Verification gives credibility to the data and the overall process, building confidence that the findings are accurate and comparable.
- It is recommended to complement self-assessments with independent verifications where feasible. Independent review can help to:
  - verify accuracy and robustness of the living wage gap assessment;
  - strengthen the credibility to the reported progress and related claims;
  - support more informed decision-making and continuous improvement efforts.
- Common approaches to verification include the accreditation from specialized organizations, and social certification and monitoring schemes. IDH have created Salary Matrix Auditor Guidelines and training.
- Credible, independent verification may typically include checking whether remuneration data is sufficiently documented and traceable, whether the living wage estimate used is appropriate for the relevant location and time, and whether the living wage gap calculation has been applied consistently and transparently. Depending on the intended use of the results, credible verification may also include triangulation across payroll records, working-time records and other relevant evidence, as well as appropriate worker input.
- Further practical direction is available through this practical guidance by IDH and ISEAL for companies seeking to verify the living wage data they collect.

Note on fit-for-purpose verification*

Companies undertake living wage verification for a variety of reasons. The scope and level of assurance may vary depending on the intended use of the results. For example, verification conducted to support internal learning or supplier dialogue may differ in scope from verification used for external reporting, public claims, or other disclosures. Suppliers should ensure that the verification approach is appropriate for its intended purpose, and that the results are interpreted and communicated responsibly.

**From the practical guidance by ISEAL and IDH.*

Additional resources

- Estimates Finder tool
- Salary Matrix tool
- Module 5 in the UN Global Compact Academy course – Advancing living wages Forward Faster: Guidance for Supply Chain Implementation (publicly available)
- Additional guidance by IDH on verifying living wage calculations
- Considerations for companies commissioning verification services by ISEAL and IDH

STEP 4

Planning

Set targets and plan actions to close the gaps

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Step 4: Planning

What to do in this step

Build an **understanding** on how to develop a **living wage plan**, including **practical actions** to progressively close the living wage gap.

Set up a **clear living wage target** and create an **action plan** outlining how the living wage gap will be addressed over time.

Begin implementing priority actions from your companies' **living wage plan**

4.1 Developing an Action Plan

If a Living Wage gap has been identified through an internal assessment, external verification, customer request, or social audit, suppliers are encouraged to develop a documented action plan.

An effective action plan should:

- Clearly define the issue identified;
- Identify the likely root cause;
- Set realistic and measurable actions;
- Assign responsibility for implementation;
- Establish time-bound milestones;
- Obtain leadership approval;
- Define how progress will be monitored;
- Include evidence that can demonstrate implementation.

An action plan should focus not only on correcting the identified issue, but also on preventing recurrence.

4.2 What if I assess that we don't have wage gaps compared to living wages?

Congratulations. If no living wage gaps were identified it means that your company is already paying living wages to the workers within the scope of your assessment. To sustain this position, ensure living wages are formalized through a clear policy, supported by defined procedures, and that wages are assessed annually against credible living wage estimates to maintain ongoing alignment.

4.3 How to set up clear targets

Set clear and transparent targets for your companies' living wage journey. The following principles can support target setting:

- **Specific:** define what needs to be achieved (e.g. how much of the living wage gap will be addressed) and the intended impact (e.g. number of workers reached).
- **Measurable:** quantify targets to enable tracking of progress (e.g. closing X% of the living wage gap).
- **Achievable:** ensure targets are realistic and consider operational constraints, including the need to engage with workers and incorporate their perspectives.
- **Relevant:** take into account key stakeholder input, particularly ensuring workers' voice is considered.
- **Time-bound:** set a clear and feasible timeframe for achieving the targets.
- **The targets to close the living wage gap must be reviewed and approved by company leadership.**

Step 4: Planning

Examples of living wage targets:

- 100% of workers in our own operations are earning a living wage by 2032.
- Reduce the current living wage gap by 10% annually for the next 10 years.

As a good practice, companies are encouraged to communicate living wage targets externally. However, it may also be established and maintained only as an internal company objective.

4.4 How to take action to close living wage gaps

- There are different ways to make progress on living wages. The most appropriate approach will depend on the company, sector, local context and the size of the living wage gap.
- Increasing wages, bonuses and/or in-kind benefits is the most direct way to close living wage gaps. However, in practice, this may require a combination of enabling actions. The examples below illustrate different levers that can support progress and can be adapted to each context.

Actions related to in-kind benefits

- Suppliers can review whether existing **in-kind benefits could be strengthened** to help reduce workers' living costs. This may include improving access to subsidized meals, transport, childcare, housing or education support.
- Suppliers should ensure benefits are valued by workers, meet appropriate quality standards, and are accessible to all workers within the relevant job category.
- Suppliers can assess which **in-kind benefits are most relevant** in the countries where they operate and whether these can complement wage increases. For instance, in some contexts healthcare, meals or transport support may form part of remuneration and/or provide tax advantages, helping reduce workers' out-of-pocket expenses while supporting progress towards living wages. For instance, in Brazil companies can benefit from tax incentives if they participate in the government program that supports workers with food costs.

See how improvement of midday meals helped improve wages in the tea sector in Malawi.

Actions related to supplier' production and operations

- Invest in **productivity improvements** (e.g., training, technology, processes) so efficiency gains can support closing wage gaps.

A study executed by New Foresight for ILO and Rainforest Alliance investigated how wages could be improved in the Indian tea sector. The study showed that in some regions, productivity increasing measures could close part of the living wage gap in part of the season. Especially in the peak season there were possibilities to increase productivity to allow workers to earn a wage that is close to the living wage.

Strengthen profitability by ensuring business models allow for fair and sustainable wages.

For example, H&M Group developed a holistic strategy to improve wages and working conditions for workers in their supply chains. One of the elements in the strategy was the improvement of the productivity of their supplier's factories. H&M Group works closely together with suppliers to implement efficiency programs that support productivity gains and improvements at factories. The company found that an increase in efficiency in the facilities by 10% led to an increase in wages by, on average, 3.8%. This illustrates how productivity improvement can be an enabler for higher wages.

Improve product quality to increase value and revenues, which can then support higher wages.

As an example, in the Better Pay in Practice Program, a program between Rainforest Alliance and the Dutch supermarket chain Albert Heijn, different supply chain partners worked together to develop practical solutions to address the challenges of paying a living wage in the coffee sector in Kenya. A cost analysis was executed which showed that much of the additional costs involved in paying living wages could be covered by utilizing improved agricultural practices that increase quality, productivity, and efficiency.

Actions related to social dialogue and remuneration systems

- Strengthen worker voice and social dialogue, enabling workers to contribute to wage-setting and workplace practices.
- Support and engage in collective bargaining agreements (CBAs) to enable structured and sustained wage improvements over time.
- Review and adjust pay systems to improve fairness, reduce discrimination and ensure transparent wage progression.
- Worker engagement can strengthen both the quality of wage assessments and the credibility of follow-up actions. Worker representatives, unions or other trusted worker voice channels can help validate how remuneration is experienced in practice and provide important context for interpreting results.

4.5 How to create action plans to progressively close the living wage gap

- In many cases, closing living wage gaps requires a phased approach rather than immediate wage adjustments. Companies are encouraged to build an internal business case that considers operational realities, business benefits, workforce stability and productivity improvements. Where relevant, engagement with customers and business partners may also help identify opportunities to support long-term progress.
- Combining different types of actions is typically more effective. For instance, a company could combine short-term interventions (such as adjusting bonuses) with longer-term enablers (such as strengthening social dialogue).
- Wage increases are rarely one-off interventions. Sustained progress usually requires structural improvements to maintain living wage levels over time.
- It is important to actively involve worker voice and social dialogue in discussions to improve wages, and when designing and implementing action plans, as overlooking these elements can limit the effectiveness and sustainability of outcomes.

4.6 How other companies are working on living wage

- More examples on how companies are advancing on living wages can be found in case studies from organizations such as: Royal LC Packaging; Schneider Electric; as well as in resources developed by IDH, WageIndicator Foundation, and the Living Wage Foundation.
- To further support companies in addressing living wage gaps, IDH has developed the Living Wage Action Guide. This tool helps companies understand how collaboration across the supply chain can support progress and overcome common barriers in closing living wage gaps.

Additional resources

- More information on Responsible Procurement Practices
- Training module on Collective Bargaining of Wages by ILO
- Module 'How to take Action' in the UN Global Compact course – Advancing Living Wages Forward Faster (publicly available)

STEP 5

Closing

Implement, track progress and report

Unilever

Living Wage Supplier Programme

Step 5: Closing

What to do in this step

Implement the actions set in your companies' **action plan** to progressively **close living wage gaps**.

Track progress over time, **share learnings**, and communicate on your **living wage journey**.

Explore opportunities to **expand the scope** of living wage gap measurement (e.g. by covering **additional facilities, countries or workers**, and/or engaging your **supply chain**).

5.1 How to track and report progress on living wage

- Reporting progress on living wages helps showcase the scale of the challenge and identify who is most affected, while demonstrating whether interventions are delivering meaningful impact. Transparency and comparability of results strengthen accountability to workers and other stakeholders, highlighting where additional support may be needed. Additionally, it helps build trust with buyers, supporting more constructive discussions on partnerships.

What to track on wage assessments:

- Percentage and number of workers earning below a living wage.
    - Advanced practice: to disaggregate by gender.
- Average size of the living wage gap (%) compared to the living wage.
    - Advanced practice: to disaggregate by gender.
- Living wage estimate used, including reference date and source.

Track progress over time:

- Monitor changes year-on-year, such as:
    - Reduction in the number of workers below a living wage.
    - Decrease in the average living wage gaps.
    - Progress against defined targets and milestones.

What to track in plans and actions:

- Commitments or action plans in place, including steps already implemented and next steps planned.
- How workers have been involved in shaping and/or implementing these actions.
- Why it matters: quantitative results show outcomes, while plans and actions explain how progress is being achieved. Sharing both gives context, demonstrates momentum and helps build trust with partners.

Step 5: Closing

5.2 Monitoring the benefits of living wage implementation

- To assess the benefits of implementing a living wage, suppliers are encouraged to monitor a set of people-related and performance indicators. These indicators help demonstrate how better wages contribute to workforce stability, engagement, and productivity.
- Recommended indicators to monitor include:
  - Conduct regular worker surveys to understand employee perceptions, engagement levels, and overall well-being.
  - Use manager feedback or team evaluations to assess changes in performance, motivation, and collaboration.
  - Track absenteeism and turnover rates, to identify whether workforce stability improves over time.
  - Track productivity metrics such as measuring output per hour or per employee, volume of tasks completed, adherence to deadlines or quality of work.
- Such an impact assessment should ideally be carried out on a regular (e.g. annual) basis and shared with senior leadership to support decision-making on living wage and continuous wage improvement.

5.3 How to make living wage claims

- Once a company has committed to addressing living wages internally, it is important to consider when and how to communicate this commitment externally. A clear living wage claim can help reinforce momentum and demonstrate leadership on the topic.
- The ISEAL Alliance developed a guiding framework for credible living wage claims in 2023, with inputs from a range of standard-setting organizations, companies, and trade union representatives.
- The guiding framework aims to advance good practices for making robust and credible claims, supporting both the integrity of living wage goals and the practical needs of businesses.
- Any public claims should be clear, relevant, supported by publicly available data and evidence, and can be checked to enable informed choices. Claims should accurately reflect what has been assessed and should not be misleading or overstate the result.

Engaging partners and business partners

Once companies have established a structured approach within their own operations, they may consider expanding Living Wage engagement to suppliers and business partners.

A practical first step is to prioritize suppliers operating in higher-risk geographies, labour-intensive sectors or areas where worker vulnerability may be greatest.

Companies are encouraged to start with awareness-building and dialogue, progressively supporting suppliers in understanding, assessing and addressing living wage gaps within their own operations.

(Target 2 from Forward Faster initiative from UNGC provides guidance on engaging supply chains (Living Wage | Forward Faster).

Additional resources

- ISEAL guidance framework: Making credible living wage claims
- How to make public commitments with UN Global Compact: Forward Faster Action Guide

Annex

In-text references and additional resources

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Living Wage Supplier Programme

Annex:
In-text references / Additional resources

Step 1: Onboarding

- Frequently Asked Questions (FAQ)
- Unilever Resource Hub - Living Wage Supplier Programme | Unilever
- International Labour Organization (ILO) - Living wages
- Global Living wage Coalition (GLWC)
- Sustainable Development Goals (SDGs) - 17 Goals
- A systematic approach can successfully close living wage gaps – Unilever Case Study
- Investing in Living Wages delivers measurable business and social value - Unilever's Living Wage Impact in Pakistan
- Living Wage investment can pay back through productivity, retention and economic value – Unilever Philippines' impact study
- Harvard Business Review, 2006 - Improved productivity and reduced turnover
- (Harrington & Emanuel, Harvard, 2020) - Cost savings as a result of changed worker behaviour
- UK Living wage Foundation, 2017)- Boost brand value, reputation and customer loyalty
- Cardiff University, 2021 - Higher retention, better product quality and lower recruitment costs.
- Living Wage Foundation: Employer case studies on business benefits
- IDH Recommended Living Wage Estimate Methodologies
- IDH recognised methodologies (June 2026):
    - WageIndicator Typical Family Methodology (publicly available to Unilever suppliers through sponsoring of Unilever)
    - ARI Anker Methodology
    - Fair Wage Network Typical Family Methodology
    - Living wage for US Typical Family Methodology
    - ARI Reference Value (credible, comparable estimates of living wages and incomes where full estimates have not yet been conducted).
- Unilever's webinar recordings (country partner events) with living wage guidance (year 2024).
- UN Global Compact (UNGC) E-learning - Advancing living wages Forward Faster: Guidance for Supply Chain Implementation.
- IDH Living Wage Roadmap and Resource library with additional resources on living wages.
- IDH Estimate Recognition Criteria and IDH Living Wage Estimates Finder with additional resources on IDH recognised living wage estimates.
- AIM-Progress Living Wage Playbook

Step 2: Engaging

- Unilever's Living Wage Partner Promise
- Unilever's Living wage Supplier Programme

Annex: In-text references / Additional resources

Step 3: Measuring

- IDH Living Wage Estimate Finder
- IDH Salary Matrix Tool and E-learning / Data confidentiality
- IDH Recommendations for trade unions and worker representatives' involvement
- Module 5 in the UN Global Compact course - Advancing Living Wages Forward Faster: Guidance for Supply Chain Implementation (publicly available)
- IDH Auditor Guidelines for verifying living wage gaps
- ISEAL and IDH guidance on verifying living wage data

Step 4: Planning

- An unprecedented collaboration: Malawi Tea 2020
- New Foresight report on workers' wages and working conditions in the tea sector – and the role of global supply chains to address them
- Intervention: Enhance facility productivity
- Intervention: Improve product quality
- Additional case studies: Royal LC Packaging; Schneider Electric; as well as in resources developed by IDH, WageIndicator Foundation, and the Living wage Foundation.
- IDH Living Wage Action Guide
- More information on Responsible Procurement Practices by UN Global Compact
- Training module on Collective Bargaining of Wages by ILO
- Module 'How to take Action' in the UN Global Compact course - Advancing Living Wages Forward Faster: Guidance for Supply Chain Implementation (publicly available)

Step 5: Closing

- ISEAL guidance framework: Making credible living wage claims: A framework to guide practice
- How to make public commitments with UN Global Compact: Forward Faster Action Guide
- Forward Faster initiative from UNGC - Target 2 - Living Wage | Forward Faster

Acknowledgments

IDH – The Sustainable Trade Initiative

IDH seeks to transform markets through collaborative innovation, convening and investment in inclusive and sustainable solutions that enable businesses to create value for people and planet.

To achieve this, IDH brings together coalitions of committed stakeholders from across global value chains towards joint visions and program agendas for sustainable trade.

IDH's international presence extends to multiple regions and landscapes, facilitated by a network of around 400 staff including experts who are embedded in key agricultural, manufacturing, apparel and commodity value chains. In 15 years of operation, IDH has mobilised private sector investment and support to test and innovate new business models designed to create better jobs, better incomes, a better environment, and gender equity for all.

Learn more about IDH and their work

Unilever Living Wage Framework

