



A LIVING WAGE: FREQUENTLY ASKED QUESTIONS

What is 'a living wage'?

A living wage is broadly understood as the amount necessary for a worker to support themselves and their family. The [ILO](#) defines the living wage as: *'the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work'*, while the [Global Living Wage](#) coalition describes it as *'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 include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.'*

How does a living wage differ from the minimum wage?

Minimum wages are set by governments as the lowest wage that an employer can legally pay. In many countries, the level of the minimum wage has fallen significantly below that of the living wage for that location.

How much is a living wage?

Unlike minimum wages, there is no fixed amount for the living wage. Credible living wage estimates are an important reference point for companies to be able to see where wages are falling short of a living wage. Living wage estimates are specific to a location and change over time in line with changes in the cost of living. While there is no single, authoritative living wage estimate for a given location, several organisations provide living wage benchmarks, or estimates, against which companies can compare worker wages.

How are wages calculated for the purpose of comparison with a living wage estimate?

There is a consensus that for the purposes of comparison with a living wage estimate:

- Wages should be calculated based on the basic wage, plus any fixed allowances that are guaranteed and paid to all workers.
- Overtime and non-guaranteed payments should be excluded.
- Inclusion of any in-kind benefits should be limited.

Why is a living wage needed?

The ILO's annual [Global Wage Report](#) provides evidence of real wage growth falling behind productivity growth, with the gap continuing to widen. Evidence for 2022 - 2023 suggests that rising inflation is causing real wage growth to dip into negative figures in many countries. The increasing cost of living has the greatest impact on lower-income earners and their households because they spend most of their disposable income on essential goods and services, which generally experience greater price increases than non-essential items. Inflation is also biting into the purchasing power of minimum wages. Despite nominal adjustments taking place, the real value of minimum wages is quickly eroding in many countries as minimum wage adjustments fail to keep pace with inflation.

Are companies required to pay a living wage?

In most countries, employers are required to pay at or above a minimum statutory wage. In many cases, this wage will be below the level of a living wage. While payment of a living wage is mostly still not mandatory, pressures to pay a living wage are increasing through developments in national legislation, mandatory due diligence requirements, demands from investors and standard-setters, and from workers themselves.