

ESSENTIAL CONCEPTS FOR IMPLEMENTING THE SUSTAINABLE DEVELOPMENT GOALS AN A-Z GUIDE



A-Z GUIDES FOR ENVIRONMENT AND SUSTAINABILITY

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Living wages

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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 include food, water, housing, education, health care, transportation, clothing and other essential needs, including provision for unexpected events.

(Global Living Wage Coalition 2024)

Simply put, a living wage aims to ensure that if someone works full time, they will have the income they need to take care of themselves and their families, at the most basic level.

The international community has long committed to promoting living wages. Article 23 of the 1948 United Nations (UN) Declaration of Human Rights reads: ‘Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity’. The constitution of the International Labour Organization (ILO), adopted in 1919, similarly commits to ‘the provision of an adequate living wage’ and ‘a minimum living wage to all employed’. In recent years, both organizations have reaffirmed this commitment. In 2019, the ILO’s Global Commission on the Future of Work identified living wages as a central component to decent work. And in 2023, the UN Global Compact’s Forward Faster programme selected living wages to be one of five key strategies for businesses to promote human rights.

Living wages are closely related to several of the Sustainable Development Goals (SDGs). They can address poverty (SDG 1) and hunger (SDG 2) by increasing incomes, reducing vulnerabilities and decreasing the number of working poor (Saxena 2023). They can also promote decent work and economic growth (SDG 8) by reducing turnover, increasing productivity and growing markets for consumer goods (Barford et al. 2022). Finally, living wages can reduce inequalities (SDG 10) by raising wages for low-wage workers and reducing material deprivation and poor quality of life (Marshall 2019).

Although most countries have adopted a legal minimum wage – a minimum hourly amount that businesses are required to pay employees – it often falls below what workers require to meet their basic needs. Furthermore, some workers are paid informally or participate in special labour programmes exempt from labour protections. Today, the estimated gap between actual and living wages for workers worldwide is USD 674 billion annually (Hall and Suh 2020). One way to increase the number of people receiving a living wage is to increase the legal minimum wage, improve enforcement and expand coverage. Another approach is to convince companies to voluntarily pay a living wage and commit to only transacting with other companies that do the same. Challenges to voluntary living wage payments include agreeing on how to calculate a living wage and the cost of estimating and updating living wages for every city, county or region of the world (Anker and Anker 2017).

Not everyone agrees that living wages are an efficient strategy for promoting the SDGs. Some argue that higher wages will increase pressure on workers to increase productivity, reduce levels of employment, inflate consumer prices, disadvantage small enterprises and drive more workers into informal employment (Brennan 2019). Others are sceptical that laws will improve, or voluntary initiatives will realize their ambitions (Bennett 2018).

Although living wages are generally recognized as a key strategy for advancing the SDGs, technical, financial and political barriers have thus far prevented governments from mandating them and companies from voluntarily implementing them. Whether these dynamics will shift remains to be seen.

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