



**FORWARD  
FASTER**

# **MOVING LIVING WAGE FORWARD FASTER ACTION GUIDE**

# INTRODUCTION

The action guides for the Forward Faster initiative provide companies that have committed – or are considering committing – with additional, target-specific details that companies can utilize as they define a strategy to meet their target(s) by 2030, including definitions of key terms, actions companies can take, Key Performance Indicators (KPIs), interim targets, resources, programmes to engage in and policies companies can advocate for Governments to implement to facilitate an enabling environment.

# CONTEXT

Improving the lives of the most vulnerable among us — including those living in poverty — is an overarching theme across all of the Sustainable Development Goals (SDGs). For many workers, a job does not provide a way out of poverty for them and their families. Ensuring that all workers are paid a living wage that enables them to meet their basic needs — supporting themselves and their families to a standard that is universally considered decent — is fundamental to ensuring a people-centered sustainability approach that leaves no one behind.

There is now a tripartite (between Governments, employers' and workers' organizations) [agreement on the concept of a living wage](#): "A living wage is 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 normal hours. It should be calculated in accordance with the International Labour Organization's (ILO) principles of estimating the living wage, and to be achieved through the wage-setting process in line with ILO principles on wage setting."

Today, more than a billion working people worldwide are estimated to earn less than they need to afford a decent standard of living, including sufficient food, water, housing, education, health care, transportation, clothing and other essential needs — an amount known as a living wage or income. These people make up approximately one-third of all workers covered by ILO statistics and more than half of all small-scale farmers worldwide.

The push for a living wage is a response to the fact that legally set minimum wages often fail to meet workers' needs. While most countries have minimum wages, they are not always consistently enforced, and there is often an imbalance between the consideration of economic factors and workers' needs. They are also not adjusted frequently enough to keep up with inflation, or they do not apply to all categories of wage earners or to people who do not earn wages, including small-scale farmers and the self-employed. The rising cost of living in many parts of the world is likely to make the situation worse in the years to come.

Closing the living wage gap may require a set of measures that go beyond the sphere of wage policy alone. In instances where underlying productivity is low, this can impede wage growth. When it comes to supply chains, the ability of suppliers to pay a living wage is also affected by the prices paid by the buyers for the goods and services of the producers. Hence, comprehensive strategies to promote living wages should also consider measures to raise the skills of employers and workers to increase the productivity of low-productivity enterprises, to foster the transition to formality and to implement responsible purchasing practices that enable suppliers to pay living wages. At the country level, sustainable wage increases should be enabled by a combination of micro- and macro-economic policies that contribute to both higher economic growth and a fair distribution of the fruits of this growth. Promoting a minimum living income for all will require a combination of means, including a social protection floor for all as a given wage level cannot in itself guarantee a minimum standard of living for all. For example, some households may have more children than others or may have special needs and consequently need higher incomes. In those circumstances, social transfers, such as minimum income guarantees, family benefits, unemployment benefits or disability benefits are essential mechanisms.

By going beyond legal compliance, businesses can ensure that all their employees have the wages/income to support their needs and those of their dependents, raising standards of health and well-being. Companies can advance the living wage agenda by making concrete commitments to assume their responsibilities to their own employees. By joint industry action and in collaboration with relevant stakeholders, facilitated through responsible purchasing practices and enabling national frameworks, companies can deploy their influence to drive towards achieving a living wage within value chains.

A living wage is an essential component of decent work and a cornerstone of development contributing directly to several of the SDGs, including Goal 1: No Poverty and Goal 8: Decent Work and Economic Growth as well as Goal 5: Gender Equality and Goal 10: Reduced Inequalities, and it unlocks progress across the full 2030 Agenda.

## TARGET ON LIVING WAGE FOR ALL EMPLOYEES

**100 per cent of employees across the organization earn a living wage by 2030.**

### DEFINITION OF KEY TERMS AND ELEMENTS OF THE TARGET

- **LIVING WAGE** is 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 normal hours. It should be calculated in accordance with the ILO's principles of estimating the living wage and be achieved through the wage-setting process in line with ILO principles on wage setting. **Employees** are workers employed directly in a company's own operations. These include permanent and temporary employees, full-time, part-time and non-guaranteed hourly employees.
- **LIVING WAGE ESTIMATES** are estimates of the cost of living for a family of a determined size in a particular location — estimating the cost of food, housing, health care, education and other necessary goods and services, in accordance with national circumstances. Estimates involve some important assumptions about the number of workers in the household and the number of wage earners. For example, a particular wage may be sufficient to meet family needs if it is earned by two people in the household but insufficient if there is only one wage earner. Estimated values of a living wage are published per region by various organizations using their own methodologies. To establish a living wage estimate, these organizations gather data on local costs of food, housing, education, health care, transportation and more (as aligned with global standards, such as those set by the World Health Organization and the Food and Agriculture Organization). Responsibilities of states should be taken into consideration in the calculation of the living costs. Living wage estimates should focus on employee compensation for standard working hours, and figures should exclude overtime pay as well as productivity bonuses and allowances unless they are guaranteed. Estimates should be calculated in accordance with the [ILO'S PRINCIPLES OF ESTIMATING THE LIVING WAGE](#) and be achieved through the wage-setting process in line with ILO principles on wage setting. These estimates can contribute to and inform an evidence-based social dialogue for wage setting.

## REPORTING

Companies committing to the target will report annually to the UN Global Compact. Please refer to the [FORWARD FASTER REPORTING QUESTIONNAIRE](#) to review the relevant indicators.

## ACTIONS COMPANIES CAN TAKE TO ADVANCE PROGRESS

(Note: these actions are not comprehensive and only function as suggested actions or ideas for more opportunities to advance the living wage economy. More actions are listed in the [LIVING WAGE ANALYSIS TOOL](#))

### AWARENESS AND UNDERSTANDING:

- Understand the ILO-agreed concept of the living wage and how it relates to legal or negotiated minimum wages.
- Have discussions with workers and their representatives about whether compliance with the legal minimum wage is adequate to meet living wage expectations.
- Be aware of credible living wage estimates and wage indications developed by workers organizations to measure and track living wage gaps and to inform social dialogue on wages across own operations.

### APPROACH:

- Create a policy or commitment to pay living wages to all direct employees with top management buy-in.
- Identify gaps between current wages paid to direct employees and credible living wage estimates.

### WAGE SETTING AND WAGE PAYMENT:

- Monitor changes in national law (and collective bargaining agreements) to ensure wages are compliant with legal minimum wages (and collective bargaining agreements where applicable) on an ongoing basis.
- Conduct wage setting and revision based on analysis of prevailing rates of pay in the industry and inform workers — and their representatives — about wage setting and revision in the course of carrying out their work and at the time of payment.
- Create formal wage policies and procedures to determine pay scales and individual workers' pay.
- Consult workers — and their representatives — about basic wage levels, pay scales and revision of basic wages.
- Establish a grievance mechanism for managing complaints related to unequal pay.

### SETTING TARGETS AND MONITORING PROGRESS:

- Have a process in place to regularly review wages to monitor and address any instances of payment of wages that are below the cost of living estimates and to ensure full and timely payment of wages has been made to all workers.
- Establish performance metrics/KPIs linked to achieving the living wage commitment.
- Institute awareness raising and training on living wage programmes for staff.

## ENGAGE PARTNERS AND STAKEHOLDERS:

- Become involved in one or more partnerships — globally or in your home country — focused on achieving living wages for your direct workforce and/or workers engaged by third-party contractors and labour providers.

## RESOURCES TO INFORM IMPLEMENTATION STRATEGIES

- [LIVING WAGE ANALYSIS TOOL](#) (UN Global Compact)
- [LIVING WAGE WEBPAGE](#) (UN Global Compact)
- [ACHIEVING THE LIVING WAGE AMBITION: REFERENCE SHEET AND IMPLEMENTATION GUIDANCE](#) (UN Global Compact)
- [ADOPTED CONCLUSIONS FROM THE MEETING OF EXPERTS ON WAGE POLICIES, INCLUDING LIVING WAGES](#) (ILO)
- [IDH ROADMAP ON LIVING WAGE](#) (IDH) and the [LW ACTION GUIDE](#)

## UN GLOBAL COMPACT PROGRAMMING TO GUIDE IMPLEMENTATION

- [UN GLOBAL COMPACT ACADEMY](#): The Academy is the main learning platform of the UN Global Compact that provides business leaders and practitioners with the skills and knowledge to fast track their sustainability strategy. The self-paced learning helps companies get acquainted with the topic of living wage and get ready to take action at their own pace.
- [PEER LEARNING GROUP: LIVING WAGE](#): The UN Global Compact offers Peer Learning Groups to create a safe space for companies to share their best practices and challenges on critical sustainability issues with like-minded professionals. Run in collaboration with Global Compact Country Networks, the groups provide participants the opportunity to learn about the latest best practices through facilitated sessions, curated resources and group discussions. You can find out if your Country Network is running a Peer Learning Group [HERE](#).

## TARGET ON ADVANCING LIVING WAGES IN YOUR SUPPLY CHAIN

**Establish a joint action plan(s) with contractors, supply chain partners and other key stakeholders to work towards achieving living wages and/or living incomes with measurable and time-bound milestones.**

## DEFINITION OF KEY TERMS AND ELEMENTS OF THE TARGET

**CONTRACTORS** Contractors include core and non-core contractors. Core contractors means third parties such as employment agencies or labour providers that provide workers to a company (i.e., the workers are not direct employees of the user company) but where the work of these workers is controlled by the company and where the workers perform roles that are the same as or similar to those of employees or workers otherwise engaged in the company's core business — for example, working on production lines in a manufacturing company or providing care in a care facility.

Non-core contractors are third-party contractors or service providers who provide services to a company. The workers are controlled by the non-core contractor and their workers perform services that are not core to the user company's business – for example, providing cleaning, catering or security services for the user company.

**SUPPLY CHAIN PARTNERS** refer to third-party suppliers of goods and materials.

**KEY STAKEHOLDERS** refer to national Governments, policymakers, business and employers organizations, trade unions, multi-stakeholder initiatives, etc. that are vital to a sustainable wage formation process.

**LIVING INCOME** is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing and other essential needs including provisions for unexpected events.

## REPORTING

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## ACTIONS COMPANIES CAN TAKE TO ADVANCE PROGRESS

(Note: these actions are not comprehensive and only function as suggested actions or ideas for more opportunities to advance the living wage economy. More actions are listed in the [LIVING WAGE ANALYSIS TOOL](#))

### AWARENESS AND UNDERSTANDING:

- Understand the ILO-agreed concept of the living wage and how it relates to legal or negotiated minimum wages.
- Understand where low wages could exist in your supply chain.
- Be aware of credible living wage estimates and wage indications developed by workers organizations in different locations to measure and track living wage gaps and to inform social dialogue on wages with contractors and across the supply chain.

### APPROACH:

- Create a policy commitment that is endorsed and supported by senior leadership to ensure a living wage for workers employed or engaged by contractors and supply chain partners. This commitment includes responsible purchasing practices that support the advancement of decent work.
- Collect information about wages paid by contractors and supply chain partners.
- Identify gaps between current wages paid to contractors and supply chain partners employed and credible living wage estimates, and the number of workers affected.

## ENGAGING CONTRACTORS AND SUPPLY CHAIN PARTNERS:

- Conduct human rights due diligence (and associated audits, certification and assurance activities) of third-party contractors and supply chain partners to identify high-risk supplier workforces in relation to equal pay for work of equal value and unduly low wages.
- Support worker representation throughout the supply chain by making freedom of association a critical component of contractual agreements with suppliers.
- Require contractors and supply chain partners to provide data on wages on a regular basis, including data on the number of workers receiving wages below the living wage estimates.
- Analyze and adapt your purchasing practices to enable your contractors and supply chain partners to pay a living wage.
- Support contractors and supply chain partners in developing effective and responsible wage management systems, which include wage transparency, skills-based wage systems, annual wage revisions and negotiations with workers representatives and which are related to sound human rights policies.
- Support contractors and supply chain partners on addressing low wages and equal pay by providing guidance and training.

## SETTING TARGETS AND MONITORING PROGRESS:

- Map collective bargaining agreements applicable to wage setting for the target workforce(s).
- Use credible living wage estimates to calculate the living wage gap and validate these estimates with social partners.
- Include performance metrics/KPIs linked to achieving the living wage in your joint action plan(s).

## ENGAGE PARTNERS AND STAKEHOLDERS:

- Become involved in partnerships and initiatives focused on achieving living wages for all workers.
- Engage and advocate with policymakers to support adequate legal minimum wages that consider both the needs of workers and their families and economic factors and which are revised regularly, have wide coverage and are enforced by law.
- Advocate with policymakers to ensure a social protection floor for all and have economic and fiscal policies in place to tackle inequalities.

## RESOURCES TO INFORM IMPLEMENTATION STRATEGIES

These self-paced resources help companies get acquainted with the topic of living wage and get ready to take action at their own pace.

- [UN GLOBAL COMPACT LIVING WAGE WEBPAGE](#)
- [LIVING WAGE ANALYSIS TOOL](#) (UN Global Compact)
- [IMPROVING WAGES TO ADVANCE DECENT WORK IN SUPPLY CHAINS](#) (UN Global Compact)
- [DECENT WORK TOOLKIT FOR SUSTAINABLE PROCUREMENT](#) (UN Global Compact)
- [ACHIEVING THE LIVING WAGE AMBITION: REFERENCE SHEET AND IMPLEMENTATION GUIDANCE](#) (UN Global Compact)
- [ADOPTED CONCLUSIONS FROM THE MEETING OF EXPERTS ON WAGE POLICIES, INCLUDING LIVING WAGES](#) (ILO)
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## ENABLING ENVIRONMENT

To help achieve the SDGs, companies can send clear messages to Governments, urging them to put in place supportive policies. These policies will help companies meet the ambitious targets set under the Forward Faster initiative. By doing so, Governments can provide the necessary clarity and confidence to encourage companies to make more investments that align with the SDGs.

As a contribution to ensuring living wages for all workers, companies should call on Governments to:

- Work with social partners to set and regularly adjust adequate minimum wages to ensure they meet the needs and human rights of workers and their families, in accordance with international standards.
- Ensure that national wage setting institutions and social dialogue are strengthened, collective bargaining on wages are promoted and agreements have wide coverage and be enforced by law.



## THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



### HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.



### LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.



### ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.



### ANTI-CORRUPTION

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

## ABOUT THE UNITED NATIONS GLOBAL COMPACT

The ambition of the **UN Global Compact** is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the SDGs through accountable companies and ecosystems that enable change. With more than 20,000 participating companies, 5 Regional Hubs, 63 Country Networks covering 80 countries and 13 Country Managers establishing Networks in 18 other countries, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, follow **@globalcompact** on social media and visit our website at [UNGLOBALECOMPACT.ORG](https://unglobalcompact.org).



**United Nations**  
Global Compact

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The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.