

OCT 2025

Strengthening

the **S** in
ESG



DEEP DIVE SERIES

02 Living Wage Indicators

Shift



INTRODUCTION

This deep dive into living wage indicators and metrics is part of Shift's **Strengthening the S in ESG Series** focused on designing better social indicators and metrics. It is based on our analysis of 45 indicators relevant to living wages within ESG data providers' products, responsible business benchmarks, and reporting requirements.

This supplements our first phase of S in ESG research in which we looked at 1300 social indicators and metrics and provided issue and sector-agnostic recommendations in the form of three guardrails (*what to avoid*) and three guidelines (*what to aim for*) in indicator design.

The aims of this second instalment of our research series – also focused on Occupational Health and Safety indicators and Community Focused indicators—are:

1. To provide recommendations for improving S in ESG data available to investors about companies' management of specific issues (OHS, Living Wages) or impacts on specific stakeholder groups (Communities).
2. To identify good practice from these indicators that could inform indicator design in other areas of social performance.

To access more resources within our Strengthening S in ESG series, [please visit our webpage.](#)

LIVING WAGE: DEFINITION

A living wage is the amount necessary to afford a decent standard of living for workers and their families.¹ In most countries, a living wage is higher than the statutory minimum wage set by governments, meaning that compliance with minimum wages is no guarantee that workers are paid a living wage.² Over recent years, significant progress has been made by a number of organisations in producing credible living wage estimates that can be used by companies, investors, standard setters and other users of data to understand whether employees are being paid a living wage.³ Living wage is also sometimes referred to as a ‘fair wage’ or – notably in the EU – an ‘adequate wage’.

RESEARCH FINDINGS:



Finding #1

In the absence of robust data on the payment of living wages, investors can draw on enabling indicators that signal companies’ commitment to living wage.



Finding #2

Where companies’ have living wage commitments for their own workforce based on credible methodologies, this can enable measurable and verifiable information both on the current state of wages and on progress towards living wages for all employees or the wider workforce.



Finding #3

With regard to workers in the value chain, wage data is currently harder to secure, but qualitative indicators of meaningful joint action with suppliers to advance living wages can be a valuable source of insight.

THE INDICATORS: SOURCES AND SCOPE

This research is based on Shift's analysis of 45 indicators used in ESG data products, reporting frameworks and benchmarks that are relevant to the issue of living wages. Approximately **20% of these (a total of 10 indicators) were identified from the library of several hundred indicators used within major ESG data provider methodologies⁴** that Shift catalogued for our initial "S in ESG" analysis.

The remaining 80% (35 indicators) were drawn from international reporting standards, benchmark methodologies and investor-focused resources, including: the ACT Commitment on Living Wages, the Equileap Gender Equality Scorecard, European Sustainability Reporting Standards, the Just Transition Finance Tool of ILO and LSE, Oxfam's Corporate Inequality Framework, the World Benchmarking Alliance's Corporate Human Rights Benchmark, Gender Benchmark and Social Transformation Framework, the Workforce Disclosure Initiative's WDI 2024 Survey, and Global Reporting Initiative and SASB sectoral and topical standards.

All indicators from these sources that evaluate business commitment or action related to living wages were included in the research. In our review, we also included indicators that refer to minimum wage and adequate wages. The reviewed indicators focus on different features of business conduct, including policy commitments, living wage programmes, joint action plans, stakeholder engagement and target setting. The scope covered by the indicators analysed includes both companies' own operations, and their supply chains.

01

In the absence of robust data on the payment of living wages, investors can draw on enabling indicators that signal companies' commitment to living wage.

Of approximately 1,300 indicators reviewed, only 45 address living wages or other fair-wage practices. Even fewer indicators capture companies' approaches to ensuring a living wage. In the absence of consistent information directly addressing living wages, investors and others interested in this aspect of company performance can draw some insights from related “enabling indicators” — factors that signal the likelihood of stronger practices in relation to wage-setting, and attention to how value is distributed across the workforce.

Within a company's **own operations**, factors such as the types of contracts in use could provide insight into the values around wages at the company level. Worker representation, collective bargaining and pay ratios may also provide an indication of the culture around how workforce contribution to company success is valued. The existence of collective bargaining and strong union representation can be a particularly important indication that there are good wage-setting processes that incorporate workers' perspectives and preferences, by empowering worker representation.

- **Workforce composition:** Indicators of the composition of a company's workforce can provide important insights into whether workers are likely to be receiving a living wage. There can be legitimate reasons for employing members of the workforce on temporary contracts (for example in industries where there is high seasonality in labour demand, such as agriculture or toys), or through other forms of contractual arrangement such as contracting 'self-employed' individuals or using third party agencies. However, where such methods are disproportionate to the typical, legitimate needs of an industry, or are enabling the company to circumvent labour-related costs such as benefits, they may well indicate a company that views its workforce as a cost to be minimized, rather than an asset whose wellbeing is important to the company's own success. Workers on temporary contracts typically earn less than direct employees and have less access to benefits.⁵ Excessive use of contractual arrangements other than permanent employment can therefore have the effect of pushing costs and risks onto workers, leaving them in precarious situations without predictable employment, access to benefits or union representation.

- **Union representation and collective bargaining:** Where the workforce has union representation and there are collective bargaining processes in place to agree wage levels and related working conditions, this can be a particularly important indicator of the likelihood that a company is either paying a living wage or progressing towards doing so on the basis of agreed wage levels. With the ILO's articulation in 2024 of **wage-setting principles**, data that reflects that collective bargaining processes are aligned with those principles will further reinforce the indicative value of such information. Relevant indicators can include the percentage of employees covered by collective bargaining agreements for all locations where the company operates. Evidence of the company's respect for the right of all workers to form and join a trade union of their choice can also be useful information, albeit attention is needed to those locations where such unions cannot operate freely, where they may be coopted by management, or where union-busting practices are known to be endemic, making it hard for workers to freely exercise their choice.
- **Indicators of wage ratios** may also provide some insight. For example, where data suggests that there are particularly large gaps between top executive remuneration and median worker remuneration, this may indicate a company that is paying little attention to the equitable distribution of value across its workforce, boosting senior-level pay over the wages of the lowest-paid. In practice, such pay ratio indicators require caution, with evidence showing that the increased transparency they have brought to CEO pay has in fact led some companies to increase it further as part of a competitive race for top talent,⁶ rather than constraining its growth in relation to the pay of their lower-paid employees. There may therefore be mixed merits in further promoting this type of disclosure, absent clearer market recognition of the harmful consequences of wide pay gaps where the lowest paid workers are paid below living wages and/or purchasing practices are driving poverty wages in supply chains.

With regard to the wages of workers in a company's **value chain**, indicators regarding **the prevalence of – and actions to support - collective bargaining and union representation** may also provide insights into the likelihood of suppliers having equitable wage policies and practices. Furthermore, the extent to which a company's business model is premised on low-cost, high-speed-delivery of goods to consumers can be a further indicator of the likelihood that the wages of workers in the supply chain are likely to be under consistent downward pressure and well below living wage levels.⁷

In particular, a company's **purchasing practices** directly impact the wage outcomes for the supply chain workforce. Components of responsible purchasing practices are not yet widely reflected in the ESG data providers' indicator sets we have reviewed.

However, with reference to the **Better Buying Five Principles of Responsible Purchasing** and **ACT's Global Purchasing Practices Commitments**, we can identify certain indicators that reflect conditions that enable the suppliers to work towards living wage commitments:

Enablers	Sample Enabling Indicators
Purchasing prices include wages as itemised costs ⁸	• Evidence that the company adopts all direct and indirect labour cost components in costing calculations • Evidence that the company provides guidance to suppliers (manufacturers or intermediaries) on labour costing for suppliers.
Commitment to fair terms of payment ⁹	• Percentage (%) of payments to suppliers made in line with agreed timeframes, and payment terms, including that retrospective changes may only be made where it is mutually agreed and is not to the detriment of the supplier.
Collective bargaining and union representation	• Evidence of the company's efforts to ensure that value chain workers can exercise their rights to freedom of association, including the right to unionise, and collective bargaining (for example by making freedom of association a critical component of contractual agreements with suppliers). Ideally this should include some measure of the scope of success of these efforts.
Nature and composition of the workforce ¹⁰	• Whether the percentage (%) of supply chain workers on contingent contracts (i.e. fixed-term/temporary employees, contractors, agency workers and/or third-party on-site workers) increased or decreased substantively over a set period, absent justified reasons for such changes such as seasonal swings in demand that cannot be evened out through effective supply management.

A holistic assessment of these enablers can provide context and deeper insight into a company's overall approach and strategy on living wages.

02

Where companies have living wage commitments for their own workforce based on credible methodologies, this can enable measurable and verifiable information both on the current state of wages and on progress towards living wages for all employees or the wider workforce.

Of the indicators reviewed for this research, **15% focus on whether the company commits to paying a living wage to its workers.**

We have outlined earlier in Guardrail 2 that indicators that focus on “something [that] exists, such as a policy, training program, or documented process, without offering insight into the quality of its content or implementation”, offer limited insights into whether the company is effective in identifying and managing risks to people and business. While living wage commitments might be seen in one light as little more than a statement that there is a policy of paying – or moving towards payment of – a living wage, in practice they tend to be closer in nature to a metric or target since the result of such a commitment is measurable over time, and companies have control over their wage payments to employees and considerable sway over what is paid to workforce members employed through third parties.

In order to evaluate the quality of this commitment, we can rely on indicators that assess the complementary factors that ensure that such a commitment is implemented. As explained earlier in this research series, **indicators focused on target setting** and the measurement of progress against the targets can provide insight into the practical implementation of the commitment. None of the ESG data providers’ indicators focus on these elements, but international reporting standards, benchmark methodologies and investor-focused resources provide good examples of insightful indicators:

Examples: Indicators on Targets/Credible Methodologies

- Whether the company discloses a time-bound target for paying all workers a living wage
- Whether the company states that it pays all workers a living wage, and that both the measurement of actual wages and the estimation of living wages are based on widely-recognized, credible methodologies.¹¹
- Whether the company reports year-on-year progress towards the payment of living wages, similarly based on credible methodologies
- Whether the company’s statements and methods of calculation used are subject to assurance by an independent third party.

RELIABLE AND COMPARABLE REPORTING ON PROGRESS ON LIVING WAGE

To measure and report progress towards living wages in a way that is both **meaningful** and **understandable**, a means is needed to reveal how efforts to close living wage gaps are impacting wage outcomes for workers. It can be particularly valuable for both companies and those determining disclosures or data requests from companies to focus on the progress made toward living wages, as much as percentages of a workforce or supply chain that are above or below a living wage at any one time.

Many large companies assume that living wages are only relevant in their supply chain and that their own workforce is paid above such levels, only to discover that this is not the case when they assess the actual reality.¹² Concerns within companies that investors will draw negative conclusions from disclosures showing that workers fall below the living wage, and will not interrogate action the company is taking to address the issue, tend to disincentivize transparency on this prevalent issue.

It can be more productive to instead measure the progress being made towards living wages for all workers in a workforce, thus identifying which companies are part of the solution to this issue and which may be perpetuating or ignoring the problem. For example, over 650 companies have signed up to a target of having all employees on a living wage by 2030, which is part of the United Nations Global Compact's Forward Faster initiative. Progress is reported using the accounting model developed by Shift and the Capitals Coalition in collaboration with Forvis Mazars. Similarly, the World Benchmarking Alliance includes in its Social Transformation Benchmark – which underpins all its other major benchmarks – an indicator of whether the company discloses a timebound target for paying all workers a living wage or that it has achieved paying all workers a living wage.¹³

SPOTLIGHT:

LIVING WAGE ACCOUNTING MODEL AND PROGRESS TOOL

The **Living Wage Accounting Model and Progress Tool** developed by Shift, the Capitals Coalition and Forvis Mazars provides a measurable, straightforward way for companies to assess and report on their progress towards living wages both in their workforce and their supply chain.

The tool provides companies with an understanding of the scale and scope of the living wage deficits experienced by workers, together with progress being made towards living wages over time. It can be used for workers in a company's own workforce and first-tier supply chain, and provides alternative methodologies for use in the supply chain when individual wage data is harder to secure.

Companies can use the Progress Tool to show the proportion of workers in any one category (eg employees, contractors or supply chain workers) being paid below a living wage and by how far: the Living Wage Deficit. Progress over time is assessed as a diminishing proportion of workers below the living wage and a reduction in the Living Wage Deficit as a proportion of the Living Wage Threshold (the measure of when all workers receive a living wage).

- *To learn more about the downloadable **Progress Tool** and how to use it, please visit our [webpage](#).*

With regard to workers in the value chain, wage data is harder for companies to secure, but qualitative indicators of meaningful joint action with suppliers to advance living wages can be a valuable source of insight.

7 out of 10 living wage indicators used by ESG data providers for the value chain, focus on the existence of policies, statements or codes of conduct setting expectations of suppliers with regard to the provision of a living wage. Only **one** indicator focuses on whether the company has implemented any initiatives to reduce risks around living wage in its supply chain, and **one** other focuses on whether the supplier has violated the supplier code of conduct due to living wage issues.

Any indicator on supplier violations of a code of conduct regarding wages typically needs complementary information regarding the purchasing practices of the buying company in order for meaningful insights to be drawn that reflect whether such practices are supporting or preventing improvements in wages by suppliers. In this regard, the kind of **indicators of good purchasing practices** highlighted under **Finding One** are a necessary balance to more binary and superficial data points on policies and codes of conduct for suppliers.

Companies do not control the wage practices of the entities in their supply chain, and accurate wage data is harder to secure. However, even in the absence of wage data, companies can look for evidence of living wage being measured against relevant and credible living wage data in their supply chain. Indicators that focus on the companies' efforts in **improving their visibility into supply chain wage practices** and **securing progress in their suppliers' living wage commitments** can capture whether companies are seeking information in this way.

Information regarding the extent to which buyers support their suppliers in measuring wages against living wage estimates, and in making progress over time, can help differentiate those companies paying lip service to living wages from those contributing to practical progress. For example, indicators that assess whether a company engages with one of the **growing number of respected initiatives with a public methodology** for supporting progress towards living wages in supply chains can provide valuable information in this regard.¹⁴

The inclusion of the reference to **measurable and time-bound milestones** is important in moving beyond the mere statement of an action plan existing, and providing a reasonable basis to assume that progress can and will be measured and evaluated.

The definition of the action plan as being **‘joint’ with supply chain partners or other stakeholders** is significant in signalling a mutual agreement to make progress. This is in contrast to indicators that are limited to observing whether a buyer sets requirements for suppliers, as the good objectives these may imply are quickly undermined where the buyer’s purchasing practices remove the leeway for suppliers to invest time and money in the improvements needed.

DISCLOSURES ON PARTICIPATION IN INITIATIVES ON LIVING WAGES

Where companies disclose that they are participating in initiatives on living wages, this can provide important insight regarding the seriousness of any commitment to improve wages in their supply chains. Such information is particularly compelling where the initiatives are transparent in the work that they do, involve both buyers and suppliers, and/or are based on actual wage data, and/or address purchasing practices that can undermine living wages. Examples of initiatives with various of these features include:

- **ACT:** an initiative between international brands and retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. ACT provides a global framework on living wages in the garment sector that brings together all relevant stakeholders, identifying what each stakeholder’s role and responsibility is, and how, if taken together, this can support living wages in a scaled-up, sustainable, industry-wide approach.
- **FLA’s Fair Compensation Toolkit:** includes a data collection tool for companies to gather worker wage data from factories, and a fair compensation dashboard that allows companies to analyse the average worker wages and measure these against the living wage benchmarks of more than 30 countries.
- **IDH’s Wage Roadmap:** sets out five steps and accompanying practical tools for companies to calculate living wage gaps, and take action.
- **Better Buying Purchasing Practices Index:** an initiative to get feedback from suppliers on buyers’ purchasing practices and how they may be affecting suppliers’ ability to maintain and progress wages.

ENDNOTES

- 1 ILO definition of Living Wage: <https://www.ilo.org/what-living-wage>.
- 2 Wage Indicator, Minimum Wages higher than Living Wages? By Country and by Region - visual <https://wageindicator.org/salary/minimum-wage/minimum-wages-higher-than-living-wages-by-country-and-by-region>.
- 3 See <https://salarymatrix.idhtrade.org/benchmark-finder/> and <https://wagemap.org>.
- 4 Shift was unable to verify whether the non-public indicators and metrics that we used for our analysis are the most up to date versions used by data providers at the time of writing (Summer 2025). We also recognize that the underlying methodologies used to reach a judgement on a company's performance against an indicator may offer more nuance that we could not access for our research.
- 5 Workers on temporary contracts and other forms of 'contingent workers' are typically paid less than direct employees and receive less benefits. See, for example: <https://www.gao.gov/products/gao-15-168r> and <https://www.ilo.org/publications/non-standard-forms-employment-some-asian-countries-study-wages-and-working>.
- 6 Andrea Carosi and Jose Guedes, "Can compensation disclosure cause CEO pay escalation?" International Review of Financial Analysis October 2024, V. 95(B).
- 7 See Shift's Business Model Red Flags, notably Red Flags 1 and 2.
- 8 ACT Commitment no.1 Brands commit that purchasing prices include wages as itemised costs.
- 9 ACT Commitment no.2 Brands commit to fair terms of payment.
- 10 Workforce Disclosure Initiative (WDI 2025) 3.8.
- 11 See the ILO Principles on Estimating a Living Wage, particularly Principle (A).
- 12 See for example, the Oxfam report which uncovered that Unilever's working assumption that the production workers for their own operations were paid well above a living wage in its own operations was incorrect. Rachel Wilshaw, Liesbeth Unger, Do Quynh Chi and Pham Thu Thuy, "Labour Rights in Unilever's Supply Chain: From compliance towards good practice" Oxfam (January 2013). Another example is the study commissioned by the PayPal CEO Dan Schulman, that revealed that around two-thirds of their own employee base struggled to make ends meet. JustCapital has found that more than 36% of Russell 1000 workers do not make living wage. Jeff Kaulin, "PayPal CEO Dan Schulman Explains His Strategy For Investing In Employees' Financial Health", (October 2020). Also see: JUST Capital, "More Than 36% of Russell 1000 Workers Don't Make a Family-Sustaining Living Wage" (2024).
- 13 World Benchmarking Alliance, Social transformation framework, here: <https://assets.worldbenchmarkingalliance.org/app/uploads/2021/02/WBA-Social-Transformation-Framework-FINAL.pdf>.
- 14 See the box: Disclosures on Participation in Initiatives on Living Wages on Page 9.

Strengthening the S in ESG

Deep Dive 2: Living Wage Indicators

Shift, New York. October 2025

© 2025 Shift Project, Ltd.

ACKNOWLEDGMENTS

This deep dive was researched and written by Shift experts Caroline Rees and Defne Sökmen, with input from Jenny Holdcroft. This research was made possible with the generous support of the Tipping Point Fund on Impact Investing.

ABOUT SHIFT

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team of experts works across all continents and sectors to challenge assumptions, push boundaries, and redefine corporate practice, in order to build a world where business gets done with respect for people's dignity. Shift is a non-profit, mission-driven organization, headquartered in New York City. Visit shiftproject.org and follow us at [@shiftproject](https://twitter.com/shiftproject).