

Working together towards responsible
business conduct in the natural stone sector

Guidance Regarding a Living Wage

The OECD Guidelines recommend paying a wage that “should be at least adequate to satisfy the basic needs of the workers and their families”. The right to a living wage has been laid down by the International Labour Organization (ILO) and confirmed in the Universal Declaration of Human Rights. The present Guidance is intended to indicate how you and your company can ensure that this right is respected within your supply chains.

The Guidance is an initial step towards supporting companies in the natural stone sector in determining what a “living wage” amounts to for workers in the supply chain. Knowledge building, among other things through projects, can help companies make decisions on wages in highly specific situations.

Why a living wage?

If parents are underpaid, then there is a risk of child labour. Having sufficient resources is a prerequisite for a secure livelihood. Children sometimes “help”, for example, in piecework constructions, such as chipping cobblestones. A living wage is essential for ensuring that workers and their families have sufficient income to cater for their basic needs, such as food, health, and education for their children.

Payment of low wages often occurs in combination with a lack of freedom of association. Employers in production countries have the unilateral power to determine the terms and conditions (such as wages and working hours) under which workers carry out their work. It is challenging for individuals to object to or change this phenomenon. It is often easier for workers to obtain a living wage if they organise themselves, for example in a trade union or a workers committee.¹ It can in any case be useful for companies here to initiate dialogue and investigation together with trade unions (locally or with the parties within the TruStone Initiative).

Tackling the risk of low wages can be a complex matter and requires a concerted and sometimes regional approach. There are also steps that an individual company can and must take to ensure that a living wage is paid within the supply chain.

The introduction of a living wage offers opportunities to protect human rights and promote sustainable growth in production countries. At the same time, a living

¹ The basis for this is to be found in collective bargaining for a collective labour agreement with the minimum being at least a living wage. Concluding collective agreements means that you prevent competition between employees of the same company and, at the same time, comply with the principle of equal pay for equal work. This also allows you to address the issue of gender equality and equal treatment. Freedom of association and collective bargaining also constitute fundamental human rights.

wage also provides opportunities for companies themselves. The increasing costs involved in paying a living wage can be offset by other benefits in terms of quality, productivity, and reputation, for example:

- attracting and retaining (skilled) employees, thus reducing training and onboarding costs;
- more productive employees, because they do not have to systematically work overtime in order to make ends meet, can afford healthy food and hygiene, and feel content;
- avoidance of the cost of strikes and conflicts;
- stable, long-term relationships with important suppliers because suppliers that pay a living wage (or are willing to do so) are often well-organised businesses;
- a good reputation and less risk of negative media coverage due to poor working conditions.

What is a living wage?

The *Universal Declaration of Human Rights* states that everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity. The *OECD Guidelines* recommend paying a wage that is at least adequate to satisfy the basic needs of the workers and their families. In its labour standards, the *ILO* describes a living wage as follows: “a wage that is sufficient to provide for the basic needs of a family of average size in a particular economy”. This means that a worker can in any event afford meals, housing, healthcare, education, clothes and transport and, at the same time, is able to save. A living wage may therefore differ from one country, region, or even city to the next.



In India, for example, the average minimum wage of an unskilled worker in the mining industry is INR 350 per day (EUR 3.92). This can still vary from state to state. It is reasonable to say that in India you need about INR 600 a day to get by, i.e. to pay for food, housing, and transport and to have money for healthcare and education for your children. This example already shows that the minimum wage is not sufficient to cover these costs. See the [Wage Indicator](#) for a full overview of the minimum wage for miners in India.

Why a living wage and not first ensure at least a minimum wage?

The minimum wage is the lowest amount that an employer is legally obliged to pay an employee as a wage. The minimum wage set by the authorities is often much lower than a living wage.

In the natural stone sector in India, there can be a big gap between what a worker earns and what constitutes the living wage to support a family. It is important to note that there are different types of work that are associated with different minimum wages, and that the minimum wage can also vary greatly from state to state within the country. For example, workers making cobblestones are often paid by the piece, which alters the calculations and comparisons between the living wage and the minimum wage.



Figure 1. The graph above shows the minimum wages per day without the VDA (Variable Dearness Allowance) multiplied by 24 (active days per month) and by 1.6 (the average number of earners in a family in India). The figures in the graph are national (August 2021). In actual practice, there are differences according to state and according to the type of work.²

The graph shows that in the lowest and middle categories of minimum wage, a worker definitely does not earn a living wage. Assuming an average family with 1.6 earners and 2.3 children, it is only highly skilled workers who receive a wage that provides a decent existence for the family. See also [Global Living Wage](#) for additional information on living wages in specific regions in India.

² Sources: <https://wageindicator.org/salary/minimum-wage/india/13815-central-sphere/13836-industrial-workers-employed-in-mines>
<https://wageindicator.org/salary/living-wage/regional-living-wages-1/gap-living-wage-minimum-wage-35-countries-jan-2021>



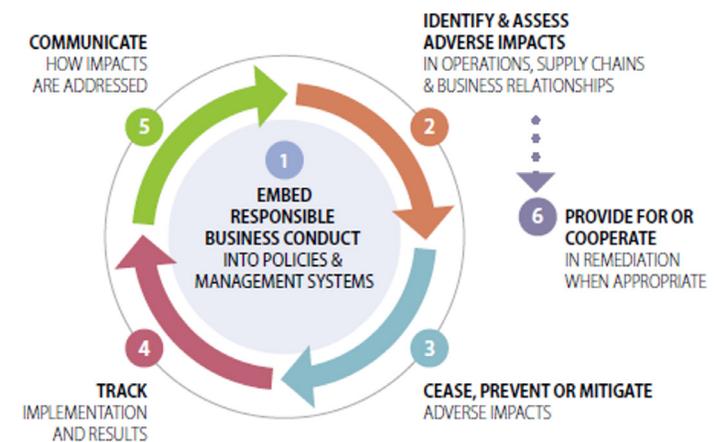
When governments raise minimum wages, many workers and their families benefit and companies have a level playing field. However, governments in countries with a low minimum wage are often reluctant to raise minimum wages because they think it may encourage companies to move production to other countries. Employers in production countries can remove an important obstacle by (jointly) indicating to governments that they will not leave if the minimum wage is raised.

How does one raise this issue?

A living wage and due diligence

If you and your company want to work towards a living wage for employees within your supply chains, you can do so by including the issue in all six steps of the due diligence process.

FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES



Step 1: Include a living wage in a code of conduct

The first step towards a living wage is to discuss your policy with suppliers. You can indicate what you expect from them with regard to core issues such as a living wage in a Code of Conduct (or similar document). In discussing this, you indicate what your company has to offer. For example, a company can commit to a supplier for the long term, even if the introduction of a living wage means that prices may rise.

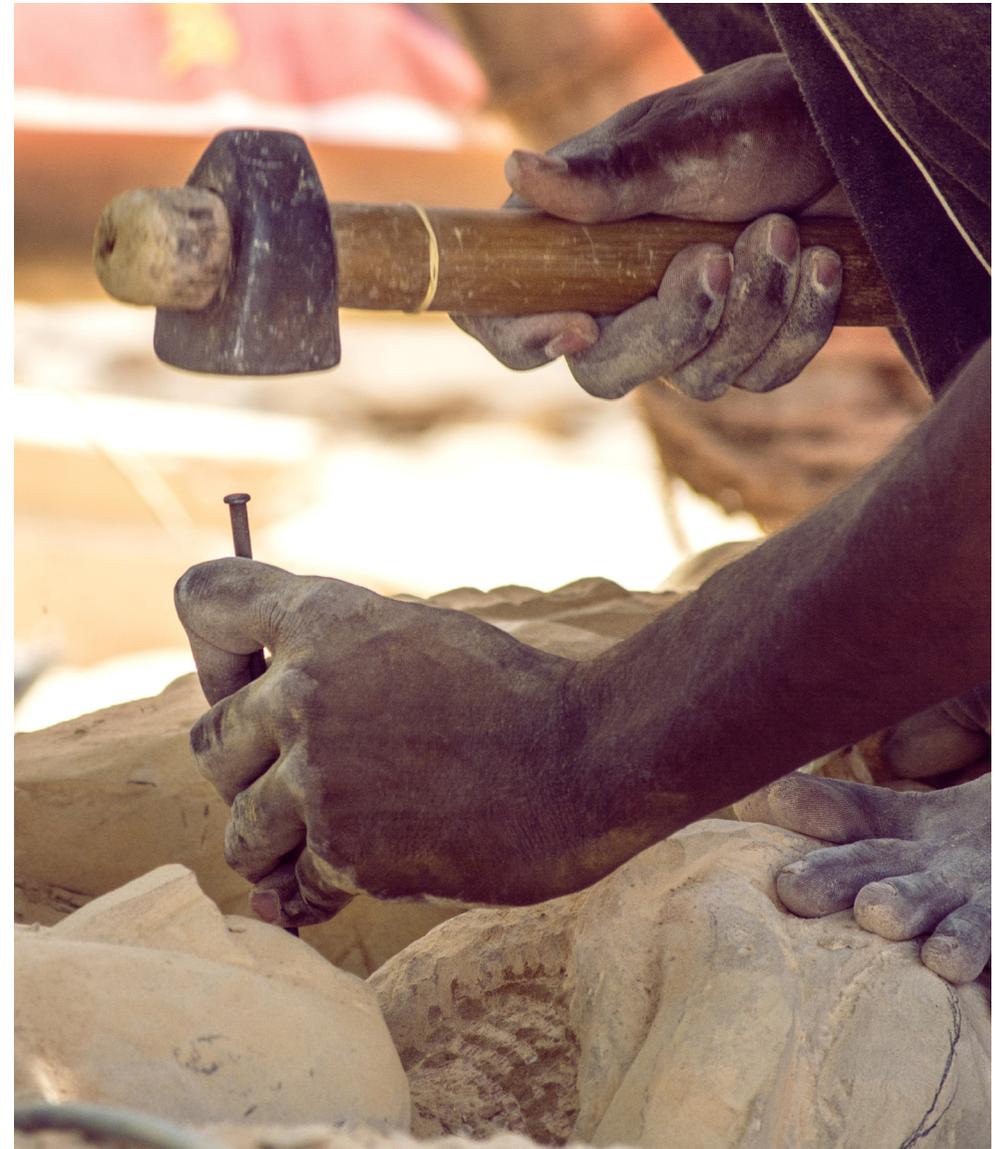
Code of conduct model text

We expect our business partners to ensure that a living wage is being paid within a reasonable period of time. A living wage is “a wage that is sufficient to provide for the basic needs of a family of average size in a particular economy”. This means that a worker can in any event afford meals, rent, healthcare, education, clothes and transport and, at the same time, is able to save. It is important to include savings, to ensure workers need not be dependent on advances. The practices of giving advances for e.g. marriage, school fees, medical treatments etc. is widespread and can lead to forms of bondage.

Step 2: Check whether a living wage is a risk in supply chains

An important step in the due diligence process is to identify risks. Public sources, such as NGO reports, can give a good initial idea of whether a living wage is a risk in a particular region.³ To find out whether such a risk is also present at your suppliers in that region, you need to talk to stakeholders, including workers or local organisations and trade unions (assuming they are freely formed and elected).

³ Many reports mention that workers do not yet receive minimum wages. This automatically means that a living wage is a risk.



Questions for your supplier

- Ask for copies of pay slips, for example for a worker in a quarry and in a factory, both skilled and unskilled. You can also request this from the audit organisation that you work with.
- Ask your supplier, or a worker directly when you are there, what the expenses of an average household (five people) are. Compare that amount with the amount on the pay slip. Take account of the following expenses:
 - food;
 - housing;
 - transport;
 - education;
 - medical costs;
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- Ask whether the supplier is prepared to discuss a living wage, including with other purchasers.
- Ask whether the supplier knows the tools mentioned in this brochure and share the tools with the supplier (for example the Anker method).
- Ask whether workers are permitted to organise themselves in workers committees or if they can discuss their rights with management in other ways (for example through a trade union). Ask how often those discussions take place.

Many owners or managers of production sites, quarries, and factories will assert that workers receive a good wage according to law, partly because the work at the sites is specialised and there is a shortage of workers to do the heavy work. Independent risk assessments in certain regions confirm that for permanent employees who are on a contract and have the necessary skills, this is often indeed the case. That picture is quite different, however, for temporary workers (including migrant workers) or for workers who perform heavy auxiliary physical work. Workers in that category often do not receive the legal minimum wage, let alone a living wage.

How do you find out how much a wage needs to be in order for it to be a living wage?

There are various ways of calculating the level of wages. One example is the *Anker method*. SA8000-certified companies adhere to this definition and method. ISEAL, a global organisation for sustainability standards, also applies this method.

You can find calculations according to the Anker method per region in *Global Living Wage*. Another good source for finding out what local living wages are is the *Wage Indicator*.

What if you find more risks in your supply chain than you can tackle? Then prioritise them according to their severity and likelihood. The TruStone web tool and the *TruStone secretariat* can help you with this.

Step 3: Formulate objectives and measures to contribute to higher pay

The difference between actual wages and the calculated living wage is sometimes so great that direct introduction of a living wage at a production site would involve very high costs or have serious negative side-effects because it would lead to disruption of the remuneration structure in a company or region. Partly for that reason, gradual introduction can be chosen with the aid of a “wage ladder”.⁴ The wage ladder shows, for example, what the employee currently earns and how this compares with the minimum wage, the poverty line, and various definitions of a living wage. It can also indicate the differences in wages between departments within the company and the gender composition (men/women) within those departments. In addition, it can display the wages of production sites in the region that are known as applying best practices. With the aid of a wage ladder, companies can set realistic short- and long-term goals.

⁴ One option is to utilise the Fair Wear Foundation Wage Ladder online tool as an inspiration for step-by-step determination, evaluation, and adjustment of a living wage by using different benchmarks (<https://fairwear.force.com/livingwage>).

Model factory

Companies that are big enough to be the sole customer or the co-owner of a factory have good opportunities for introducing a living wage. There are a number of companies that have conducted a pilot with a model factory, i.e. a factory where the workers are paid a living wage and where working conditions are good. A model factory of this kind can have a major impact and influence on its surroundings.

The gradual introduction of a living wage by means of a wage ladder (i.e. a step-by-step increase in wages) gives those surroundings more time to adapt to new wage developments. It is important to note, however, that when applying a stepwise increase, the length of this period must be carefully considered and agreed upon.

It is also important to involve those directly concerned or their representatives, such as local trade unions, in setting targets.

In line with the freedoms of association and collective bargaining, negotiated wages are a product of dialogue between workers and employers within the production and supply chains. In some cases, these freedoms are not respected and governments and/or employers determine the level of wages. There is sometimes little room for social dialogue, although this is a very important basis. A negotiated wage is therefore not a matter of course.



Training for trade union members

With support from Dutch parties, the Peruvian fruit and vegetable grower Camposol has concluded a collective labour agreement with local trade unions. Where unions and management were previously diametrically opposed, and were engaged in endless negotiations – resulting in court proceedings – the company has now made a U-turn. “We were looking for new ways to increase production of avocados, blueberries, and other fresh products. Together with the Mondiaal FNV trade union and the DECP foundation (Dutch Employers’ Cooperation Programme), we investigated and improved the social dialogue. Now we no longer have strikes, 70 to 80 per cent of our staff come from the surrounding area because they want to work for us – they no longer have to travel. We’ve discovered that happy workers mean a happy company. And we’ve learned that if you want to transform your industry, you should start with the social dialogue.”

In this joint project, Mondiaal FNV trained union members in how to conduct mutual gains negotiations, while the DECP exerted pressure on the company together with Dutch customers.

Source: [*Mondiaal FNV*](#)

Bonus per garment

The Swedish company Nudie Jeans decided in 2013 to start paying a living wage at its supplying factory in India, and chose to pay the amount involved directly to the factory’s workers. Nudie Jeans is a relatively small brand. It does not have any factories of its own, nor is it the main customer of any factory. So although it could not ensure that its workers received a full living wage, it calculated what the living wage is per garment and pays that to the factory’s workers in the form of a bonus on their pay.

To check whether the money actually reaches the factory workers, Nudie Jeans works with the Fair Wear Foundation, which checks whether its share of the living wage is stated on the pay slips. However, as long as an employee’s production is not 100% for Nudie Jeans, he or she will not earn a living wage.

Source: [*Nudie Jeans*](#)

Companies can take steps towards a living wage by directly increasing the worker’s wage. Without an intermediary, however, it is difficult to guarantee that the money actually reaches the factory or quarry workers concerned. Major brands can conduct their own audits for this purpose. Smaller companies can cooperate with an audit organisation, trade union or NGO, which can carry out checks or be represented in the audit delegation.

Many companies are just one of a supplier’s many customers or only buy once a year or even less. In such cases, they have little leverage and it can be difficult to convince the supplier to pay higher wages. One option is to approach other customers that also purchase from the supplier concerned.

Companies can always ensure a living wage for their share of total purchases. To do so, they need to calculate what their unit price should be on the basis of a living wage. That price can be calculated by dividing the established living wage by the maximum number of items that an employee can produce in the time available (allowing for acceptable work pressure and working hours). Companies can then pay the additional amount directly to workers as a bonus. An alternative is to pay the total amount into a fund managed by workers at the factory, if that is available. They can then decide for themselves what it will be used for.

Step 4: Monitor progress

Continuous monitoring of progress is necessary if a company wishes to know whether policies and measures regarding a living wage are being implemented and whether additional payments are actually reaching the workers for whom they are intended.

A frequently used method for monitoring progress is to conduct audits of supply chain partners. Audits can be used to determine the situation at a producer or quarry (a baseline measurement) and can then be used to monitor progress.

Agreement should be reached with the audit organisation that the matter of a living wage forms part of the scope of the audits, and on the definition thereof.

As already noted above, it is important to also involve those directly concerned or their representatives, such as local trade unions, in monitoring progress.

Companies themselves can also ask their supply chain partners and workers (or their representatives) for relevant information, by asking a number of specific questions. See the box under step 2.

Step 5: Communicate about wage development in the chain

The UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises emphasise that public communication about due diligence efforts and their results is an important component of the due diligence cycle. Communicating about, for example, wages in the supply chain and your efforts to ensure a living wage is also described as “knowing and showing” efforts and results. Applying knowing and showing makes the entire business operation more transparent. It also demonstrates shouldering accountability for risks and impacts that have been identified and the measures that have been put in place to address them. Knowing and showing makes clear that a company is at the centre of society and wishes to act responsibly.

When communicating about your contribution to a living wage, you can refer, for example, to the UN’s *Sustainable Development Goals* (SDG’s). The SDGs have been embraced by governments, international organisations, businesses, and civil society organisations as being the key to a more sustainable world.

A living wage contributes to the following SDGs:



SDG 1 – End poverty in all its forms everywhere



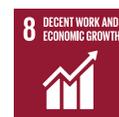
SDG 2 – End hunger, achieve food security and improved nutrition



SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



SDG 5 – Achieve gender equality and empower all women and girls



SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 10 – Reduce inequality within and among countries



Step 6: Alert those concerned to the possibility of lodging complaints

Despite your efforts, it may happen that the wages paid to the workers (or some of the workers) within your supply chain are too low. It is therefore important to make stakeholders aware of the existence of the TruStone Initiative's independent *Complaints and Disputes Committee*, and how it can be used. After all, stakeholders will only be able to submit a report or a complaint if they are aware of the existence and role of the committee, which can be reached at trustone-complaints@internationalrbc.org. You can inform stakeholders about the committee through your international RBC policy or through your own website. We also recommend that during site visits you, in addition to speaking to the supplier itself, also speak to other stakeholders or their representatives, such as local trade unions and NGOs. There too, you can provide information about the options for workers to file complaints about too low wages.

If you have any questions or comments, contact the TruStone secretariat at InitiatiefTruStone@ser.nl

Tip!

If you want to work towards a living wage and you need some additional financial support for doing so, then check out the financial support options for making your supply chain more sustainable via [MVO Nederland](#) or the Dutch government's *Fund for Responsible Business (FVO)* scheme.

