Effective wage auditing to advance living wage action
Research briefing to inform practice
September 2023
This briefing is based on primary research by ISEAL over the last two years and has been possible with generous co-financing from IDH. This is part of ISEAL’s project with IDH on strengthening sustainability standards to advance living wage goals. This report has been written by Kate Robinson of The Outcome Gap, with editorial support from Vidya Rangan, ISEAL.

Feedback on this document can be shared with vidya@isealalliance.org

Disclaimer

There are some instances in this guide where legal implications are considered. ISEAL does not take any responsibility for legal implications of using this document.

Acknowledgements

ISEAL is grateful to all those who participated in our research activities that inform the content of this briefing. The list is too long to name but comprises auditors, staff within sustainability standards, companies and auditing firms and producers who participated in our pilots. We are grateful to everyone who gave their time to speak to us and shared their views on this topic.

With co-financing support from:

Cover image: Flower worker, Asia
© Quang Nguyen Vinh
<table>
<thead>
<tr>
<th>Contents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Scope and methodology of the research</td>
<td>5</td>
</tr>
<tr>
<td>Key challenges around wage auditing and verification</td>
<td>8</td>
</tr>
<tr>
<td>Towards better wage auditing: ideas and solutions</td>
<td>14</td>
</tr>
</tbody>
</table>
As action on living wages ramps up, there is more demand for wage auditing as a distinct activity undertaken by voluntary sustainability systems and individual companies. These pressures stem from a dynamic context where social sustainability systems are raising the bar on wage criteria, companies are making commitments to act on low wages in supply changes, and legislation is tightening around corporate sustainability and decent work.

This shifting context is driving changes in the way that actual wages are measured, interpreted and acted upon. With multiple frameworks and guidance at play, wage auditing and verification is becoming more complex, with ever increasing pressures on auditor time and skills and risks of duplication and audit fatigue growing. We need to ask: how can actual worker wages within supply chains be verified and audited, at scale, in the most effective and efficient way?

Since 2021, ISEAL has been working in partnership with IDH to understand current modalities and key challenges linked to wage auditing, through dialogue with sustainability systems, auditing firms and companies. Our research includes interviews with over 20 sustainability systems to understand current audit practices, pilot testing the verification of the IDH Salary Matrix and IDH Verification Guidelines for third party auditors in 10 locations, interviews with lead auditing firms on audit good practice and company views on the topic. ISEAL has also driven peer learning discussions through the Living Wage Working Group for Certification and Auditing Systems with participation from over 30 sustainability systems, auditing firms and companies. These have provided opportunities to dive into a wide range of topics including tools and approaches for assessing actual wages, hybrid models of wage verification, and auditing in-kind benefits.

This report assimilates the research ISEAL has conducted so far to answer the following learning questions:

1. How do sustainability systems currently articulate living wage and living wage gaps? What kind of wage measurement and verification practices are undertaken?
2. What have we learned so far about wage measurement and assurance in practice? What are the benefits and challenges faced by sustainability systems, auditors, employers and workers?
3. What solutions and good practices are emerging that improve credibility and accuracy of wage verification?
4. What role can credible assurance play in ensuring sustainability systems best support supply chain wage improvement strategies in the ambition to achieve living wages?

The objective is to support the broader sustainability community to improve wage auditing as one of many system elements to advance action on living wages for workers in global supply chains.
This report is aimed at sustainability systems and their participating companies that are interested in commissioning third-party auditing to measure actual wages, calculate gaps, verify self-assessment data and check compliance on wage criteria in their supply chains.

The report draws on research conducted by ISEAL since 2021. Research activities included:

- A desk review of sustainability systems’ wage-related principles and criteria (documents accessed only till mid 2022)
- 24 semi-structured interviews with systems and auditors about wage auditing and verification
- Analysis from 10 pilot audits commissioned by ISEAL of the IDH Salary Matrix v.2 and accompanying IDH Verification Guidelines v.1 between June and December 2021 (see box below) included feedback from the 10 participating producer organisations, participating auditors and sustainability systems
- A practitioner good practices workshop with 60 attendees held in March 2022
- Findings from the ongoing Living Wages Working Group for Certification and Auditing Systems
- Additional interviews with lead auditing firms recognised by IDH for providing credible wage auditing services.

**BOX 1: Sustainability systems that participated in project pilot audits conducted in 2021**

<table>
<thead>
<tr>
<th>No.</th>
<th>Scheme</th>
<th>Product</th>
<th>Country</th>
<th>No.</th>
<th>Scheme</th>
<th>Product</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>asc</td>
<td>Shrimp</td>
<td>Ecuador</td>
<td>6.</td>
<td>GLOBALGAP</td>
<td>Banana</td>
<td>Ecuador</td>
</tr>
<tr>
<td>2.</td>
<td>EHPEA</td>
<td>Flowers</td>
<td>Ethiopia</td>
<td>7.</td>
<td>Flowers</td>
<td>Kenya</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td>Tea</td>
<td>Sri Lanka</td>
<td>10.</td>
<td>sourcing with integrity</td>
<td>Cinnamon</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>
The purpose of this report is to understand challenges and practices related to effective verification and auditing of wages to guide action by sustainability systems and companies. The scope is ‘wage auditing’ which we see as a sub-category of audit and verification activities, whose focus is on the verification of self-reported wage data, auditing of criteria (set by sustainability systems or companies) related to wage levels and payments, verification of living wage gaps calculated through self-assessment tools such as the IDH Salary Matrix and so on. In practice, wage auditing is often conducted as a part of the regularised annual second- or third-party audits or verification checks that companies and systems may carry out. However, given the emergence of new tools focused on supporting living wage action, we are seeing the emergence of wage auditing as a distinct, standalone activity. This raises questions of how best to integrate good practice around this topic with regular system and company audits to avoid duplication or whether current demands merit specific or individualised wage auditing activities.

Finally, given that the focus of our work was auditing and verification practices in the context of wages, we do not explore in depth other activities that could supplement or complement auditing itself. This could include monitoring and evaluation activities, use of worker voice tools and other means to gather or verify wage data. Our aim is to highlight any insights into the effectiveness of the audit process as a tool for wage measurement and verification, but not explicitly to assess the effectiveness of audit versus other data collection or assurance methodologies. However, our research shows that there is an important conversation to be had on the over-reliance on auditing and how to expand the range of tools and practices that can help stakeholders understand ground realities related to wage payments, gaps and improvements.
### Key definitions for reference from the ISEAL Code of Good Practice on Assuring Compliance with Social and Environmental Standards

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assessment</strong></td>
<td>The combined processes of audit, review and decision on a client’s conformance with the requirements of a standard or of the assurance provider’s conformance with requirements for assurance.</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>Demonstrable evidence that specified requirements relating to a product, process, system, person or body are fulfilled. (adapted from ISO 17000)</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>A component of an assessment. A systematic, documented process for obtaining records, statements of fact or other relevant information and assessing them objectively to determine the extent to which specified requirements are fulfilled. (adapted from ISO 17000)</td>
</tr>
<tr>
<td><strong>Calibration</strong></td>
<td>The process by which different auditors and other personnel involved in assurance exchange knowledge and learn from each other to achieve more consistent interpretation and application of the standard.</td>
</tr>
<tr>
<td><strong>Certification</strong></td>
<td>The issuance of a third-party statement that fulfilment of specified conformance requirements have been demonstrated. (adapted from ISO 17000)</td>
</tr>
<tr>
<td><strong>On-site assessment</strong></td>
<td>An assessment occurring on the physical site of a client’s operations.</td>
</tr>
<tr>
<td><strong>Oversight</strong></td>
<td>Assessment of an assurance provider’s demonstration of competence to carry out specific assurance tasks. (adapted from ISO 17000)</td>
</tr>
<tr>
<td><strong>Standards system</strong></td>
<td>The collective of organisations responsible for the activities involved in the implementation of a standard, including standard setting, capacity building, assurance, labelling and monitoring.</td>
</tr>
<tr>
<td><strong>Scheme owner</strong></td>
<td>The organisation that is responsible for the standards system and accountable for the performance of its assurance system. The scheme owner determines the objectives and scope of the standards system, as well as the rules for how the scheme will operate and the standards against which conformance will be assessed. NOTE: The scheme owner can be the standards owner, assurance provider, a governmental authority, trade association, group of assurance providers or other body.</td>
</tr>
<tr>
<td><strong>Third-party assurance</strong></td>
<td>Assurance activity that is performed by a person or body that is independent of the person or organization that provides the object of assurance and of user interests in that object. (adapted from ISO 17000)</td>
</tr>
<tr>
<td><strong>Verification</strong></td>
<td>Confirmation, through the provision of objective evidence, that specified requirements have been fulfilled. (adapted from ISO 9000)</td>
</tr>
</tbody>
</table>
Key challenges around wage auditing and verification

Lack of clear wage criteria in many sustainability standards and codes

By definition (see table on previous page), an audit is a systematic process of obtaining records, information or facts that enable assessment if specific criteria or standards have been met. Any assessment of the effectiveness of audit practices in relation to wages has to begin with a review of how clear and intentional standard-setting is in relation to wage payment or improvement in the first place.

Our review of the principles and criteria around wages in over 30 published standard documents of voluntary schemes and company codes raises a few interesting insights. First, we are seeing a steady rise in the number of sustainability systems that are raising the bar in their standards on wage criteria. Of the 30 standards’ documents we reviewed, 18 set wage criteria (mandatory or aspirational) that go beyond minimum wages. There is increasing reference to concepts of ‘living wage’, ‘fair wage’ and ‘decent wage’ in standard documents, signalling a move beyond just mandating compliance with local minimum wage levels. This leads to a second insight: the lack of uniformity in use of terminology (such as living wage) and the wide range of terms in use to indicate wage criteria that go beyond minimum wages could cause confusion and inconsistency.

Select excerpts from wage-related criteria of sustainability standards and codes

“Workers receive a fair remuneration.”

“Employers should pay at least the minimum wage or prevailing wage, whichever is higher.”

“Gross wages comply with national legislation…”

“Wages are sufficient to meet basic needs.”

“The Producer pays all workers at least the cash equivalent of the national minimum legal wage or a wage that is consistent with local industry standards, whichever is greater, and this is confirmed by workers.”

“All wages, including overtime and benefits (social security, sick leave, maternity leave, etc.) are paid at or above the local minimum legal requirements. Where a living wage calculation is available, producers make efforts to pay the living wage rate for the locality and/or industry”
Despite this trend, the large majority of sustainability systems still refer to minimum wages as the key criterion on wages, meaning that wage auditing protocols and practices are essentially geared to verifying compliance with minimum wage levels. The actual field of wage auditing in the context of living wage criteria is therefore relatively new.

Our review of corresponding audit protocol and guidance documents for these systems (where publicly available) shows that some schemes go into detail of how they define living wage (or fair or decent wage) and what benchmark they prescribe. Such schemes have detailed and clear criteria around wages and specify target indicators once minimum requirements are met. However, many do not, instead preferring to keep the requirements very high level and open to interpretation by the auditor. This clearly creates difficulties for effective auditing. Firstly, when clauses are open to interpretation, interpretations vary. Secondly, spending time calculating benchmarks or gathering further data to verify compliance places an additional burden on auditors.

The key message is that there is work to be done by sustainability systems and companies in writing clear and auditable criteria around wages and wage improvements. Key points to think about include:

- Are key terms used in the standard document defined?
- Is there a clear baseline (including baseline data) in place?
- Is the standard clear for auditors and producers?
- Are the requirements focused on performance and outcome, or are they purely descriptive?
- Is there alignment between different parts of the standard in relation to wages or decent work (for example, alignment between clauses on wages, overtime payment and bonuses)?
- Are the wage criteria auditable? Is the standard responding to regional specifications in wage structures and levels of data available in different contexts?
- Is auditor and conformity assessment body (CAB) guidance on auditing these criteria clear and implementable in all contexts?

**Definition of minimum wage and living wage**

*A minimum wage is the minimum amount of remuneration that an employer is legally required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract (ILO).*

*A living wage is the remuneration received for a standard work week 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).*
Variance in wage-related objectives between schemes

By definition (see table on previous page), an audit is a
As noted above, our research demonstrates that there
is no unified approach to defining targets around wages.
The language in standards varies from very clear and
precise, to much less precise or open to interpretation.
Some schemes stated that vagueness was intentional, to
allow for interpretation at local level. However, others
recognised that this created repercussions on the ability
to audit against the standard and some confusion at
auditor level.

The range of terminology used can complicate
interpretations. Fair wage, prevailing wage, decent
compensation, living wage – while they may all have
precise definitions at international level, if these nuances
do not translate easily for those needing to keep records
or verify data, then the ability to accurately measure
wages will be compromised.

The research also found an awareness that the context is
changing, perhaps faster than sustainability systems can
keep up with. Auditors talked about getting used to one
set of training guidance then being issued with another
within a few years. One scheme said that its member
companies were moving much faster on living wage than
the standard itself.

Specifically on the concept of living wage, this research
found huge variation in how this is interpreted between
different sectors, as well as between different actors in
those sectors. This is highly context-specific and influenced
by socio-political factors.

“The low level of understanding of
the concept of living wage, at farm
level, is our biggest barrier”

Auditor interview

In some cases, scepticism over the concept translated into
challenges undertaking the wage verification process itself
– which is explored in more detail below. However, on the
whole, participants in the research were very positive about
the value of conversations about living wage. From an
auditing and verification standpoint, it is clear that the shift
from minimum wage compliance to a living wages concept
raises the complexity of wage auditing significantly.
Challenges in verifying in-kind benefits

In-kind benefits or payments in kind are “…goods and services furnished to employees free of charge or at markedly reduced cost that are clearly and primarily of benefit to the employee as consumers. They comprise food, drink, fuel and other payments in kind; and cost, other than capital cost, of workers’ housing borne by employers (cost for employer owned dwellings, cost of dwellings not employer owned, other housing costs).” (OECD Glossary of Statistical Terms, 2002).

The provision of in-kind benefits is a regular practice in many regions and sectors. These benefits are often highly valued by workers, especially in contexts with poor or no government social security services. However, as noted by Anker and Anker (2017), “In kind benefits reduce the cash wage that workers require for living expenses. When workers receive essential goods and services such as free meals, free housing, or free transport to work, their need for cash income to support a basic but decent living standard is reduced. This means that it is appropriate to include a fair and reasonable monetary value for in kind benefits when determining if an employer pays a living wage and a worker receives a living wage.”

The verification of in-kind benefits was by far the biggest challenge raised by research participants. While the Anker Methodology for calculating living wages is very clear on what does and doesn’t constitute an in-kind benefit, the data collection and verification this entails in practice was found to be challenging in the context of agricultural settings and informal smallholder farms.

The first component of this problem was visibility over the value of the benefit being offered. This came up most often in the case of housing or transport. Some benefits were offered by outside entities (e.g., housing provided by NGOs), where neither the auditor nor the producer had visibility over the actual cost.

A second concern related to benefits that were seasonally or otherwise variable, for example taking a portion of the shrimp catch or crop harvest home. This was often not officially recorded, and was challenging for workers to recall accurately and for auditors to average out, making these informal variations difficult to factor into analysis. A further complication to the verification of benefits is their applicability – some may only be accessible to permanent workers or on-site workers, for example.

This is a key issue because in-kind benefits can skew the data, positively or negatively, on the total remuneration a worker receives. Without a proper assessment of the monetary value of such benefits to workers, it is also difficult to get a true sense of prevailing wages and remuneration.

Challenges in tracking working hours accurately

“They’re tracking hours but it’s problematic…interpretation and agreement on when work starts and ends is an issue.”

Auditor interview

Stipulating clear working hours – such as limits to daily working hours or norms around overtime work – is a significant component of decent work standards. Obviously, working hours and wages have a clear link but this is
more significant in the context of living wages where the definition states that it should be earned by the worker within a standard working week. Tracking and verifying working hours is then a key step in the verification and auditing of wages, as earnings need to be calibrated against hours worked.

Our research and interviews reveal that, by and large, most auditors verify working hours as a part of standard wage verification and audit practices. Working hours undergo a robust process of validation, utilising paper records or electronic systems, with worker interviews used to triangulate evidence. However, it is fair to say that auditors focus on tracking overtime (which is usually referenced as part of a standard’s clauses around working conditions) rather than standard working hours to verify workers are receiving a minimum or living wage.

Also, tracking working hours is not straightforward in many contexts – such smallholder farming, home-based working or vast estates that may not have clear mechanisms to track when someone is working. The nature of the work can also make tracking hours complicated – for example, for piece-rate workers, when seasonal tasks are added to regular functions, or with shift patterns. Where hours were recorded, many auditors and schemes raised the risk that such records probably masked overtime through possible double book-keeping.

There are also grey areas around what should be included in a working day, such as time spent in transit or waiting for transport. The concept of “lost time” does not come into the calculation of minimum wage or living wage. Given the centrality of tracking working hours to a number of decent work and wage requirements, some stakeholders suggested that sustainability systems and companies should regard an inability to clearly track working hours as a non-compliance.

**The critical importance of on-site assessment in wage auditing**

It was widely felt that wage verification needed to be conducted in person. Despite innovations in desk-based verification and hybrid auditing, not least triggered by the Covid pandemic, the overall consensus was that credible wage auditing cannot take place without on-site assessment and worker interviews.

One reason for this in the case of newly certified or smaller production set-ups that may not have the necessary wage collection systems and documentation in place. Given the importance of document checks (such as workers’ contracts and records on working hours), on-site assessment is clearly preferred if such records are not computerised or available electronically, for instance.

“We have found it beneficial to increase the time on site and increase the sample size to improve quality audits and quality results”

Auditor interview

In addition, it was widely felt that worker interviews were critical to the process of validating documentation, and such interviews needed to be conducted in person to build trust, reliability and credibility. Some stakeholders mentioned the importance of being able to interpret whether workers were being truthful in these interviews being able to interpret the truthfulness of worker validation, and that this was best done in person. Others wanted to reduce any room for worker intimidation as well.

The research did uncover a counter concern, however, around higher expectations on sampling and the number of worker interviews required, especially on larger sites. Two constraints were identified: first that robust wage auditing probably needed a far greater sample of sites and workers than would be the norm in a standard audit; and second, a concern over increased auditor time spent on-site and how this additional cost would be covered.

**Wage auditing needs around living wage gap analysis**

The calculation and verification of living wage gaps (i.e. the gap between actual worker wages and an independently calculated living wage benchmark or estimate for a given region and sector) has become a key step towards wage improvement in many sectors. While the concept has been taken up by many supply chain actors and sustainability systems, calculating and verifying living wage gaps raises challenges from a verification standpoint.

Feedback from both schemes and auditors was that wage verification and the living wage gap analysis asked a great deal of the auditor. It required a shift in their traditional remit from data collection and verification, to providing guidance and counsel. One auditor workshop participant remarked that “the auditor’s job is to verify, not to teach.” While this statement is understandable, it is important for schemes to balance the pros and cons of clearcut auditing and verification versus the role of auditors in providing additional guidance, especially on a relatively new and complex topic such as living wages.
A key implication of this shift in role is the likely need to upskill and train auditors differently. Auditors themselves suggested any such training had to be in-country, practical and very specific to the remuneration structures of the crop or sector in question. This also points to the need for greater producer and supplier capacity building around key living wage concepts.

Another auditor concern was around time spent on site, with auditors feeding back that the wage data collection and verification process took significantly longer than anticipated. Some schemes noted they would be unlikely to be able to add living wage gap analysis into a traditional audit process without reviewing time spent on site. Auditors and schemes alike raised concerns over who would pay for living wage gap analyses in this scenario, and several participants pointed out the high cost to producers of being wage audited to the level required in a living wage analysis.

A third concern was whether the compliance lens of audit was really the most appropriate tool for the task in hand. For instance, if living wage payment were to become a compliance criterion in sustainability certifications or codes, this would disincentivise collaborative solution-building as producers would interpret this as a burden falling primarily on their shoulders.

The development of the IDH Auditing Guidelines for Verifying Living Wage Gaps is an important step to guide work by companies and schemes. Although designed to support stand-alone auditing and verification of living wage gap assessments calculated through the IDH Salary Matrix, it is intended to guide ongoing third-party auditing efforts undertaken by sustainability systems and companies.

A cross-cutting point raised by interviewees, especially auditors, was that wage verification is a political process rather than a documentation exercise. As such, several research participants raised the importance of the conversation that wage verification has the power to generate, and stressed that this dialogue is a critical step towards closing the living wage gap. An important final point here is the limits of wage auditing and verification as a diagnostic that sheds light on the causes of a living wage gap. This is not the purpose of an audit and verification exercise, as noted earlier. However, it is worth exploring whether the growing investment in wage auditing and verification can generate more insight into the reality around supply chain dynamics and implications for wages, rather than only checking compliance against pre-set criteria or benchmarks. There needs to be a much clearer link between wage auditing and how it can contribute to collaborative efforts to improve wages an improvement process implemented by all relevant parties.

### Steps in the journey towards worker wage improvement and associated verification challenges

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. ASSESS</td>
<td>actual wages (what are workers currently paid?)</td>
</tr>
<tr>
<td>B. COMPARE</td>
<td>to a wage benchmark (what should workers be paid?)</td>
</tr>
<tr>
<td>C. CALCULATE</td>
<td>wage gap (B-A)</td>
</tr>
<tr>
<td>D. SET</td>
<td>wage improvement goals or plans</td>
</tr>
</tbody>
</table>

#### Cross-cutting challenges:
- Country/context-specific issues (record keeping, idiosyncratic wage set-ups)
- Commodity/sector-specific issues (wage set-ups, informalisation of labour force)
- Special categories of workers (temp, informal, migrant, piece-rate)
- Overall low levels of conceptual knowledge and clarity on living wage definition and assessment
Towards better wage auditing: ideas and solutions

Overall, our research over the last few years reveals far more challenges than emerging good practice in the field of wage auditing. As auditing tries to catch up with ambitious standard-setting around wages and rising company commitments to close living wage gaps, nobody we spoke to seemed to think that they had resolved all existing challenges or developed a convincing protocol to go about wage auditing. Nonetheless, a few key points, basic as they may seem, were reiterated several times by auditors and lead auditing and assurance firms on what can make wage auditing more reliable.

Write clearer standards on wages and wage improvement

Sustainability systems and companies need to set clearer wage criteria in their standards. This should include thinking around what the purpose of wage auditing and verification is: to provide assurance of compliance with a code or standard? To support claims made by a sustainability system or system user? To be a transparency tool to create a common knowledge basis for all actors in a supply chain?

Standardising and socialising

This research has highlighted the range of definitions and requirements schemes have when it comes to wage verification. While a global approach is perhaps unrealistic given country and sector contexts, at a minimum, sustainability systems could help reduce confusion amongst employers and auditors by using standardised terminology and methodologies. Investing in socialising and training around terminology and methodology will make the process of wage verification significantly more straightforward.

Getting the basics of good audit practice right

References were made throughout the research process to the importance of having the basics in place as a first step to improving the credibility and accuracy of wage verification. This ranged from good record keeping at site level, robust sampling strategies, skilled and competent auditors to regular auditor training and protocol review.

Improved awareness-raising and trust-building with producers

A key barrier in making the shift from minimum wage to living wages and other progressive wage concepts was the poor understanding around these concepts – especially at the producer level. This has the dual drawbacks of slow audit processes and reducing trust in audit outcomes. Sustainability systems, supply chain actors and civil society all have a role to play in socialising the living wage concept better. Many schemes have started to respond to this challenge by providing support to producers before auditing. Some explained how they provided details of the living wage methodology to factories in advance of the audit to encourage them to spend time getting to understand it – which made later verification efforts easier. Others have worked to simplify their sampling approach, which auditors and employers considered too complex, and made sure to communicate to producers that they do not publish wage data, which helped to build trust. Another scheme spoke of how their audits are more frequent for their participating brands than for their factories – emphasising that the onus on improvement is with the brand rather than the factory.

Separating wage verification from training and ongoing support on living wages

This research identified two quite different objectives being met through wage verification. The first was the education and training of producers, workers and even auditors on the concept and application of living wages in a given context. The second was the need for an objective assessment of wages in the traditional sense of a social audit. These two purposes conflict and put the auditor under considerable pressure. The ongoing training and support element requires a different kind of intervention than an audit and sustainability systems and companies should invest in building capacity for this.
Strengthening verification where the risk is greatest
Throughout the research, we heard several examples of schemes and auditors putting more effort towards worker categories or locations where they identified the greatest risk to workers. Some schemes explained how they focused support to partners with more complex categories of workers, such as care-givers, whose remuneration was complicated due to travel allowances and shift work. This allowed the scheme a greater level of confidence that those partners complied with the standard. Others ensured they were physically on-site throughout the harvest season to support both employers and migrant workers on their time and wage tracking. They noted that migrant workers are the least likely to be able to advocate for their rights, for language and cultural reasons, in addition to likely not being represented by a union.

Aiming to minimise costs and reduce duplication
Improving wages is a collaborative effort and the ability to achieve the goal will be greatly enhanced by increasing the efficiency of verification processes, sharing training costs, and data sharing so that processes do not have to be repeated with each new buyer request. Similarly, sustainability systems could explore the potential for mutual recognition in countries or sectors with sufficient overlap to reduce placing multiple certification requirements on producers.

Ensuring advancing on living wages is not a compliance problem
The capability of a sector to pay a living wage to its most vulnerable workers is the outcome not just of one employer’s practices but the dynamics of an entire market system. A living wage should not therefore be a compliance mark against which only producers are held accountable. Wage verification has an important role to play in understanding why workers are paid as they are, as a first step to identifying how those difficulties might be addressed.

Using wage verification as a tool to build consensus on future action
This research has highlighted the importance of shifting wage verification from a compliance process to a consensus-building activity in practice. Sustainability systems are investing in educating producers around wages and encouraging them to take ownership of developing appropriate management systems. Investing time in working with producers on implementing robust processes for capturing working hours in the first instance helped lead to producer-led conversations to not only define living wage, but also to come up with possible solutions to close the gap themselves.

Looking beyond auditing to track wages
Despite efforts to improve wage auditing, we must acknowledge the known limitations of auditing as an activity. Both sustainability systems and companies need to creatively think about other ways to track, monitor and respond to wage-related concerns in supply chains. The use of worker voice tools is growing and seems promising but thought needs to go into how best to integrate data from such tools with audit and compliance data. Monitoring (outside the audit cycle) and independent research are also valuable ways of understanding ground realities and complexities. Ultimately, wage verification should not be considered a standalone audit process, devoid of context or without linkages to improvement plans.