

# Inclusion of living wage and income in EU CSDDD is essential

On 23 February 2022, the European Commission adopted a proposal for a Directive on corporate sustainability due diligence. The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance. The new rules will ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe.

In this draft Directive, living wage is mentioned explicitly as a human right. In particular, the draft Directive states companies are to ensure that “an adequate living wage” is not withheld, including in their supply chains. We, the signatories of this letter, very much welcome the inclusion of living wages in the EU Directive and call for the inclusion of living income as well.

## **Living wage and income are crucial for fighting poverty and inequality**

Living wages and incomes are at the core of decent work and fair purchasing practices and embedded in the [Universal Declaration of Human Rights](#) (article 23 and 25) and [ICESCR](#) (article 7 and 11). The concepts of “living wage” and “living income” are both about achieving a decent standard of living for households. The idea of a living wage is applied in the context of hired workers (in factories, on farms, etc.), whereas living income is discussed in the context of any income earner, such as self-employed farmers.

The Global Living Wage Coalition defines a living wage as *“the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”*

This is not a given for many people: the [ILO](#) estimates that 630 million workers – that’s nearly 1 in 5 workers globally – earn too little to lift themselves and their families out of extreme or moderate poverty. They are truly the working poor, who remain trapped in poverty. Living incomes are key to remediate poverty among vulnerable groups of self-employed such as smallholder farmers or artisanal miners. Living wage and income can help break the cycle of poverty, build healthy local economies and encourage equality in societies.

## **Living wage and income are good for business**

More and more businesses recognize the business case for living wages and incomes is greater than the cost of inaction. They help retain a stable, skilled work force and a productive, resilient value chain. Companies committed to living wage and income are better positioned to respect human rights in their own operations and their supply chain, meeting the expectations of the

EU Directive. A growing community of companies is committed to enabling living wage and income in their own operations and their supply chain.

The signatories of this letter call on the Members of the European Parliament, European Commission and the member states:

- To ensure living wage and income are included as a human right in the final Directive
  - Not to compromise on the definitions of living wage and income
- Keep the reference to ICESCR article 7. We urge not to follow the example of the German Due Diligence law (Lieferkettengesetz), which redefined living wages as “legal minimum wages” - which are often not living wages. If there is a need for a further definition of living wages and income beyond ICESCR article 7, we recommend referring to the definitions of [the Global Living Wage Coalition](#) and [the Living Income Community of Practice](#).

The EU Directive has a unique potential to create a level playing field for companies to support living wages and incomes in their supply chains. By promoting living wage and incomes, the EU Directive on corporate sustainability due diligence has the potential to become a landmark legislation that strengthens company performance and profitability, while tackling poverty and inequality worldwide.

The time for living wages and incomes is now.



The signatories (companies, investors and initiatives):

Actiam	B Lab Benelux
ALDI South Group	Banana Link
Alecta Investment Management	CNV Internationaal
Axfood	Fair Labor Association
Burton	Fair Trade Advocacy Office
DNB Asset Management	Fair Wear Foundation
Eosta	Fairfood
Erste Asset Management	Fairtrade International
Ethical Partners Funds Management	FERN
Fairphone	Forum Fairer Handel e.V.
Fairtrade Original	Global Living Wage Coalition
Future Super	IDH The Sustainable Trade Initiative
Forma Futura	INKOTA-Netzwerk
Handelsbanken Fonder	ISEAL
Kumasi Drinks	Lady Lawyer Foundation
L'Oréal	Living Wage Foundation (Citizens UK)
Nomura Asset Management	Rainforest Alliance
Nestlé	Share Action
Nudie Jeans	Social Accountability International
Mondelēz International	Solidaridad
Patagonia	The Anker Research Institute
Peeze	UN Global Compact
Platform Living Wage Financials *	Union for Ethical Biotrade
Preventable Surprises	VOICE Network
Schijvens	WageIndicator Foundation
Schneider Electric	
Shift	
Sono Motors	
Strathclyde Pension Fund	
Superunie	
Sustainalytics Stewardship Services	
Tony's Chocolonely	
The Hershey Company	
Trust	
Unilever	
Vancity Investment Management	
Verstegen	
Wagagai	
Wakuli	

\* An alliance of 19 financial institutions