STANDARD GUIDANCE

Living Wage Employer Standard Guidance

A complement to the Living Wage Employer Standard, setting out in detail the steps required to achieve the Standard and to qualify to use the Living Wage for Us Employer seals.

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1 About this Guidance

This guidance document is a complement to the For US Living Wage Standard and provides more detailed information on the necessary steps to achieve the standard and qualify to use the certification seals, as well as the optional "Plus" add-on designation. It focuses on the required sections of the standard, including those applicable to Pledged (Tier I—see explanation of terminology in section 1.1) and Leading (Tier II) certification levels. The "Plus" add-on designation is optional and this guidance includes the list of benefits that may be accounted for in the designation. Additional benefits may be added to this guidance in subsequent updates.

This guidance will be regularly updated and provide opportunities for ongoing adjustments before a typical standard review cycle which entails a broader process and stakeholder consultation. Its revisions shall also incorporate improvements based on feedback from a variety of interested stakeholder groups and on the learned experience of implementation or to adjust for the impacts of new government policies on the workforce and overall costs of living across the U.S.

1.1 Terminology

1.1.1 Description of Tiers

The standard describes two tiers signifying levels of achievement toward a living wage for all workers. These are described as "Tier I" and "Tier II" in the standard. However, based on feedback received from stakeholders indicating that this language was often counterintuitive and led to confusion, the terminology has been updated to refer to Tier I as "Pledged" and Tier II as "Leading". This change in language is intended to provide greater clarity to users of the standard and is used throughout the rest of this guidance document.

1.1.2 Total Compensation

The standard defines the term "remuneration". However, in the U.S. "total compensation" is a more commonly used and easily understood term. Therefore, in this guidance and other supporting documents the term "total compensation" will be used and shall have the same meaning as "remuneration" for the purposes of certification.

1.1.3 Decency

The standard refers to a decent standard of living, as well as a decent level of living or a decent cost of living. The definition lists the elements of a decent standard of living that is then translated into the components of the living wage methodology. In this context understanding the meaning of decency in

the standard takes a human rights lens. It draws from the Universal Declaration of Human Rights, specifically articles 23-25, which define rights related to work, employment and compensation that is just and equitable. These articles define the right to an existence worthy of human dignity, access to unions, limitations on hours, paid time off, and a standard of living adequate for the health and well-being of workers and their families, including essential needs such as food, clothing, housing, medical care, and child care, etc. The definition of a living wage draws from these concepts enshrined in the Universal Declaration of Human Rights and aligns with global definitions of living wage that refer to a decent standard of living (including those of the International Labor Organization, the Global Living Wage Coalition and the Wage Map Living Wage Reference Standard).

2 Achieving the Standard

To begin a journey toward payment of a living wage, there are several steps that an employer should consider early in the process, including determining the scope and categories of workers to be included in the assessment, conducting an internal assessment, measuring the gap to a living wage, developing a plan to close the gap, understanding the requirements to qualify for certification at each tier, and preparing to maintain certification once it is achieved. The following guidance goes through each of these considerations.

2.1 Workers Covered by the Standard

Before beginning an assessment, it is important to confirm an understanding of the scope of certification. Sections 5.4 and 5.5 of the standard describe the requirements related to the specific workers that shall be included in the internal analysis and assessment process described in later sections of this guidance.

The standard requirements apply to all directly employed staff of the employer, whether full-time, part-time, or seasonal, for the purposes of initial certification, as well as certain categories of contractors. Note that there are limited situations where exceptions may be requested, such as for seasonal work for youth employed during school holiday breaks.

Requirement

The employer shall include all employees that fall within the scope of certification in the living wage assessment. No employees shall be excluded from the assessment unless it is a category that is explicitly listed as out of scope as defined by the standard.

2.1.1 Independent Contractors

The standard requirements apply to any regularly contracted workers that are a foundational part of the business model. These independent contractors are also sometimes referred to as “1099 contractors” and are included in this category if they are hired directly on an individual basis. In this context, workers are considered “regularly” contracted if they work 2 or more hours a week, for 8 or more consecutive weeks a year for a certified employer. “Foundational” means operations that are central to the business model, and without which the business would not be viable. For example, a software company might hire a programmer that works as an independent contractor on an hourly basis, working part time for three months. This worker would be in scope for certification purposes even though they are not a directly hired employee. If an independent contractor is hired on a project basis, for example on a flat rate, then the employer must calculate an hourly equivalent based on the estimated amount of time required to complete the project.

Requirement

Individual independent contractors foundational to the operations of the business shall be included in the scope of certification and the living wage payment for initial certification. This shall apply to all regularly contracted workers, defined as those that work 2 or more hours a week, for 8 or more consecutive weeks a year for the employer.

Note 1:I It is important for employers to be aware of legal requirements relating to hiring independent contractors and to ensure to avoid misclassifying employees. While Living Wage for Us does not assess or advise employers on legal compliance, and it is always the employer’s responsibility to ensure that it follows legal rules on the use of independent contractors, certification may be denied if a legal compliance issue is found.

Note 2: Living Wage for Us currently does not certify employers with a labor force operating predominantly in the gig economy, such as drivers hired through an app-based platform. If an employer in this category is interested in pursuing certification, it should contact Living Wage for Us to explore options for developing a pathway and guidance on calculating total compensation for gig economy workforce.

2.1.2 Subcontractors

In addition to independent contractors that are hired individually, employers may also hire subcontractors that in turn employ hired workers. For example, building services and temp agencies would fall into this category. The standard applies similarly to any subcontractors that provide regularly contracted on-site labor or regularly contracted labor that is a foundational part of the business model. Workers are again here considered "regularly" contracted if they work 2 or more hours a week, for 8 or more consecutive weeks a year for a certified employer. As noted earlier, "foundational" means operations that are central to the business model, and without which the business would not be viable. While employers may often not have direct visibility or control over the wages of workers that are employed through subcontractors, they do have a role in indirectly influencing these business partners. The employer is responsible for taking steps to ensure where possible a living wage is paid to these workers. Additional guidance is available in Appendix B.

Requirement

Subcontractors supplying labor that is on site and/or foundational to the operations of the business shall provide wages to all subcontracted workers that are at a level that is at least equivalent to those received by directly employed staff by year 3 of certification. This shall apply to all regularly subcontracted workers, defined as those that work 2 or more hours a week, for 8 or more consecutive weeks a year for the employer. Where subcontractors do not provide direct visibility into the wages paid to the subcontracted workers, the employer shall demonstrate proactive efforts to encourage subcontractors to pay a living wage and require this in their contracts.

2.1.3 Suppliers and Supply Chain

The standard does not apply to contractors that supply your organization with products, materials, commercial off-the-shelf items, etc. Suppliers and supply chain relationships are outside the scope of the standard for the purposes of certification requirements to achieve Pledged and Leading certification levels. They are included in the optional Plus Designation (see section 4) section recognizing actions taken that go above the minimum requirements of the standard.

2.1.4 Internships

Internships are temporary arrangements provided by an employer to provide educational work experience designed primarily to benefit the intern through training and skills development, rather

than to substitute the work of paid employees. Interns are outside the scope of the standard for the purposes of certification.

2.1.5 Apprenticeships

Apprenticeships are structured training programs through which employees learn a particular occupation that meets the criteria under federal regulations through supervised work experience and related instruction. Workers employed through an apprenticeship are in scope of the standard for the purposes of certification. If classroom hours are paid by the employer, the wages for those hours may be amortized and added to regular wages for working hours for the purposes of closing the gap to a living wage.

2.1.6 Acquiring a new entity

If a certified employer acquires a new entity, a grace period may be provided to achieve the Pledged level for that newly acquired entity. The term of this grace period will be set according to the size and complexity of the acquisition. Certified employers currently using a living wage seal must submit a plan and timeline for bringing the new entity into conformance, which shall not exceed three years. An employer may submit a request for an exception to this timeframe if it believes that there are additional factors to justify a longer timeframe, subject to review and approval by Living Wage for US. After that grace period, the entity must advance according to the process described in this guidance toward the status already achieved by the parent company. This only applies if the parent company is certified rather than individual brands that are certified.

Requirement

If a grace period is issued to a parent company to bring a newly acquired entity up to the Pledged level, this transition shall be completed within the approved timeline.

2.1.7 Franchise workers

Due to the complex nature of the relationship between different entities that are part of a franchise, extra care and attention is necessary to ensure that claims related to certification are accurate, clear and easy to understand by the public. When a parent company or an individual franchise operation applies for certification, Living Wage for Us will review the specific arrangements and may require additional information to ensure that there is no confusion caused by any certification-related claims. For example, if a franchisor wishes to become certified, it shall ensure that all franchised operations are included in the certification within 3 years. This is due to the brand association and likely public

perception that the certification would imply that a branded franchise location is also paying a living wage.

Conversely, an individual franchised operation may be certified independently of the franchisor. In this case only that individual franchise operation and no others that are not also independently certified may make any claims about conformance with the standard. Living Wage for Us may deny an application for certification from a franchise operation if it identifies a potential that it may lead to confusing or misleading claims about certification.

2.2 Internal Assessment Process

To begin a journey toward payment of a living wage, there are several initial steps that an employer should take. These steps are designed to support an employer in preparing for and determining if they are ready for certification to the standard.

Steps	Notes
1. Complete a self-assessment to calculate the value of total compensation against a living wage for each employee in the company with a base wage beneath a living wage at minimum.	Total compensation includes both cash wages (base wages plus bonuses, tips, commission and cash allowances) and other eligible benefits. Living Wage for Us provides self-assessment tools to properly calculate the value of benefits from a perspective of savings to workers on the living wage estimate budget in accordance with the standard (see section 2.3 below).
2. Determine whether total compensation for each employee in the company already meets either the Pledged or Leading living wage rates.	The Pledged and Leading living wage level rates are listed in the living wage rates map at www.livingwageforus.org. The Pledged level rates are updated every year and represent a minimum commitment level that is set above minimum wages and is scaled such that it is higher in locations where the cost of living is higher. In 2026, for example, these levels range from $17/hr-$21/hr depending on the location. If any gaps exist between current employee compensation and the Pledged rates, close those gaps by increasing cash wages and/or benefits. Achieving the pledged rates is a way

	to demonstrate a clear commitment to working towards a living wage for all employees.
3. Establish minimum baseline benefits, which include a minimum of 10 paid sick days per year (for full time employees and adjusted for the same accrual rate for part-time employees) and disability insurance.	These benefits are required for certification at both the Pledged and Leading levels.
4. Make a public commitment to achieving and maintaining a living wage for all employees and put in place systems to ensure progress.	Establish a system to track and improve total compensation over time to close the gap to a living wage and to maintain the living wage once it is achieved. If all employees are not yet earning a living wage, commit to growing total compensation at a rate of at least living wage rate inflation plus 3% annually. If your total compensation already meets the Leading living wage rates, commit to ensuring that total compensation increases each year to keep up with the rising cost of living.

2.3 Gap Analysis to a Living Wage

Assessing current wages and benefits against living wage estimates is essential in determining the gap between overall compensation and living wages. The standard sets out principles that guide which benefits and non-regular payments may count toward a living wage. Section 3 of this document further explains types of compensation that may be counted toward a living wage and those that may not, as well as the reasoning underlying these distinctions, in order to help employers understand the assessments.

Employers participating in the Living Wage for Us program that are preparing to apply for certification receive access to tools to account for the entire compensation structure in alignment with the standard. The tools provide a method to analyze any gaps to a living wage based on the location and compensation data entered. Living Wage for Us also provides support and guidance to employers who

need help with completing the gap analysis and assessing options for closing the gap to a living wage, for example through implementation of additional benefits. Once an employer has completed the self-assessment and is ready to proceed, it may be affirmatively submitted as part of the initial application for certification. Living Wage for Us may require additional information to be submitted along with the self-assessment to substantiate that it is complete, accurate and supported by verifiable evidence.

Requirement

Employers shall complete all submissions required to apply for initial certification as well as for annual renewals completely and accurately. Details including the work location of each employee and different types of compensation packages (e.g. for part-time vs. full-time workers) shall be complete and accurate. Every employee shall be included in the assessment in accordance with the scope of certification.

2.4 Employer Living Wage Plan

Once the assessment has been completed, if the results reveal that there are pay gaps to either the Pledged or Leading rate levels, the employer should develop and implement a plan to close the wage gap. This may be done through the introduction of a combination of additional benefits, bonuses, or base pay increases. Living Wage for Us does not require a specific documented plan, however the results of the implementation of this plan will be checked as part of the initial application and annual renewal assessment process. The goal of the plan should be to close the gap to a living wage and achieve first Pledged certification and ultimately Leading certification. The plan should be adjusted annually when new living wage rates are published, accounting for increases or decreases in the cost of living (for example, inflation may increase the cost of living in certain categories, while public policies may drive down the cost of living in others).

Requirement

When an employer implements a living wage plan that introduces changes to total compensation to close a gap to a living wage, it shall meet the following:

a) The changes to total compensation including wages and benefits shall increase at a rate at least equal to the year over year change in the living wage rate plus 3% until the living wage has been reached.

b) Changes in total compensation shall be done in such a manner that does not harm the overall wellbeing and interest of employers and contractors (see "Do No Harm" guidance in Appendix A).

2.5 Qualifying for Certification

When an employer is ready to proceed with certification, Living Wage for Us conducts an assessment of the submitted application materials to verify that the compliance criteria listed in the table below have been met. Additional information and evidence may be requested to substantiate that the submission is complete and accurate.

Certification Level	Conformity Assessment Criteria
Baseline (applies to both Pledged and Leading levels)	• The employer has submitted complete and accurate information in its living wage assessment including all employees that are in the scope of the standard. • All workers have the ability to take the equivalent of up to 10 days of paid sick time per year in order to stay home when ill (inclusive of mental health) or care for sick family members for full-time employees and adjusted for the same accrual rate for part-time employees. PTO may count towards sick time only if it can be requested and taken on short notice without penalty. • Individual independent contractors have been disclosed as part of the application and those that meet the minimum thresholds are included in the assessment.
Pledged Living Wage for Us Employer 	• Total compensation for each employee in each location meets at least at the Pledged rate. Benefits are counted but may not reduce cash payment below $15 or minimum wage, whichever is higher. • The employer affirms its commitment to closing the gap to a living wage at the rate of living wage rate inflation plus 3% each year. This is measured at an average rate over a period of 3 years.

Leading Living Wage for Us Employer 	• Total compensation for each employee in each location meets at least at the Leading rate. Benefits are counted but may not reduce cash payment below $15 or minimum wage, whichever is higher. • The employer affirms its commitment to increasing total compensation every year to maintain the living wage rates when the cost of living increases due to inflation.

2.6 Maintaining Certification

Once an employer has achieved Leading certification, it is important to ensure to continue to maintain certification by keeping up with changes in the cost of living that impact the living wage rates. When new living wage rates are published, the employer may need to update its living wage plan based on the new data. As noted above, while living wage rates typically increase every year due to inflation, it is possible that living wage rates may be adjusted downward, for example due to public policies such as provision of free pre-kindergarten or availability of healthcare subsidies, which drive down the cost of living for a family.

Employers are required to submit an updated assessment for annual renewal of certification with updated employee and compensation data. This assessment also takes into account updated Pledged and Leading living wage rates. The same compliance criteria listed in section 2.5 above apply to the annual renewal, in addition to the following table.

Certification Level	Conformity Assessment Criteria
Certification renewal (applies to both Pledged and Leading levels)	• The employer submits an updated assessment for certification renewal by the annual submission deadline containing complete and accurate information including all employees that are in the scope of the standard. • The employer has paid variable compensation, inclusive of tips, commission and bonuses, at a level that ensured all employees reached the Pledged or Leading rates that it is committed to.

	• Individual independent contractors were paid according to the rates set in their contract, which meets at least the Pledged or Leading rates as applicable. • The employer provides information about their commitment as a living wage employer with all employees, either publicly or through direct communications to all employees. This may be done using "Employee Information Sheets" provided by Living Wage for Us or alternative communications approved by Living Wage for Us. • The employer directs employees to an approved grievance mechanism to resolve complaints related to employee compensation. • If Living Wage for Us receives a complaint related to the employer's compliance with the standard, the employer takes active steps to resolve the complaint. • By year 3 of certification, the employer has disclosed use of all on-site subcontractors and all subcontracted workers that are foundational to the business and meet the minimum thresholds as well as taken proactive actions to ensure that a living wage is paid to subcontracted workers including requiring this in their contracts.
Certification renewal (applies to Pledged level only) 	• The employer increases total compensation to close the gap to a living wage at the rate of living wage rate inflation plus 3% each year. This is measured at an average rate over a period of 3 years. *Note: In order to ensure meaningful progress to close the living wage gap, "inflation" in this context means the year over year change in the living wage estimates that are relevant to the particular employer. Starting in 2027, this is measured using the living wage deficit, based on the Shift accounting model, and the 3% increase is measured using the wages of workers not yet earning a living wage (see Appendix D for more details on the calculation).*

2.6.1 Reverting to Pledged Certification

Once an employer has achieved the Leading certification level, it is required to maintain that level of certification by keeping up with year over year increases in the living wage rates. Reverting to the Pledged certification level is generally not allowed. However, there may be specific circumstances where an exception may be justified for an employer that is unable to maintain its certification at the Leading level to return to the Pledged certification level rather than losing its certification altogether. Specifically, this is allowed in the case when an employer starts operations in a new location, which has a higher living wage rate than the employer's other existing locations and the level of total compensation provided to existing employees is not enough to reach the living wage in the new location. Other situations could arise that similarly impact an employer's ability to maintain the Leading level, and in these situations the employer should contact Living Wage for Us to consider if an exception can be granted.

Exception

If an employer that is already certified at the Leading level starts new operations in a new location with a higher living wage rate, it may remain certified provided:

a) The employer reverts to the Pledged level and shall meet all the requirements at this level of certification, including increasing wages year over year to close the gap to a living wage; and

b) The employer shall not reduce the total compensation for any employees and shall ensure that all employees in the new location receive at least the same level of compensation as the other locations.

2.7 Corrective Actions

There may be times when an employer does not fully conform with the standard. This may be due to the actions of the employer itself, or it may happen as a result of factors outside the control of the employer, such as when the living wage rates are updated or if there are changes to the living wage estimation methodology. In either case, failure to meet any requirement results in a nonconformity. When this happens prior to initial certification, Living Wage for Us does not require corrective actions. Rather, the employer should continue to work towards certification by implementing a living wage plan and may re-submit its application once it is ready to proceed. After an employer has achieved initial certification at the Pledged or Leading level, it is then its responsibility to ensure continued

conformance. In case any nonconformities are found either during the course of the certification year, or during the certification renewal process, then a corrective actions process applies. This provides the employer with an opportunity to address any mistakes that it has made or unexpected challenges as they arise.

Requirement

The employer shall submit a corrective action plan to address any nonconformity and implement these corrective actions within the approved timeline.

a) The employer shall respond to any notices or requests for information related to potential nonconformity within 5 business days.

b) The corrective action plan shall be submitted within 30 days of the notice of nonconformity.

c) The maximum timeline for implementing the corrective actions shall be 90 days from the notice of nonconformity, unless determined otherwise by Living Wage for Us based on the context of the relevant criteria (e.g. a criterion which is related to a 3-year average may have a timeline that is extended through the end of that 3-year period).

2.8 Sanctions

When nonconformities are raised, if the necessary corrective actions are not completed by the deadline, then certification will be suspended. During a suspension, the employer may not make any claims about conformity with the standard. The employer will be given a maximum of 90 days to resolve the suspension, after which certification will be withdrawn. In case of repeated, willful, or egregious nonconformities, Living Wage for Us reserves the right to require a shorter timeline for corrective actions, sanctions, and decertification, up to and including immediate decertification at its sole discretion depending on the severity of the situation. This could include, for example, retaliation against workers for raising concerns, or other serious breaches of labor rights that threaten the integrity of certification.

2.9 Legal Compliance

It is the responsibility of every employer to ensure full compliance with all legal requirements under U.S. federal and state laws and to respect international norms including the UN Guiding Principles on Business and Human Rights, the International Labor Organization fundamental conventions (notably conventions 87 and 98) and the Declaration on Fundamental Principles and Rights at Work. Living Wage for Us does not proactively assess or verify legal compliance or alignment with international conventions as part of the certification process. Employers may not use certification as the basis for making claims about legal compliance. However, if any issues related to legal compliance are found during the course of the assessment and certification process, Living Wage for Us reserves the right to deny, suspend or withdraw certification in cases where a serious legal issue is present that would harm the reputation of and goodwill of the certification system.

3 Calculating Total Compensation

As a living wage may be achieved through a diverse total compensation package it is essential to understand how different types of payments including piece rate, tips and commission, as well as benefits and bonuses may be accounted for as a part of the living wage. The principles that guide these decisions are detailed in the standard, but this guidance provides further information on common compensation structures, benefit and bonus types so as to help an employer better understand how their own compensation structure contributes to workers achieving a basic but decent standard of living for themselves and their families.

3.1 Piece Rate

In the U.S. wages are often paid at either an hourly rate or an annual salary rate. However, some workers may be paid at a piece rate, meaning that compensation is based on the number of units produced, tasks completed, or services performed, rather than the number of hours or days worked. This may also apply to independent contractors that are paid on a project basis.

Requirement

For workers paid at a piece rate (which shall also include contracts paid per deliverable or per project completion), the employer shall calculate how much money is typically earned per hour and use that as the hourly pay value.

3.2 Tips and Commission

Tips and commission may be included in the living wage assessment, but their inclusion is not mandatory. For positions where tips are a significant part of compensation, employers should track typical tips earned per hour and report that amount in addition to base pay to establish typical pay. If tips are not regularly received or the amount typically earned through tips is small and unreliable, then it is recommended to exclude them from the living wage assessment. In order for tips to be included in the calculation of closing a gap to a living wage, only the level of tips that are guaranteed by the employer may be counted, i.e. whenever tips received do not meet a specified amount, the employer tops off tips by paying an additional amount to the workers to make up the difference. This process is identical to that required when tipped income is counted towards minimum wage. An employer may also raise the amount of guaranteed tips year over year, and this may be counted

towards closing the gap to a living wage. The same applies to commission, which may be included as part of the wages used in the assessment as partial payment of a living wage only if the amount claimed is guaranteed by the employer. By guaranteeing a minimum amount of tips and commission, the employer ensures that workers can count on them to cover the cost of living.

Requirement

If tips and/or commission are included in the assessment, the employer shall ensure the following conditions are met:

a) The employer shall track tips and commission figures monthly

b) Any employee not earning the necessary combined minimum cash wages for their position that the employer has guaranteed shall receive bonus pay to increase their pay to the applicable rate

3.3 Taxes for Independent Contractors

In order to account for differences in taxes between directly hired employees and independent contractors (see 2.1.1), when assessing payment against a living wage, an additional amount of 7.65% shall be added for independent contractors. This accounts for the fact that employers pay half of FICA taxes for directly hired employees, whereas independent contractors pay the full amount of self-employment tax. This calculation was not included in previous versions of the living wage assessment, but it is planned to be implemented with the next update, which will be effective as of January 1, 2027.

Requirement

Independent contractors that are in scope of the standard shall be compensated at a rate that is at least 7.65% higher than the applicable Pledged or Leading rate required for certification in order to account for taxes.

3.4 Collective Bargaining Agreement

If there is a collective bargaining agreement (CBA) in place for workers, an employer may find itself in a situation where achieving the requirements of the standard requires offering additional compensation

increases above and beyond what is required by the CBA. In this situation, it is important to ensure that the union consents to the additional compensation increases offered by the employer. If the CBA or union does not allow the additional increases to be put in place before renegotiation of the contract, the employer may request an exception to temporarily uphold the CBA in place of making the increases required to maintain certification during the interim period.

Exception

If there is an existing CBA in place and the employer is unable to unilaterally offer compensation increases above the levels required by the CBA, then certification may be maintained provided that the employer upholds the CBA in the interim period and ensures that compensation is increased at least to a level that meets the living wage rates during the next contract renegotiation.

3.5 Benefits

While many benefits can be counted towards payment of a living wage, not all benefits can be included in the living wage assessment. Benefits counted toward a living wage must reduce the cost of living included in the estimate.

If an employer provides benefits to employees as part of total compensation, it is responsible for ensuring that any applicable State and Federal Labor laws that govern those benefits are followed. Living Wage for Us does not assess legal compliance, however if it is found that any benefits claimed as part of the living wage assessment are not in line with legal and regulatory requirements, they will be excluded from the assessment for the purposes of determining eligibility for certification.

Additionally, there are many very important benefits that do not count toward achievement of a living wage, simply because they are not accounted for in the costs of living estimates . These benefits may be accounted for in the “Plus” add-on designation of the standard, allowing an employer to differentiate themselves and be recognized for providing additional important benefits that can’t be counted toward a living wage. This add-on may be applied at both Pledged and Leading levels.

3.5.1 In-Kind Benefits

Benefits that an employer provides could include non-cash goods or services such as food, housing, and transportation. For example, a cafe or grocery store may provide free meals to employees. These are referred to as in-kind benefits and may be included in the living wage assessment only if the following conditions are met.

- Individual caps for benefits are aligned with the costs assessed in the living wage calculations. For example, if the housing portion of the living wage estimate is $1,800 per month in a particular location, then the maximum amount that can be credited towards payment of a living wage as a result of offering housing as an in-kind benefit is capped at the equivalent of $1,800 per month (translated into the hourly living wage rate).

- An overall cap of 30% of cost of living being provided by in-kind benefits (those that limit worker choice) applies in order to align with global practices ensuring respect for worker choice.

- The provision of benefits also reduces the tax burden for workers. Thus, a living wage may be achieved accounting for both a maximum of 30% of the cost of living provided with benefits, as well as the related tax savings that a worker receives through those benefits. This might create scenarios wherein a living wage is paid despite less than 70% of the total living wage rate being provided through cash renumeration.

3.5.2 Cash Benefits

In the U.S., many benefits are commonly provided in the form of cash payments. This may include bonuses, which can be used by the employee as unrestricted additional income, as well as allowances that are tied to a specific type of use such as flexible spending accounts for transportation or childcare. It also includes other types of benefits that are effectively paid in the form of cash but are tied to a specific use, such as an employer contribution to a retirement account or partial payment of health insurance premiums. In these examples, the payment is made directly to a retirement account or an insurance provider and is thus restricted to the specific type of benefit. However, it replaces a cost that the employee would otherwise be responsible to pay for and does not restrict worker choice in the same way as provision of an in-kind benefit (e.g. food or housing). In the examples noted here, employees can choose to roll over their retirement account to a different provider, and can still choose their own health care providers albeit with differing levels of limitations depending on the particular type of insurance, such as a group plan or direct reimbursement for an ACA marketplace plan (as in the case of an HRA). For the purposes of the living wage assessment, therefore these types of benefits are classified as distinct from in-kind benefits described in 3.4.1 above and are treated equivalent to cash benefits.

Cash benefits may be included as part of a living wage provided that they are regular and expected. This creates a need to estimate the value of benefits that fluctuate over time to assess the amount that is truly dependable for the worker and can be used to plan in paying for basic costs of living. There are also specific conditions that apply to each type of benefit, which are detailed in the following section.

3.5.3 Table of Benefits

The chart below lists common in-kind and cash benefits provided by employers and how they may or may not be accounted for in achieving living wage payment. This list is not exhaustive, and Living Wage for Us will expand it as stakeholders propose additional positive widely implemented benefits and employment practices to consider.

Benefit Type	Counted Toward Living Wage	Reason for Inclusion/Exclusion	How Amounts are Assessed for Credit to Living Wage
Guaranteed Bonuses	Yes	When bonuses are expected and regular they can be relied on to cover costs of living. This may include, e.g. annual bonuses, holiday bonuses, etc. that are guaranteed and paid every year	If bonuses are given consistently and guaranteed, the expected amount can be credited towards payment of a living wage. If the bonus is not given in the current year of assessment, this cannot be counted as a guaranteed bonus.
Variable Bonuses	Yes (3-year average if received consistently) No (if not received consistently)	When bonuses are expected and regular they can be relied on to cover costs of living. This may include, e.g. spot or discretionary bonuses, retention bonuses, profit sharing bonuses, etc.	Each year this amount is adjusted based on the performance over the past three years and the expected current year bonus. If bonuses for the past three years are given consistently, the lesser of the average and the expected bonus may be used to credit towards payment of a living wage . If bonuses are given in some years and not others, then the higher of the average and 50% of the expected bonus may be used. This may include various types of bonuses even if timing is variable based on performance or other factors.

Attendance Bonus	Yes	If attendance bonuses are designed to reduce absenteeism without preventing employees from taking earned PTO, and are expected and regular, they can be relied on to cover costs of living.	If attendance bonuses are given regularly and are achieved by most workers, then they may be counted provided that they do not interfere with the ability of workers to take earned PTO. The typical amount earned can be credited towards the living wage.
Referral Bonus	No	This is dependent on an action that only a few employees will take, and those actions will not be repeated every year. As such, this is not a bonus that a worker can plan on to cover essential costs of living	N/A
Life Insurance	No	Not accounted for in living wage estimates	N/A
Health Insurance	Yes	Reduces amount worker must pay out of pocket for a decent standard of living	Reduction in premium costs to the worker may be credited (comparing to silver level ACA plans with subsidies, if applicable,[2] as accounted for in estimates of living wage).

[2] Temporary expanded ACA premium subsidies expired on December 31, 2025.

Retirement –with employer contribution	Yes	Reduces amount worker must pay out of pocket for a decent standard of living	There is an amount accounted for in the living wage estimates for care, which covers both childcare and saving for retirement, i.e. elder care. The employer contribution amount may be credited along with tax savings according to the percentage of contributions that are vested for that employee. For example, if the benefit is fully vested after 2 years, then it may be counted for employees that have 2 years of tenure.
Retirement –without employer contribution	Yes	Reduces amount of taxes worker must pay	Should an employer only provide a tax-free savings space, the tax savings from reducing earnings by the calculated savings amount in living wage estimates may be credited.
Flexible Spending Accounts (FSAs) –healthcare, transportation and/or dependent care–or **Health Savings Accounts (HSAs)**	Yes	Reduces amount worker must pay out of pocket for a decent standard of living	If contributions are made by an employer to HSA or FSA plans, that amount may be credited toward living wage payment, although it will be capped at the level of expense included in the living wage estimate for that category (i.e. transportation, dependent care or out of pocket health expenses). Additionally, if HSAs or FSAs are provided, even without employer contributions, tax savings may be credited.
Childcare	Yes	Reduces amount worker must pay out of pocket for decency	Childcare vouchers, childcare reimbursements, dependent care FSA funds, and/or on-site childcare

			provision may be credited according to savings provided to workers. Tax benefits may also be credited.
Meals	Yes	Reduces amount worker must pay out of pocket for food expenses	Free or subsidized meals provided to workers may be accounted for if nutritionally sound. They will be capped at current worker per meal cost in the living wage estimate, not at the cost to the employer. Tax benefits may also be credited.
Housing	Yes	Decent housing provided that meets the standard applied to the living wage estimates, or housing assistance (e.g. stipend) provided	Housing credits and provision may be credited according to the savings provided to workers, capped at the amount of the living wage estimate for housing. Tax benefits may also be credited.
Transportation	Yes	Reduces amount worker must pay out of pocket	Reimbursements for transportation or parking costs and transportation provision (e.g. direct or through business rideshare accounts) will be counted toward a living wage for those workers to whom it is available. Tax benefits may also be credited.
Paid Vacation	No / Add-on	Does not reduce the cost of living or provide additional income to workers	N/A
Paid Sick Days	No / Baseline Requirement	Does not reduce cost of living, but necessary for a decent life, especially	N/A

		in a post-pandemic environment	
Paid Holidays	No	Does not reduce the cost of living or provide additional income to workers	N/A
Paid Family and Medical Leave	No / Add-on	Does not reduce the cost of living or provide additional income to workers	N/A
Fair Scheduling Practices	No / Add-on	Does not reduce the cost of living or provide additional income to workers	N/A
Gym Membership or Other Paid Exercise Program	No	Not accounted for in living wage estimates	N/A
Legal Services	No	Not accounted for in living wage estimates	N/A
Mental Health Services	No	Not accounted for in living wage estimates	N/A
Long-Term Disability Benefits	No	Not a regular benefit used by the majority of workers, and not accounted for in the living wage estimates	N/A

Student Loan Assistance	No / Add-on	Not accounted for in living wage estimates	N/A
Tuition Assistance	No / Add-on	Not accounted for in living wage estimates	N/A
Transparent Pay Equity	No / Add-on	Not accounted for in living wage estimates	N/A
Stock Options/Bonus and Ownership Shares	Yes	Reduces the amount accounted for in savings category of living wage calculations	Fully vested values that can be sold for immediate cash benefits may be counted toward the living wage.

Note: Exceptions may be granted in specific situations for benefits that are not typically counted toward the living wage if a reasonable justification is provided. Employers may request a review by Living Wage for Us for any such possible inclusion of benefits by exception to be credited as part of an “other” category. If approved, the credit of the benefit towards the living wage shall not exceed either the typical cost of the benefit or the percentage of the cost category attributed to the type of benefit, whichever is less.

4 Obtaining the Plus Designation





Each certified employer has the opportunity to achieve the Plus designation to further highlight actions they have taken for their workers that could not be considered as part of the living wage payment. To qualify, an employer must have taken at least 5 of the actions below and be able to demonstrate this.

Plus Achievement	Definition
Additional Covered Living Wage Workers	Should an employer also ensure that contract labor not included in the requirements of the standard also earn a living wage, that employer may count this item toward achievement of the Plus designation.
U.S. Supply Chain Living Wage Payment	Ensure that all first tier suppliers across the U.S. are providing a living wage to their workers.
Additional Living Wage Payment in Other Countries	The employer's workers in all of its own operations in countries outside the U.S. also earn a living wage. In order to achieve this, the employer has completed an assessment with Living Wage for Us using approved living wage estimates that demonstrates its workers in other countries earn the applicable living wage.
Predictable and Sustainable Scheduling Practices	Should an employer publicly institute clear policies that prohibit "just in time" scheduling practices, providing for the elements listed below, it may claim this achievement: a) workers have at least XX days advance notice for shift changes, b) workers have the right to refuse shifts or request schedule changes without retaliation, and c) prohibiting practices such as "clopening" that prevent workers from making use of their off-shifts.
Provision of Flexible Work Hours and Work from Home Options	If the entire workforce is offered options to work from home and/or have flexible hours without risk of repercussions, the employer may count this item toward achievement of the Plus designation.

Employee Ownership of Company	If at least 10% of the company is owned by its employees, then employee ownership may be counted toward the Plus designation.
Paid Family and Medical Leave	Currently the U.S. does not provide for paid family leave for workers when necessary to care for a sick family member, eldercare, care related to military deployment or for veterans, or when a new child comes into the family through various paths. This provision shall be considered achieved if workers receive paid family and medical leave for a period of at least 6 weeks.
Additional Paid Time Off	Employers that provide a minimum of 15 days combined paid vacation/sick/family leave, and paid holidays to cover all federally designated holidays in the U.S. shall qualify as having completed this requirement.
Excellence in Retirement Contributions	Provision of retirement plans with matches included through the employer at a level above typical retirement contributions by employers, listed as follows: • Matching contribution is offered above 4.3% of the workers' pay • Match exceeds 50 cents on the dollar
Tuition Reimbursement	Tuition reimbursement aligned with current national typical rates of tuition reimbursement (a minimum of $5,400 for undergraduate and $10,400 for graduate in 2018) shall be counted toward achievements.
Key Performance Indicator (KPI) Reporting	Employers who participate in surveys and data collection with Living Wage for Us to support information gathering on the impact of living wage payment on business may claim this achievement. This could include, for example, data on recruitment, retention, productivity, reputational benefits, costs of implementation, etc.
Support for Collective Bargaining	Proactive statements of policy coupled with clear practices implementing full neutrality around collective bargaining and worker organizing would qualify an employer for this achievement. Where collective bargaining agreements are in effect or in negotiation for all or part of an employer's workforce, the relevant union must agree to this achievement for it to be counted.

Appendix A: Do No Harm Guidance

Section 5.7 of the standard prohibits meaningful harm to the interests and financial well-being of affected workers as a result of an employer's participation in certification, when all factors that can be reasonably assessed are taken into account. The standard requires that participating employers proactively avoid such an impact on their workers. This is in addition to complying with all relevant labor laws and international labor conventions.

Employers will naturally need to make adjustments to their business operations in order to meet the standard and become certified. While the standard is designed and implemented in such a way as to avoid creating a situation where such adjustments would harm the interest of workers, those changes to business operations may prove to be welcomed or they may be disliked by workers. The crucial elements is that workers are not meaningfully negatively impacted by such operational changes.

Prohibited practices include, but are not limited to, those listed below. It is crucial to note that these prohibitions apply to policies made in the context of efforts to achieve the living wage, at any point along the continuous improvement timeline afforded by the standard. Intent and efforts to ensure worker well-being is a crucial factor in applying this guidance.

- Reduction in the overall quality and positive impact of benefits afforded to workers in order to offset increased wages. Changing the mix of benefits is permissible, as long as the final arrangement on the whole does not meaningfully negatively impact workers.
- Changes to working arrangements including work schedules, numbers of shifts or other workplace practices that workers deem harmful.
- Outsourcing of business operations to excluded subcontractor categories.
- Shifting business operations to excluded work locations overseas.
- Anti-union activities or differential management posture with regard to collective bargaining in order to negotiate lower wage rates.

Examples of permissible operations changes to participate in certification include, for instance, a change in the timing of cleaning operations by janitorial personnel to allow for daytime cleaning of office environments, reducing extraneous costs to the sub-contracted janitorial firm, as illustrated in a notable case study from the UK Living Wage Foundation; marginal price increases to consumers; shifts in the terms of contractual relationships with business vendors; wage increases at levels above the

living wage to account for wage compression concerns, or changes in the mix of benefits available to workers, so long as the changes do not negatively impact workers, and as long as they are in compliance with all collective bargaining obligations.

Employers in the U.S. are also responsible for maintaining compliance with legal requirements, which includes the National Labor Relations Act, Fair Labor Standards Act, and Occupational Safety and Health Act, among other national and state laws, as well as compliance with international conventions. This includes the UN Guiding Principles on Business and Human Rights, the 10 Fundamental ILO Conventions, notably conventions 87 and 98, and the Declaration on Fundamental Principles and Rights at Work. In particular, employers are prohibited from using benefits to discourage support for and/or participation in union activity, and from retaliating against workers for raising concerns or exercising workplace rights. As such, participation in the Living Wage for Us certification program may not be used as an alternative to or used to discourage unionization or conversations about freedom of association and collective bargaining in compliance with federal and international law. Employers are recommended to publicly affirm their respect for freedom of association and collective bargaining, for example on websites or in annual sustainability reports.

Living Wage for Us does not proactively assess the “Do No Harm” principle. However, if any concerns are found and are substantiated through verifiable evidence, then corrective actions may be required in the same manner as when it is found to be out of conformance with any requirement of the standard.

Appendix B: Additional Guidance for Subcontractors

Recognizing lag times necessary in contractual relationships, the standard does not require an initial minimum pay for subcontracted[3] workers at the Pledged certification level of the standard, but to maintain certification, subcontracted workers must be provided a living wage or given the option to become permanent staff at a living wage rate with a lag time of no more than 3 years. As such, subcontracted worker wages should be assessed separately with a separate plan created for bringing them to living wage levels.

Living Wage for Us recommends but does not require that employers communicate their living wage commitment to everyone they do business with and encourage them to consider implementing the living wage.

Phased implementation means that an employer may roll the living wage out across contracts as they come up for renewal and may work with growing the pay in these contracts over time at the required rate of increase for the Pledged level to achieve a living wage for their own workers.

If an employer has a subcontractor who refuses to work with them on the living wage, the employer shall use their next bidding process to find one who will. Or they may consider offering the subcontracted worker a permanent position with the living wage rates and benefits received by all employees. The three-year lag in this requirement allows space for this process.

All directly employed staff, regardless of time spent at work, as well as regularly subcontracted workers who work for 2 hours a week, for 8 or more consecutive weeks of the year must be paid the living wage within three years of the time the employer has achieved the Leading certification level, and must receive pay that adheres to the Pledged certification level within three years of the employer receiving that designation.

If the employer has already taken proactive steps to influence their subcontractors to pay a living wage and is still unable to secure an agreement that ensures living wage payment, it should contact Living Wage for Us to address the specific case and explore alternative ways to support the subcontracted

[3] Note that here “subcontracted” refers to workers that are hired through a third party. It does not refer to individually contracted workers that are hired directly by the employer, which are referred to in this guidance as “independent contractors” and covered under section 2.1.1. The 3-year flexibility described here only applies to subcontracted workers, not to independent contractors.

workforce. In this situation employer will be required to submit a plan subject to review and approval by Living Wage for Us to resolve the concern.

Appendix C

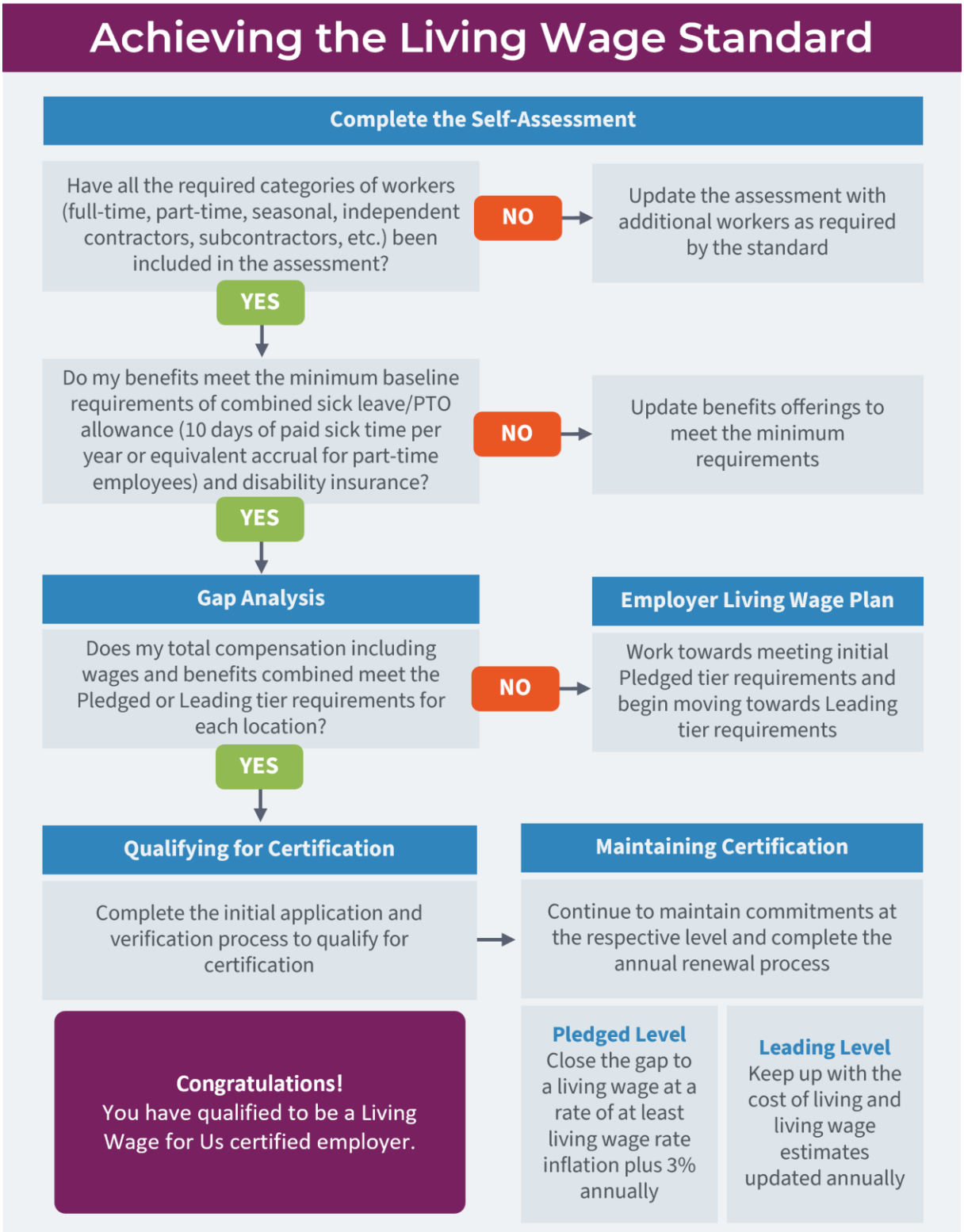


Figure 1

Appendix D: Calculation of Inflation Plus 3%

Starting in the 2027 calendar year, Living Wage for Us has updated the methodology for measuring progress towards a living wage to align with the accounting model developed by Shift. Documentation on this accounting model may be found here: https://shiftproject.org/accounting-for-a-living-wage/

The key concepts to be used in this measurement are the Living Wage Threshold (LWT) and the Living Wage Deficit (LWD).

> LWT = Total no. of workers x living wage for their location.
>
> LWD = Total no. of workers below a living wage x distance to living wage for those workers.

Employers participating in the Living Wage for Us certification program complete an assessment every year that calculates the gap to a living wage for each worker. Therefore, we calculate the LWD as the total sum of the gap of all the workers in the employer's assessment that are below a living wage.

In order to match living wage rate inflation, there should be a $0 net change in the LWD. In other words, if the employer increases compensation at the same rate as the change in living wage rate inflation, there would be no change in the LWD year over year. In order to meet the Pledged certification level requirement, an employer must ensure compensation grows at a rate that meets least living wage rate inflation plus 3%.

To calculate the additional 3% increase required, we use an adjusted LWT, which is calculated as noted above, but limited to only those workers that are below the living wage, rather than all employees.

Therefore, the calculation of whether the requirement was achieved is as follows:

$$\text{LWD (previous year)} - \text{LWD (current year)} \geq \text{adjusted LWT (previous year)} \times 3\%$$

If this statement is true, i.e. the value of the *decrease* in the LWD from previous year to current year is equal or greater to 3% of the employer's adjusted LWT, then the requirement has been achieved. For simplicity, this is expressed in USD and assumes a decrease from one year to the next.

Conversely, if the statement is not true, or if the LWD *increased* from one year to the next, then the employer is responsible to make up the required deficit within the next 2 years. This is because the requirement is based on a 3-year average.