Procedure for Remuneration & Assessment of Living wage gap

A sound wage policy maintains industrial peace, satisfies both the employers and the workers, increases the output of the firm and efficiency of workers, reduces costs and maximizes profits.

OBJECTIVE

This document will guide the users of the Salary Matrix for a Living Wage Gap Analysis in the process of data collection, use of the tool, and interpretation of the results.

DEFINITION

Salary: cash payment (or wages) received by a worker for a specific period.

Piecework payments: jobs in which payments (or wages) are made based on the number of units produced/worked during a specific period.

Bonuses: additional monetary payments granted to workers for performance and daily quality. Bonuses that do not depend directly on the worker are excluded.

In-kind benefits: non-monetary benefits such as food, transport, and housing that reduce the amount of cash income that workers need for a decent standard of living. This Methodology for Estimating a Living Wage includes rules on how to value in-kind benefits to ensure their value is fair and reasonable.

Remuneration (or compensation): the total amount of salary, bonuses, and value of in-kind benefits granted to a worker in a specific period.

Living wage: remuneration or compensation for a standard 48-hour work week sufficient to pay a decent standard of living for the worker and his/her family. The elements of a decent standard of living include food, water, housing, education, medical care, transportation, clothing, and other essential needs, including the provision for unexpected events (Global Living Wage Coalition).

BASIC PRINCIPLES

The calculations of remuneration (salaries, bonuses, and benefits) and gaps are based on the following basic principles:

1. Workers receive their salary in various ways. There are workers with a fixed salary (daily, weekly, biweekly, or monthly) and workers who receive their salary through piece-rate payments (units completed). For the latter, the final salary depends on the number of units worked and, on occasion, other factors (e.g.,

the number of workers in their team or the price per unit completed). For these workers, salary is calculated based on the average number of units worked during an average daily and weekly period. This calculation can be adjusted for different seasons of the year (e.g., high and low production seasons).

2. Average monthly salaries for workers are calculated based on a work schedule of 48 hours per week and 26 days per month, which is the timeframe for Estimating a Living Wage stipulates. The remuneration and the gaps between it and the living wage are then calculated on a prorated basis for that work schedule, excluding overtime. This practice is also common to evaluate compliance with minimum wages.

3. If less than 48 hours per week are worked due to the very nature of the position (e.g., high risk or intensity positions), the company compares the real average salary without prorating against the living wage. The reasoning is that workers with less than 48 hours work only earn their real salary and do not earn more (e.g., it would be unrealistic to prorate salaries for a period of 48 hours as workers in high risk positions will never work 48 hours).

4. Average monthly salaries that do not equal or exceed the minimum wage stipulated by law are adjusted at the end of the month to meet at least minimum wage requirements (e.g., positions with piece-rate payments when the salary for the work done do not exceed the minimum wage).Within the cash income calculations only those bonuses for performance and quality that depend directly on the worker are added, as stipulated in the glossary.

5. In addition to salary, bonuses for performance and quality that depend directly on the worker are added, as stipulated in the glossary.

6. In-kind benefits that represent lesser expenses for workers to maintain a decent living are considered valid for inclusion in the analysis (e.g., highly subsidized or donated food services, transport service from home to the workplace and vice versa, school supplies and uniforms, private medical services, and family housing). Benefits such as recreational activities or construction of facilities for meetings are not valid as they do not represent less expenses for the worker. The value of in-kind benefits cannot represent more than 30% of the remuneration received.

DATA ON IN-KIND BENEFITS:

Potential Benefits	Observation
Does your company provide subsidized or donated food services to workers?	If the value paid by workers for daily meals is close to or greater than the reference value of preparing such meals at home, this benefit is not factored into the calculations. If the value paid by the workers is significantly lower than the reference value or when the food is totally donated, the reference value of the monthly food cost per person (reference value multiplied by 26 days) will be calculated in the analysis.

Does your company provide donated or subsidized Transportation services to workers?	As the living wage reports do not stipulate a specific amount for transportation from home to the workplace and vice versa, there is no explicit reference value for this benefit, so the average monthly amount paid by the company to provide this service to each worker is included in the analysis.
Does your company provide donated health care services to workers (medical consultation expenses, medicine, mediclaim, etc)?	If the answer to all these questions is yes, then the reference amount associated with expenses for private medical services is factored into the calculations according to the living wage.

RESULTS

The Salary Matrix for a Living Wage Gap Analysis helps identify the following results for their respective analysis and consequent plans of action that allow diminishing or eliminating possible gaps.

1. Average total remuneration (compensation) of workers.

2. Percentage difference between current salaries and the living wage reference value for each type of job, considering only total remuneration in cash (salary plus bonuses, if any).

3. Percentage difference between current salaries and the living wage reference value for each type of job, considering total cash remuneration plus the applicable in-kind benefits.

4. Check if the total in-kind benefits granted by type of position as a percentage of the average remuneration for that type of position (not to exceed 30%).

5. Weighted average of gaps according to the number of workers by type of position (only with cash income).

6. Weighted average of gaps considering in-kind benefits by the number of workers per type of position, including only in-kind benefits available to all workers.

GAP ANALYSIS:-Survey Report

Sl No.	Name	Department	Job category	Payment/hour/ day/week/month or Piece-rate	Amount paid by the company	Calculated actual cost	Difference/gap