BSR®

The Business Case for Living Wages in the U.S.

Uncovering Hidden Wage Gaps and Building a More Resilient Workforce



November 2026

By Emma Giloth and Ariela Levy

Contents

Executive Summary 3

About this Report 4

Living Wage in a Global Context 5

Living Wage in Context: Key Definitions and Distinctions

The U.S. Living Wage Landscape 8

How did we get here?

Essential Costs Drive Wage Gaps in the U.S.

U.S. Workers Most Exposed

Business Implications and the Value of a Living Wage 16

The Business Case for a Living Wage

Meeting Stakeholder Expectations

How Companies Are Responding 20

1. Voluntary Corporate Minimum Wages
2. Investing in Benefits that Reduce Household Costs
3. Strengthening Worker Voice and Collective Bargaining
4. Collaborating Across Companies

Recommendations for Companies 25

The Road Ahead: Learning and Acting Together 26

Executive Summary

The United States presents a significant and often overlooked challenge for multinational companies working to advance living wage commitments. BSR's work with global companies on living wage has consistently identified significant living wage gaps in the U.S. that were not on companies' radar—particularly among lower-paid, hourly, part-time, contract, and outsourced workers, and among workers living in higher-cost locations. These findings challenge the assumption that the U.S., as a high-income market, presents comparatively low risk of paying below the relevant living wage. For businesses, living wage gaps can expose companies to workforce instability, employee dissatisfaction, and operational disruption. In contrast, understanding living wage gaps can help identify where investments in compensation and benefits can support stronger workforce risk management and worker well-being.

The U.S. living wage risk is rooted in a broader affordability challenge, one of the defining economic concerns in the U.S. shaping public debate, worker expectations, consumer sentiment, and political priorities. Despite being one of the world's wealthiest economies, low- and middle- wage workers struggle to keep pace with the cost of basic needs such as housing, healthcare, childcare, food, and transportation. Whether a worker can afford a decent standard of living depends not only on hourly pay, but also on where they live, the predictability of their hours, the benefits available to them, and the costs they must pay directly for essential services. In the U.S., a smaller share of essential costs are supported through public systems, as compared to Europe or other regions.

The U.S. also differs from many markets where companies are already engaging on living wage. The federal minimum wage has remained unchanged since 2009, while states and cities have adopted widely different wage floors. The U.S. also differs from many peer high-income markets where minimum wages are reviewed more regularly and collective bargaining coverage is broader. U.S. employers also play a particularly important role in financing healthcare, retirement, paid leave, childcare, and other benefits, as compared to European counterparts where the government provides a greater share of these services. As a result, a company may pay well above the legal minimum and still have workers below a locally relevant living wage, while a benefits package may represent significant employer investment without delivering the same economic value to every worker.

For multinational companies, this means that an approach to living wage developed elsewhere cannot simply be transferred to the U.S. without adaptation. The conditions across the U.S. wage policy landscape create more complex challenges beyond just adhering to compensation policy and market best practice. National- and state-level wage floors may mask local gaps, market-competitive pay does not necessarily indicate wage adequacy, and workers employed through contractors, staffing agencies, or franchises may experience very different wages and benefits from direct employees, ultimately resulting in persistent challenges with affordability across a significant portion of the U.S. population.

This report brings together evidence of the U.S. wage and affordability landscape, BSR's experience working with companies, and examples of emerging corporate practice to strengthen the credibility of living wage as a business issue. It is designed to help companies understand how living wage may affect workers, workforce stability, operational continuity, and the credibility of global commitments, and evaluate practical options for making progress over time.

At its core, the report asks companies to move beyond whether workers in the U.S. are paid legally toward a more meaningful question: **Are workers receiving sufficient, predictable, and accessible compensation to meet the basic costs of a decent standard of living**—and where could gaps create material risks for workers and the business?

About this Report

About the research
This report draws on a combination of desk research, stakeholder interviews, company practice review, and BSR's experience supporting multinational companies on living wage assessment and implementation. Research examined the U.S. wage and affordability landscape, including minimum wage policy, cost-of-living pressures, access to benefits, worker voice, and living wage methodologies. BSR also conducted interviews with corporate practitioners, living wage experts, and worker and labor stakeholders to better understand how companies are approaching wage adequacy in practice, where implementation challenges arise, and what emerging approaches are helping companies make progress. The findings are intended to provide practical guidance for companies rather than a comprehensive or statistically representative assessment of all U.S. employers.

About the authors
This report was written by Emma Giloth and Ariela Levy with additional guidance and insights from Jen Stark. It draws on BSR's longstanding work with companies on living wage, human rights due diligence, and responsible supply chains. The authors combine experience in living wage benchmarking and gap analysis with practical implementation support across direct operations and global supply chains. The report also reflects insights from BSR's engagement with companies, workers' rights experts, living wage organizations, and other stakeholders across the broader living wage ecosystem.

Acknowledgements and review
BSR is grateful to the companies, practitioners, researchers, and civil society experts who shared their perspectives through interviews, workshops, and other engagement during the development of this report. The report was also reviewed by Living Wage for US and the Living Wage Institute, whose input helped strengthen the discussion of U.S. living wage methodologies, benchmarks, and implementation considerations. Review by these organizations does not imply endorsement of all findings, recommendations, or company examples included in the report.

Living Wage in a Global Context

Living wage has become an increasingly important part of the global business and human rights agenda as companies recognize that legal minimum wages do not always provide workers with enough income to afford basic needs.

In 2024, the ILO defined a living wage as "the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account country circumstances and calculated for work performed during normal hours." For multinational companies, living wage is increasingly relevant to human rights commitments, investor, employee, and customer expectations, and emerging regulatory requirements. The concept is reflected in international standards and initiatives including the Universal Declaration of Human Rights, the **United Nations Sustainable Development Goals**, the **UN Guiding Principles on Business and Human Rights**, and the **UN Global Compact's Forward Faster initiative**. In Europe, wage adequacy is also increasingly reflected in regulation: the EU Directive on Adequate Minimum Wages requires Member States to strengthen minimum-wage adequacy and collective bargaining; the European Sustainability Reporting Standards (ESRS) include disclosure requirements on adequate wages for companies subject to the Corporate Sustainability Reporting Directive (CSRD); and the Corporate Sustainability Due Diligence Directive (CSDDD) reinforces companies' responsibilities to identify and address adverse human rights impacts in their operations and chains of activities.

As companies expand living wage commitments globally, the challenge is no longer simply whether to act, but how to apply consistent principles across very different labor markets. Globally, an estimated one in three workers earns less than what they need to afford a decent standard of living. While many assume that these workers are in lower-income markets and global supply chains, BSR has identified substantial risk in the U.S., where studies show only 50.7% of full-time workers in the U.S. earned a living wage in 2025, a decrease of 5% from 2021. It is also important to understand the U.S market because its wage-setting system, benefit structure, and cost-of-living dynamics differ significantly from many of the markets where corporate living wage work has traditionally been concentrated, notably in Europe.



Living Wage in Context: Key Definitions and Distinctions

Several terms and concepts exist within the ecosystem of human rights and wage-related expectations.

Term	Practical meaning	Important notes
Fair Wage	Globally understood as a broader approach to wage-setting that considers living wage, market rates, company performance, and wage-setting mechanisms such as social dialogue.	Living wage is one component of a broader fair-wage approach. It factors in market rates as well as company performance. However, within compensation and human resources functions, fair wage refers more commonly to ensuring similar pay for similar work or credentials.
Living Wage	"The wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work." – ILO	Accounts for the hourly wage that one full-time worker must earn to contribute to covering their family's minimum basic needs, taking into account income earned by other members of the family. The ILO typically considers a family to have 1 to 2 income-earning workers, as individual cost-of-living estimates are not considered a living wage. It is not expected that one worker will earn all income for the family. Living wage is needs-based and varies by geography and time. Multiple methodologies exist, including U.S.-specific benchmarks from Living Wage for US and the Living Wage Institute (stewards of the MIT Living Wage Calculator).
Adequate Wage	"A wage that provides for the satisfaction of the needs of the worker and their family in light of national economic and social conditions" – EFRAG	Most commonly used in EU legislation (e.g., CSRD, ESRS). Within the ESRS reporting standards, a percentage breakdown is required to show the employees and the non-employee workers paid below the adequate wage.
Market Rate / Market Pay	The prevailing level of pay for a comparable job in the relevant external labor market, geographic area, and/or industry.	Market pay is often used to gauge the competitiveness of a wage relative to the market, but a competitive wage does not necessarily mean workers earn a living wage.
Total Rewards	The full employer value proposition, potentially including pay, benefits, career development, recognition, flexibility, wellbeing programs, and working conditions.	This is useful for talent strategy, but not all elements of total rewards connect back to a living wage or should be included in total remuneration (see below).

Term	Practical meaning	Important notes
Total Remuneration	Predictable and accessible cash compensation and selected benefits that increase disposable income or reduce necessary household costs.	This is the amount that may be compared with a living wage benchmark; it is narrower than total rewards or total compensation. There are multiple ways to calculate total remuneration as it relates to living wage, including the IDH Salary Matrix and the Anker Research Institute guidance on the inclusion of in-kind benefits, among others. Living Wage for Us has specific guidance on how to calculate total remuneration in the U.S., given how some global principles do not consider tax free health insurance or reimbursement accounts in the U.S. Considering the significant role employers play in financing healthcare and benefits in the U.S., total remuneration is an essential component of a living wage calculation.
Minimum Wage	A legally established wage floor that sets the minimum hourly rate employers must pay covered workers within a given jurisdiction.	While minimum wage systems may consider workers' needs and the cost of living, they can also take into account broader economic factors such as employment, productivity, and economic conditions. As a result, statutory minimum wages do not necessarily correspond to the income required to afford a decent standard of living. Living wage benchmarks differ in that they are explicitly needs-based, estimating the wage required for workers and their families to afford a decent standard of living in a particular place and time.
Living Income	The total net income a household earns from all sources.	It applies specifically to self-employed individuals like farmers and small-scale producers.

The U.S. Living Wage Landscape

For employers, the U.S. living wage challenge is not simply a question of low wages. It reflects a disconnect between how companies typically set compensation and how workers afford the cost of living.

Compensation planning generally relies on statutory requirements, labor-market benchmarks, and internal pay architectures, while living wage benchmarks assess the income needed to meet basic household costs in a particular location. As a result, even if a company provides competitive pay and substantial benefits, it may still identify living wage gaps among parts of its workforce.

These challenges sit within a broader context of significant economic inequality. The U.S. has one of the highest levels of income inequality among high-income economies and the highest Gini coefficient among G7 countries, which measures inequality on a scale of 0 to 1 as an indicator of relative wealth, where higher values indicate greater inequality. Wage gains have also been uneven: while lower-wage workers experienced strong real wage growth in the years following the pandemic, that progress slowed and reversed for some workers in 2025. At the same time, millions of workers remain concentrated in jobs where earnings are well below locally calculated living wage levels. Together, these trends highlight an important distinction for companies: overall economic prosperity and competitive market wages do not necessarily translate into economic security for all workers.

The U.S. labor market makes this particularly difficult to assess because wages, living costs, and benefits vary significantly by geography and workforce population. State and local minimum wages differ widely, while essential costs such as housing, healthcare, childcare, and transportation can vary dramatically between locations. Employers also play an unusually significant role in financing healthcare and other benefits, making total remuneration an important part of living wage analysis—but one that requires careful consideration of whether workers can actually access and realize the value of those benefits. For companies, these differences create risks that conventional compensation analysis may not reveal. A national wage floor can provide meaningful improvements while still leaving gaps in higher-cost locations; employer spending on benefits may not equal the economic value workers receive; and hourly, part-time, contract, and outsourced workers may have very different compensation and benefits. **Living wage therefore provides a complementary lens to market pay and Total Rewards by asking whether workers ultimately have sufficient and accessible resources to meet basic needs.**

The Living Wage Institute's MIT Living Wage Calculator, and Living Wage for Us are two leading organizations that produce living wage benchmarks and support companies with assessing the adequacy of compensation models against living wage standards in the U.S. Living wage estimates from both organizations across the U.S. illustrate the magnitude of the gap nationwide. The living wage benchmarks below are what one worker needs to make hourly to support a family with two working adults and two children.

Location	Minimum Wage	MIT Living Wage Calculator*	Living Wage for Us**	Percent Range of Living Wage Gap
District of Columbia	$17.95	$38.39	$36.66	69% – 73%
Dallas MSA, Texas	$7.25	$25.78	$29.74	112% - 122%
Sacramento County, California	$16.90	$33.63	$31.61	61% - 66%
Winnebago County, Wisconsin	$7.25	$28.98	$26.43	114% - 120%

*MIT's Living Wage Calculator provides benchmarks for individual and multiple family compositions at the county-level. To be aligned with the ILO definition of living wage, the family type with two working adults and two children is featured.
**Living Wage for Us provides only one living wage rate for a family model, accounting for two adults with a statistically typical number of workers and of children, ultimately resulting in around 1.75 workers per family. Living Wage for Us uses living wage benchmarks for the lowest cost county within a commuting zone.



How did we get here?

The U.S. faces a complicated wage context. The federal minimum wage of $7.25 per hour has not been adjusted since 2009, representing the longest period of stagnation in the wage rate since the passing of the Fair Labor Standards Act (FLSA), which established the federal minimum wage in 1938*. Because the U.S. sets the federal minimum wage by statute, the adjustment process has been heavily politicized. In parallel, states, counties, and cities can set their own minimum wage (above the federal floor)**. While some jurisdictions regularly adjust wages for inflation or local conditions, others remain anchored to the federal floor. In 2026, 88 jurisdictions are expected to raise wage floors while 20 states will keep their threshold at the federal level. At a national level, without indexing the federal minimum wage to inflation, the real value of the minimum wage has steadily declined, reaching a 66-year low in 2023, worth 30 percent less than when it was last raised in 2009. The federal minimum wage is now considered a poverty wage.

The significant loss of purchasing power leaves workers unable to cover the basic costs of living. An adult working 40 hours a week year-round at $7.25 per hour earns below the poverty threshold set by the Department of Health and Human Services guidelines of $15,960 for an individual, and significantly below the threshold of $33,000 for a family of four, assuming in many cases an individual is providing for their family unit***. This helps explain why companies can remain fully compliant with federal and state wage laws while still identifying meaningful living wage gaps among their workforce.



For employers, the implication is clear: the fragmented wage policy context and varying legal wage requirements provide companies with an inconsistent baseline for assessing wage adequacy, and in turn, alignment with living wage standards. Minimum-wage compliance, market competitiveness, and wage adequacy are related but distinct measures. Companies with a national footprint must navigate a patchwork of legal requirements while also accounting for significant variation in living costs, labor markets, and worker needs. This makes geographically sensitive compensation analysis increasingly important for companies seeking to understand whether pay is sufficient in practice.

***A Stagnant Federal Wage:** The Fair Labor Standards Act (FLSA) established the first federal minimum wage, at $0.25 per hour in 1938. It increased periodically through 2009, when it reached $7.25, but has not changed since. Some of the more recent proposed changes via the Higher Wages of American Workers Act (2025), Raise the Wage Act (2025), and the Living Wage for All Act (2026) propose increases but have stalled in Congress.

****State and Local Fragmentation:** The U.S. is one of few countries with local variation in statutory wages at the federal, state and city level. Thirty states and Washington D.C. have state minimum wages that are higher than the federal minimum wage, while 69 localities have adopted minimum wages higher than their state minimum wages. Twenty states and Washington D.C. automatically adjust their minimum wages to inflation annually. Notably, Baltimore, Maryland is the first city in the U.S. to build out a living wage index and enact and enforce a living wage law for workers under city contracts, instituting a $17.71 living wage rate as of July 1, 2026.

*****Minimum Wage and Poverty:** A salary of $7.25 an hour for a 40-hour work week, working 52 weeks a year earns an annual income of $15,080 before taxes, which falls $880 short of the poverty line for an individual. Assuming two household earners at this rate for a family of four, this rate falls $2,840 short of the poverty line.

Case Study
Same Labor Market, Different Wage Outcomes

A case study[1] of median wages for fast food workers in San Antonio, Texas and Tucson, Arizona illustrates the impact state minimum wages can have on income. Wages from 2015 to 2023 for most workers follow a similar growth trajectory, but for fast food workers, there is significant deviation. By 2022, a fast-food worker made 15 percent more in Tucson than in San Antonio, even with a similar cost of living, because of differences in the state minimum wage. In 2016, Arizona passed a ballot to raise the state minimum wage to $12 per hour by 2020 with annual cost of living adjustments, reaching $13.85 by 2023. Alternatively, Texas maintained a $7.25 minimum wage. As a result, workers in Tucson, Arizona made $3,700 more a year in 2023 than workers in San Antonio, Texas. According to the MIT Living Wage Calculator, this translates to a year's worth of basic food expenses for a single working adult.

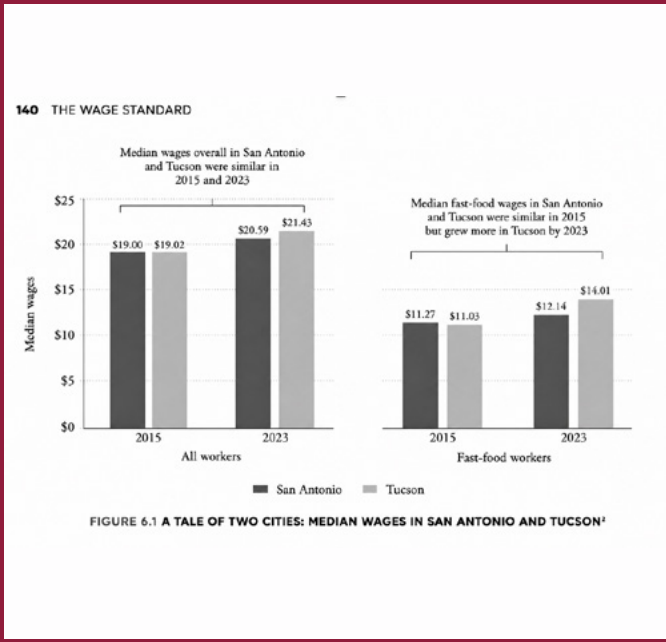

FIGURE 6.1 **A TALE OF TWO CITIES: MEDIAN WAGES IN SAN ANTONIO AND TUCSON**[1]

Essential Costs Drive Wage Gaps in the U.S.

Affordability, or the ability to cover the true cost of living, depends on more than wages. Workers must cover significant and rising costs of healthcare, childcare, housing, and transportation, expenses that vary widely by location and household type. Seeing as public support for many of these needs is limited or fragmented, employers play an unusually important role in determining how far workers' wages ultimately go.

Healthcare

Healthcare accounts for nearly 1 out of every 5 dollars spent in the U.S. Although employer-sponsored coverage is widespread, access and affordability vary substantially, particularly for lower-paid and part-time workers. Roughly 41% of adults in the U.S. carry some form of medical debt.

Childcare

Childcare is both a major cost and a constraint on labor force participation. Paid childcare often costs more than half the median housing payment, while the federal definition of affordable childcare costs 7% or less of annual household income remains unmet across most states[2]. High costs of childcare therefore significantly reduce the economic value of workers' wages.

[1] Arindrajit Dube, The Wage Standard: What's Wrong in the Labor Market and How to Fix It (2026), Figure 6.1, using U.S. Bureau of Labor Statistics occupational wage data.

[2] In March 2026, New Mexico signed into law universal childcare, representing the first U.S. state to provide free childcare for all.

Housing

Housing is one of the largest drivers of geographic differences. A full-time worker would need to earn $28.17 per hour to afford rent for a modest one-bedroom home without spending more than 30% of income on housing, and $33.63 for a two-bedroom home. Eighteen of the twenty-five most common U.S. occupations pay median wages below the two-bedroom housing wage.

Transportation

Transportation is the second-largest average household expense, accounting for approximately 17 percent of household income in 2024. High housing costs in cities may push workers farther from jobs, increasing transportation costs and time. Limited public options across the majority of the U.S. make vehicle ownership essential, incurring unavoidable maintenance, fuel, insurance, parking and toll costs.

For employers, these costs help explain why wage levels alone may not provide a complete picture of worker economic security. Benefits that meaningfully reduce workers' necessary out-of-pocket expenses can therefore be important to a U.S. living wage strategy—but their value depends on whether workers can access and afford them.



Policy Comparison to Peer Markets: Comparison with other high-income markets helps to contextualize the unique challenge in the U.S., both in terms of how the minimum wage is determined, and the extent to which essential costs are offset by social protections. In general, peer markets review national wage floors more regularly and socialize a greater share of essential costs through healthcare, childcare, or social insurance systems. In the U.S., the government relies on employers to provide social benefits, but employer support for welfare provisions remains highly unequal, and benefits vary substantially by work status and employer size.

Dimension	U.S.	Peer-market contrast	Examples
National Minimum Wage Review	No automatic federal review or indexing	Periodic review or indexing more common	At least 80 countries require periodic review of the federal minimum wage. The UK links the minimum wage to median earnings and reviews it periodically.
Collective Bargaining	Low and uneven coverage	Sectoral or broader bargaining	In Belgium, wages are negotiated through national and sector-level collective agreements to establish industry minimum wage scales. Collective bargaining covers over 90% of eligible employees, non-union members.
Local Variation	Extensive state and municipal wage variation	Greater national coordination and less regional variation	In over 145 countries the minimum wage is set by the national government, whereas in the U.S. it can be set at the state, county or city level.
Healthcare	High costs, which can be lowered via employer provided health insurance, but still require large deductibles and premium shares for workers and families	Greater public financing or universal provision	Over 75% of healthcare spending in France, Germany, Luxembourg and Japan, was covered through some compulsory health insurance scheme in 2025.
Childcare	Fragmented and expensive	More extensive subsidies provided among several peers	Canada provides a national early learning and childcare system aimed at average $10 per day childcare.
Employment Benefits	Highly dependent on employer and hours status	More statutory or universal entitlements	The Netherlands sets statutory entitlements, including 10-12 weeks of paid maternity leave and 160 hours of paid holiday.

U.S. Workers Most Exposed

Living wage gaps are not evenly distributed across the U.S. workforce. For companies beginning an assessment, several worker populations are more likely to face gaps because of lower wages, limited benefit access, variable hours, or higher exposure to essential costs.

Hourly/part-time workers

These workers are more likely to have lower pay and reduced access to employer benefits. In March 2025, 89% of full-time workers had access to medical care benefits compared to 25% of part-time workers. At the same time, there is often low take-up by hourly or part-time workers of employer-provided health insurance, as these often only cover partial costs and can be more costly than buying insurance on the open market. Dayforce and the Living Wage Institute estimate that only 30.3 percent of full-time hourly workers earned a living wage in 2025, compared with 83.1% of salaried workers.

Gig workers

Platform and gig workers are often treated as independent contractors and therefore may lack minimum-wage or overtime protections and access to employer-provided benefits like health insurance, paid sick leave, and retirement benefits. Workers may face heightened living wage risks because earnings can be variable and workers are often responsible for costs that traditional employers absorb, such as vehicles, fuel, equipment, insurance, and portions of payroll taxes. In turn, headline earnings can overstate the income ultimately available to meet basic living costs[3]. However, earnings among gig workers are more closely related to living income, rather than living wage.

Workers in low-wage sectors

Roles in food service, cleaning, personal care, retail, and healthcare support tend to have lower median wages and are therefore more likely to fall below local living wage benchmarks. The U.S. Bureau of Labor Statistics wage data show median hourly wages below $19 across these occupations.

Contract, temporary and outsourced workers

These workers may perform alongside direct employees while being covered by a different wage, benefits package, or schedule. At the same time, company visibility is often lower because wage and benefits data sit with third party contractors.

Workers in high-cost or low-access regions

Local housing, childcare, healthcare, transportation, food, and other necessary costs can vary significantly by region. While workers in metropolitan areas may experience higher transportation and housing costs, workers in rural and low service areas may experience limited access to healthcare, childcare, and public transportation.

Workers from groups facing persistent pay disparities

Living wage outcomes also vary significantly by gender and race. On average, more men (58.7%) in the U.S. make a living wage compared to women (43.7%), while women are overrepresented in underpaid roles without benefits. At the same time, more white workers (60.4%) make a living wage compared to Black (31.2%) and Latino (33.3%) workers.

[3] There are efforts across various U.S. states to support gig-workers via reclassification and collective bargaining rights, including in California, Illinois, and Massachusetts.

For employers, these populations provide a practical starting point for prioritization. Rather than assessing the workforce only by average pay, companies should examine wage adequacy by employment type, location, occupation, benefit eligibility, and demographic group to identify where risks may be concentrated.



Changing Compensation Norms of Corporate America: Compensation norms drastically shifted among American corporations in the 1980s[4]. From the 1940s through the 1970s, U.S. wages tended to rise more closely with economic growth, supported by stronger unions, internal wage structures, and norms that shared more company gains with workers. Beginning in the 1980s, globalization, union decline, cost pressures, and the outsourcing of lower-paid roles increasingly separated workers from large companies' compensation and benefit systems. This separated workers such as cleaners, security staff, and food-service employees from the large firms they supported, reducing their access to those companies' wages, benefits, and internal pay standards. As a result, pay became increasingly tied to external market rates rather than to company profitability or broader expectations of decent compensation. This helps explain why companies can pay "competitive" wages while workers still struggle to meet basic needs.

[4] *The Wage Standard* (2026), Arindrajit Dube

Business Implications and the Value of a Living Wage

For companies, the case for addressing living wage gaps extends beyond meeting human rights commitments or employee expectations. Wage adequacy can affect the resilience of a company's workforce, with subsequent financial costs incurred from low employee morale, productivity and motivation, and greater need for rehiring and reskilling amidst lower employee retention rates. The purchasing power of workers and communities has implications for workforce health and stability, where workers unable to cover basic costs of living like healthcare, childcare, and transportation may incur higher rates of absenteeism. Moreover, wage adequacy can affect a company's preparedness for changes in regulation and labor-market expectations, particularly in the U.S. amidst splintered and volatile requirements across jurisdictions. While financial implications can vary by company, sector, workforce, and geography, and higher wages create real near-term costs; a living wage provides companies with a framework to compare costs to business risks associated with workers' financial insecurity and opportunities associated with greater wage consistency and stability.

The Business Case for a Living Wage

Workforce stability

Labor turnover, vacancies, absenteeism, and repeated recruitment and training create direct costs for employers, particularly in industries that depend heavily on frontline and hourly workers. More adequate and predictable compensation can strengthen recruitment and retention and support a more stable workforce. Evidence from accredited Living Wage Employers in the U.K. is illustrative: 94% report benefits from accreditation, including improved recruitment and retention.

Operational and supply chain resilience

Fair compensation can contribute to more reliable operations by reducing some of the financial pressures that contribute to worker turnover, absenteeism, and instability among employees in own operations, contractors, and suppliers, and particularly in labor-intensive sectors. While higher wages alone do not automatically translate into higher productivity, stronger employee commitment, improved workplace relations, organizational changes, and greater efficiency can result in improved overall business performance. Across the supply chain, establishing shared values, standards and collaboration on worker wages and benefits can improve relationships with suppliers, leading to stronger supply chain stability and supplier performance, and advancing living wages bolsters responsible sourcing practices and reinforces human rights commitments.



Regulatory preparedness

Companies have a financial interest in anticipating rather than reacting to changes in labor regulation. The U.S. operates through a patchwork of state and local wage requirements, with recent federal proposals seeking significantly higher wage floors. Companies that understand where workers fall below locally relevant living wage benchmarks can better identify exposure to future wage increases and potential cost impacts and integrate adjustments into normal compensation planning. Preparing for changes in wage and benefit policy is particularly relevant for companies with nationally distributed workforces, where statutory wage floors and costs of living differ substantially.



Broader economic value

Workers are also consumers, and the affordability pressures affecting employees are increasingly affecting markets. If wages fail to keep pace with essential costs, households have less discretionary income available. Comparatively, increases in income and stronger worker purchasing power can translate relatively quickly into increased household spending. At large, worker economic security is increasingly reflected as a factor in assessing business competitiveness. CNBC's America's Top States for Business rankings include Workforce and Quality of Life among the most heavily weighted categories. The methodology considers states' ability to attract and retain workers alongside factors including worker protections, wage policies, and paid leave, illustrating how issues closely connected to living wage and worker affordability are increasingly part of the broader conditions used to evaluate an attractive and competitive business environment. While living wage should not be presented as a direct mechanism to increase an individual company's sales, stronger worker purchasing power supports businesses at an economy-wide scale.

For companies, this reinforces that wage adequacy is not only a worker wellbeing issue; it is connected to the broader environment in which businesses compete for talent and operate. The key question is therefore not whether every dollar of additional compensation generates a direct financial return, but whether investments in wages and benefits can reduce other workforce costs, strengthen the reliability of operations and supply chains, and support worker financial security and wider economic health.

Meeting Stakeholder Expectations

At the same time, pressure from different stakeholder groups to address affordability challenges and living wage gaps is mounting. Wage decisions are visible to employees, consumers, investors, unions, and communities, and transparent wage practices and living wage initiatives can improve trust.

Efforts among regulators, investors, industry groups, and consumers, directly targeted at influencing companies to adopt living wage practices are growing. These pressures to address affordability are drawing attention to how persistent challenges with minimum-wage could create an enabling environment to advocate for and advance progress on living wage.



International Regulations

CSRD/ESRS and CSDDD have raised expectations around workforce and value-chain due diligence, while the Adequate Minimum Wages Directive and Germany's Supply Chain Due Diligence Act more directly address adequate wages and collective bargaining. The EU Forced Labour Regulation, which will prohibit products made with forced labor from the EU market beginning in December 2027, does not itself impose a living wage requirement, but reinforces the importance of robust labor-rights due diligence and responsible wage practices as part of broader forced-labor risk management.
For companies, the broader signal is that wages, collective bargaining, and decent working conditions are increasingly becoming part of the regulatory expectations surrounding human rights and supply-chain management, even where laws do not explicitly require payment of a "living wage."



Investors

Investors increasingly view wages as part of human-capital and systemic-risk management. The Interfaith Center on Corporate Responsibility (ICCR), a coalition of investors representing $4.5 trillion in assets, issued a statement in November 2023 calling on U.S. companies to advance living wage efforts for direct and contract workers, in alignment with international human rights standards. Internationally, the Platform Living Wage Financials (PLWF) brings together financial institutions that use investor engagement and company assessments to encourage living wages and living incomes across global supply chains. In 2026, a PLWF-backed investor letter calling for stronger corporate action on living wages and incomes was supported by 53 signatories representing more than €8 trillion in assets under management. In the U.S., The Shareholder Commons has supported investor campaigns and shareholder proposals at major employers including Walmart, Target, Kroger, Walgreens, Amazon, and Home Depot, calling for greater disclosure or action on living wages and highlighting low pay and inequality as potential risks to diversified investors.



Industry Groups

Living wage expectations are on the agenda across industry groups and multi-stakeholder initiatives. The Responsible Business Alliance (RBA), representing the electronics and tech hardware industry, is investing in living wage data and tools for key supplier markets; apparel companies part of the Fair Labor Association (FLA) are required to work toward paying living wages, supported by wage data collection and fair compensation action plans; and the International Council on Mining and Metals (ICMM), which brings together many of the world's largest mining and metals companies, has incorporated living wage into its social performance expectations. More broadly, we are seeing hundreds of companies sign onto the UN Global Compact's Forward Faster living wage targets, which call for 100% of employees to earn a living wage by 2030 and for companies to establish time-bound action plans with contractors and supply-chain partners.

Consumers

Fair pay and living wage have increasingly been identified as the number one issue consumers care about, year-over-year. In its 2026 survey JUST Capital found that across political affiliations Americans believe it is a company's responsibility to regularly increase wages to keep up with the rising cost of living. Policymakers: While living wage has not entered the forefront of U.S. politics, several recent federal proposals illustrate growing attention to wage adequacy in U.S. policy. The Higher Wages of American Workers Act (2025), Raise the Wage Act (2025), and the Living Wage for All Act (2026) have all proposed increases to the federal minimum wage (to $15/hour, $17/hour, and $25/hour, respectively). While these would represent a substantial increase, they still fall short of estimated living wages for a family of four in most states. While these acts have received varying levels of support and pushback, bipartisan support is increasing, with 97% of Democrats and 90% of Republicans showing agreement to raise the current federal floor.

Workers and Unions

Worker organizing continues to shape wage and compensation practices in the U.S. The Fight for $15, supported by the Service Employees International Union (SEIU), grew from a 2012 fast-food worker strike in New York to a national movement advocating for a $15 an hour minimum wage. At Starbucks, unionized baristas are currently seeking a $17/hour wage floor for the lowest-paid workers, 4% annual raises, and more predictable hours as part of ongoing contract negotiations. As of 2026, those wage demands remain under negotiation. At Waffle House, organizing and strikes by the Union of Southern Service Workers helped prompt the company to announce a phased increase in tipped workers' base pay, from at least $3/hour in 2024 to $5.25/hour by June 2026, excluding tips, alongside tenure bonuses and late-shift premiums.

Taken together, these benefits position living wage as a practical tool for strengthening workforce resilience, supporting more stable operations and supply chains, stabilizing consumer markets, and reinforcing a company's broader human rights and responsible business commitment. Living wage investments are unlikely to automatically pay for themselves through productivity or revenue gains, however living wage analysis can help companies make more well-informed decisions about where current compensation practices create hidden workforce costs or business exposure, and where investments may generate both social and commercial value. Stakeholder expectations signal that wage adequacy is no longer a niche sustainability issue; it is increasingly shaping expectations from regulators, investors, workers, and the public about how companies manage people, risk, and responsible business performance.

How Companies Are Responding

Corporate action on living wage in the U.S. is growing in several ways. Compared with companies in some European markets, U.S. employers are less likely to publicly describe their compensation strategies as "living wage" initiatives. Instead, companies commonly focus on higher "wage floors", competitive pay, total rewards, employee benefits, career mobility, financial wellbeing, or targeted support for major household expenses. Explicit living wage commitments are more common among multinational companies that have already established global human rights or responsible wage strategies and are now determining how to apply those commitments within the U.S. context.

This distinction reflects both the maturity of the living wage agenda and the particular characteristics of the U.S. labor market. Globally, corporate action remains limited: the World Benchmarking Alliance found in 2026 that fewer than 5 percent of 2,000 influential companies publicly guarantee a living wage for their direct workforce, while only 3 percent report action to support living wages in their supply chains. European companies are approximately three times more likely than companies in other regions to disclose a living wage target or commitment.

Within this emerging landscape, companies are pursuing several overlapping approaches in the US:



Voluntary Corporate Minimum Wages



Investing in Benefits that Reduce Household Costs



Strengthening Worker Voice and Collective Bargaining



Collaborating Across Companies



1. Voluntary Corporate Minimum Wages

The most visible corporate response in the U.S. has been to increase starting wages and establish company-wide wage floors above statutory minimums. In many cases, companies do not describe these increases as living wage commitments. Instead, they frame them as investments in employees, responses to labor-market competition, or strategies to improve recruitment, retention, and career opportunity.

This approach became prominent starting in the 2010s, particularly among large employers with nationally distributed workforces. Companies, including Bank of America, Target, Costco, Amazon, Walmart, Home Depot, and JPMorgan Chase announced increases to entry-level or minimum hourly pay since then. The overall initiative of these measures is positive, yet the implementation approach and impact vary significantly based on differences in cost-of-living and minimum wage structures.

Two Approaches:



Geographic Differentiation

Target worked to ensure the lowest wage of $15 per hour, starting in 2020. They recognized that it took a geographically differentiated approach to reflect different costs of living. Its U.S. starting wage ranges from $15 to $24 per hour depending on role and location, while average frontline pay is above $18.50. Target describes its approach as "market-leading pay" alongside a wider package of financial, health, education, and wellbeing benefits.



National Minimum Wage Floor

More recently, Bank of America raised its U.S. minimum hourly wage to $25 in 2025, completing a multiyear progression from under $15 an hour. The company explicitly describes the strategy in terms of competitive compensation, career opportunities, and investments in employees rather than as a living wage commitment.

These strategies can provide meaningful improvements in worker income and establish a stronger base-level wage foundation than required by law. They also have the advantage of being relatively straightforward to communicate and administer. However, company wage floors are generally established through business, labor-market, and compensation considerations rather than through direct comparison with the cost of a decent standard of living.
This creates an important distinction for companies beginning to explore living wage: raising wages above the legal minimum is a meaningful step toward wage adequacy, but it is not the same as guaranteeing a living wage. A national company wage floor may still produce very different outcomes for workers living in lower- and higher-cost regions*.

Case Study
Walmart Minimum Wage Floor*

Walmart's experience illustrates how a national wage floor can have different impacts across local labor markets. In 2019, Walmart set an $11 an hour starting wage nationwide. In higher-wage markets, relatively few workers were affected, while the policy had a larger impact in lower-wage regions. For example, after implementation, 7% of Walmart workers in New Hampshire reported earning exactly $11 an hour, compared with 24% in Louisiana—even though neither state had a state minimum wage above the federal level. This suggests that local labor-market conditions, not just statutory minimum wages, strongly influence entry-level pay. The case also found higher reported job satisfaction among Walmart workers in Louisiana, suggesting that a company-wide wage floor may have greater workforce benefits where it meaningfully raises pay above prevailing local wages.

2. Investing in Benefits that Reduce Household Costs

In the U.S., employers play an unusually important role in providing social protection systems and compensation packages, as U.S. workers rely on a patchwork of federal, state, and employer-provided benefits. Companies are increasingly expected to close the cost-of-living gap by providing support for key cost drivers, including healthcare, retirement, childcare assistance, transportation, housing, and other programs.

As a result, many employers frame their workforce investments through total rewards, total compensation, or broader concepts of employee wellbeing rather than wages alone. Terms used by companies—including "competitive pay," "total rewards," "financial wellbeing," and "career mobility"— reflect an approach where wages are one component of a broader employee value proposition. However, access to benefits is uneven and dependent on employment status. U.S. Bureau of Labor Statistics data show particularly large differences between full- and part-time employees: in March 2025, 87 percent of full-time private-industry workers had access to healthcare benefits compared with only 27 percent of part-time workers.

Benefits	Examples of corporate benefits contributions to living wage
Healthcare	Healthcare remains one of the most important areas of employer action, filling in for state-sponsored coverage. Companies are investing in lower employee premiums, healthcare navigation, virtual care, mental health services, pharmacy-benefit redesign, fertility and reproductive healthcare benefits, medical FSAs that cover out-of-pocket costs, and health savings or reimbursement accounts. For workers, the value of these benefits depends not only on access but also on what workers must contribute through premiums, deductibles, copays, prescriptions, and other out-of-pocket costs. For companies, the key question should shift in focus from healthcare spending to whether these investments are improving affordability and accessibility of care to workers. At the same time, employers are increasingly shifting healthcare costs onto employees, emphasizing the need for companies to consider a total benefits approach to compensation to meet worker needs.

*Dube, Arindrajit, Suresh Naidu, and Adam Reich (2022). Power and Dignity in the Low-Wage Labor Market: Theory and Evidence from Walmart Workers. NBER Working Paper No. 30441

Benefits	Examples of corporate benefits contributions to living wage
Caregiving and Childcare	Companies are experimenting with dependent-care flexible spending accounts, backup care, childcare reimbursements, parental leave, and onsite or near-site childcare. However, benefits are unequal. Only 13% of private-industry workers had access to employer-provided childcare benefits in 2025. Access was substantially higher at large establishments: 30% of workers at establishments with 500 or more employees had access, compared with 8% at establishments with fewer than 100 employees. Patagonia provides a longstanding example of a company using onsite childcare as part of a broader employee-support and retention strategy. More broadly, employer attention to caregiving reflects growing recognition that childcare costs can directly affect workers' ability to remain in the workforce, maintain predictable hours, and realize the economic value of their wages. At a policy level, the CHIPs and Science Act included incentives for companies to provide onsite childcare services as well as invest in community infrastructure.
Housing	Employer initiatives demonstrate an important evolution in how companies are increasingly considering not only the level of wages they pay but also some of the structural costs that determine how far those wages go. Some companies are providing assistance directly to employees. BNY launched a U.S. homeowner program to provide eligible employees earning $100,000 or less with company-funded down-payment assistance, while Fannie Mae offers eligible employees a one-time employer-assisted housing grant. Given that many at-risk low-wage populations find it unaffordable to buy a home in the US, rather than downpayment assistance, a more relevant living wage initiative is to subsidize rent. Other employers are approaching housing as a broader workforce and community issue. Amazon's Housing Equity Fund represents a multibillion-dollar investment designed to preserve and create affordable housing, particularly in communities where Amazon has a major employment presence. The fund uses mechanisms such as below-market loans and grants rather than providing housing assistance solely to Amazon employees.
Transportation	Transportation benefits can help reduce one of the largest recurring household expenses for U.S. workers. Employer strategies can include transit subsidies, pre-tax commuter programs, employer shuttles, parking assistance, or transportation stipends, depending on local conditions. For example, Starbucks provides commuter benefits as part of its broader benefits package for eligible U.S. employees. Considering transportation costs and needs vary significantly by geography in the U.S., companies may need to adapt transportation benefits to the realities of their workforce rather than relying on a single national approach. Workers in transit-rich cities may benefit most from public transportation subsidies, while those in suburban or rural locations may face greater costs associated with vehicle ownership, fuel, insurance, and parking.

3. Strengthening Worker Voice and Collective Bargaining

Collective bargaining provides another pathway through which companies can address wage adequacy, giving workers and their representatives a direct role in negotiating wages, benefits, hours, and other working conditions. This is distinct from employer-led living wage gap analysis in which a living wage benchmark provides a reference point for what workers need to afford a decent standard of living. Collective bargaining provides a process for workers to participate directly in determining how compensation and working conditions are established and adjusted over time.

UPS provides one of the largest U.S. examples. More than 300,000 full- and part-time U.S. UPS employees are covered by the company's five-year National Master Agreement with the International Brotherhood of Teamsters, which runs through July 2028. The agreement addresses wages, healthcare, and pensions, while regional supplements address local issues such as time off, route bidding, and other working conditions. Eligible employees vote on both the national agreement and applicable local supplement. This model illustrates how collective bargaining can address total worker economic security beyond hourly wages alone, encompassing benefits, paid time off, safety, grievance procedures, and other working conditions.

Amalgamated Bank illustrates how collective bargaining operates alongside an explicit living wage commitment. Certain U.S. office and clerical employees are represented by the Office and Professional Employees International Union (OPEIU) Local 153, with collective bargaining covering compensation, vacation, severance, and working conditions. Its most recent publicly disclosed agreement provided annual wage increases of 3.5 percent and included improvements such as a healthcare reimbursement. In parallel, the bank has established a company wage floor is certified with Living Wage for Us as a pledged employer committed to close gaps to a living wage at a set rate year-over-year, demonstrating how living wage commitments and worker voice can reinforce one another.
For companies considering how to make progress, note that living wage and collective bargaining should not be treated as competing models. Living wage benchmarks can help assess whether compensation is sufficient to meet basic needs, while collective bargaining provides an ongoing mechanism for workers to participate in determining compensation, benefits, and employment conditions.

4. Collaborating Across Companies

Precompetitive collaboration where companies work together on living wage and related worker-economic-security issues rather than developing approaches independent illustrates another emerging development.

The Purpose Pledge provides a U.S.-relevant example. Following a 2025 pilot, the initiative formally launched in 2026 with 20 participating companies and growing, many from food, natural products, personal care, and agriculture-related sectors. Participants include Dr. Bronner's, GoodSAM, Just Ice Tea, Kuli Kuli Foods, Mountain Rose Herbs, Nature's Path, Numi Organic Tea, and others. Purpose Pledge is organized around ten shared commitments addressing governance, supply chains, compensation, worker wellbeing, climate, community impact, and other aspects of responsible business. One commitment calls for companies to ensure employees earn a living wage, while another addresses fair and balanced compensation. Living Wage for US serves as the initiative's technical partner on compensation.
The importance of this model extends beyond the particular methodology it uses. Living wage implementation can require new expertise, internal coordination, data, and investment. Collaborative initiatives can reduce some of these barriers by enabling companies to share experience, establish common expectations, learn from peers, and work through practical implementation challenges together. For smaller and midsized companies in particular, precompetitive collaboration may provide a more accessible route to action than building an entirely bespoke living wage program independently.

Recommendations for Companies

Companies do not need a perfect methodology or a plan to close every gap immediately to begin making progress. BSR's experience supporting companies on living wage suggests that effective programs establish a clear baseline, prioritize workers facing the greatest gaps, and integrate wage adequacy into ongoing compensation and business processes rather than treating it as a one-time exercise.

1 Assess where workers are most at risk.

Compare compensation with credible, geographically relevant living wage estimates and prioritize lower-paid workers, high-cost locations, part-time employees, and other populations most likely to experience gaps. U.S.-specific sources such as Living Wage for US and the Living Wage Institute (stewards of the MIT Living Wage Calculator) can help companies understand how needs vary across locations. If using global methodologies, it is important that these follow the ILO principles for estimating living wages and, as the ecosystem develops, consider methodologies assessed against the WageMap Living Wage Reference Standard.

2 Establish a clear commitment and governance structure.

Define the internal commitment level of the company, the workforce populations in scope, and who is accountable across Human Resources, Compensation & Benefits, Sustainability/Human Rights, Finance, and Procurement. Develop a phased approach to track and close living wage gaps, making time-bound goals where appropriate.

3 Develop a practical plan to close gaps.

Prioritize a sufficient and predictable base wage while also considering benefits that materially reduce workers' essential costs, particularly healthcare, childcare, transportation, and housing. Remediation can be phased to address affordability, wage compression, and operational constraints, but companies should establish clear milestones and integrate living wage reviews into annual compensation planning.

4 Support worker voice and respect collective bargaining.

Workers and their representatives should have a meaningful role in negotiations to ensure compensation and benefits meet workers' needs. The ILO identifies collective bargaining and social dialogue as core wage-setting mechanisms, while the UN Global Compact encourages companies to engage workers and trade unions when developing living wage strategies. Credible worker-engagement mechanisms can help companies understand how compensation and benefits are experienced in practice, including barriers related to benefit access, scheduling, or variable hours, that compensation data alone may not capture.

5 Expand the program over time

Begin where the company has the greatest control, but progressively consider contractors, temporary workers, and other workers connected to their operations and value chains. Companies should also examine the business practices that affect wage outcomes, including contracting, procurement, scheduling, and benefit eligibility. Where challenges are widespread, companies can use industry collaboration to support wider improvements in wage adequacy and affordability.

6 Support public policies that support structural change

Ultimately, living wage challenges are often systemic and influenced by federal and state policies. Engaging in public policy conversations to support raising minimum wage floors at the city, state, and federal level can help ensure a level playing field within and across industries in a geographic area. Companies should both review that their current public policy engagements do not contradict with living wage-related positions and also understand where there are opportunities to support public policies that raise the floor and help move from voluntary to mandatory action on higher wages and affordability.

The Road Ahead: Learning and Acting Together

Advancing living wages in the U.S. requires companies to look beyond legal compliance and market competitiveness to understand whether compensation enables workers and their families to meet essential needs. By combining credible benchmarks, worker engagement, and practical implementation strategies, companies can make meaningful progress while strengthening workforce resilience.

Companies do not need to navigate this work alone. BSR and other qualified organizations can support companies in selecting benchmarks, conducting gap analyses, evaluating total remuneration, building governance, developing remediation plans, engaging workers, and integrating living wage into compensation strategy. External expertise can be particularly valuable in the U.S., where geographic variation, benefits, and different workforce arrangements make implementation more complex.

If your company is interested in learning alongside peers and receiving practical feedback to making progress on living wage in the U.S., contact us.





About BSR® (Business for Social Responsibility®)
BSR® is a sustainable business network that provides global insights, strategic advisory services, and collaborations to nearly 250 member companies in Asia, Europe, and North America. BSR® helps its members to see a changing world more clearly, create long-term value, and scale impact.

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law.

BSR is a US 501(c)3 nonprofit organization, with staff and offices around the globe to support our members.

Copyright © 2026 by Business for Social Responsibility (BSR)