



Living Wage Piloting Programme

within the project “Towards Living Wages in the Banana Sector” of the German Retailers Working Group



What?

- The German Retailers Working Group¹ would like to implement a Living Wage Piloting Programme starting in 2024 in order to advance their work on Living Wages in the banana sector in a structured framework. The programme shall be implemented in **various sourcing countries** in Latin America in order to **generate further learnings** in the area of wage data collection & verification and responsible purchasing. The programme is described on the next pages. The group has consulted this programme with a variety of actors such as supply chain partners but also voluntary sustainability schemes such as the Rainforest Alliance and Fairtrade, producer organisations, worker representation, relevant NGOs, and local GIZ offices.

2024

Why?

- The vision for the project of the Working Group, founded in 2020, is to promote living wages across the banana portfolio of their own brands (for the German market). By 2025, at least 50% of the bananas purchased should meet this target. The project was launched in Ecuador as a common sourcing country for all retailers, in order to provide learning experiences and effective approaches for scaling up to other sourcing countries.

¹ For more information on the Working Group please consult this page: [German Retailers Working Group \(nachhaltige-agrarlieferketten.org\)](https://nachhaltige-agrarlieferketten.org)

The group has defined four strategic objectives for the project:



I. **Responsible procurement practices** of the retail sector create framework conditions for living wages and incomes.



II. **Strong and active workers' representatives** are able to negotiate decent working conditions, including living wage.



III. Use and development of monitoring procedures along a given banana supply chain, ensuring **transparent wages and working conditions**.



IV. Joint agenda setting of retailers with relevant stakeholders promotes the **long-term establishment of adequate framework conditions** for living wages and incomes in the banana industry.

For a comprehensive project description please see [here](#).

As a first step towards **implementing responsible procurement** practices and therefore working on the strategic objective (I) the group members have committed to **paying a voluntary contribution** to those producers who are not (yet) able to pay a living wage to their workers. Mechanisms to do so are currently tested on **pilot farms in collaboration with the Rainforest Alliance and Fairtrade**.

To get insight into the wage situation and work on strategic objective (II), the group has conducted a **wage analysis with the IDH Salary Matrix** for the banana supply chains of retailers originating in **Ecuador in 2022** (see [joint report](#)). Results of the wage analysis for **all relevant sourcing countries** are expected by the **end of 2023**.

- In both of these processes the working group and other relevant actors have **generated learnings and detected challenges that should be addressed and translated into concrete activities in this newly created Living Wage Programme and thereby build upon and scale up the already implemented pilots**, e.g.:

Challenge / Learning	Actions
Difficulty for users to fill in IDH Salary Matrix due to complexity of the tool	Training on Salary Matrix for users / and or their intermediaries
Difficulty for users to fill in IDH Salary Matrix due to insufficient (over-)time and wage monitoring	Guidance / training on (over-)time and wage monitoring
Low incentives and high effort for supply chain partners to engage in Living Wage activities	"Rewards" for participating supply chain partners, regardless of Living Wage gap (for details see programme below)
Little or no direct communication between all supply chain partners (and GIZ) and therefore information lost or misinterpreted along supply chain	GIZ as point of contact for participating parties to streamline and facilitate communication, setting up structured dialogue formats, farm-visits
Difficulty to monitor activities and derive robust claims for all supply chain partners	Robust monitoring and possibility to make claims are discussed with all involved parties
Diverse types of contracts for banana workers make robust (wage) monitoring difficult and lead to insufficient transparency and knowledge among workers on contract conditions	Consultation and trainings on applicability of different contract types etc.

- One of the main learnings, however, is: Promoting and implementing Living Wages is a journey that takes time. Solutions and approaches still have to be found and tested. Therefore, the working group decided to implement the Living Wage Programme (at least for 2024) in a small scale.



The programme is only **one part of the groups' overall project** on Living Wages in the Banana Sector. Many other activities, e.g., on strengthening worker representation and unions will be implemented in parallel. The **main objective** of this programme is to **generate learnings** in the area of wage data collection & verification and responsible purchasing.

Who?

- 2024 the programme will be open to **30 farms**² that supply to any of the working group members
 - » It is planned to evaluate and expand the programme in the following years to more and more producers
- Producers will be selected jointly by retailers and intermediaries.
- Selected producers should be located in **various banana sourcing countries**.
- The size of the selected producers shall vary. However, since it is – for now – a programme on Living Wages and not on Living Income, application of the Salary Matrix on the farm should make sense.³
- The producers are allowed to communicate that they are part of the programme.
- The programme is independent of voluntary sustainability schemes but seeks to align with them.
- Remark: Although retailers will strongly aim to keep supply relationships stable, participation in the programme will not be a guarantee for a supply relationship. If supply relationship cannot be continued due to e.g., challenges regarding quality, retailers will aim to coordinate a responsible exit strategy with the relevant supply chain partners.

²Up to 3 farms from a farmgroup can be counted as one farm, if preferred.

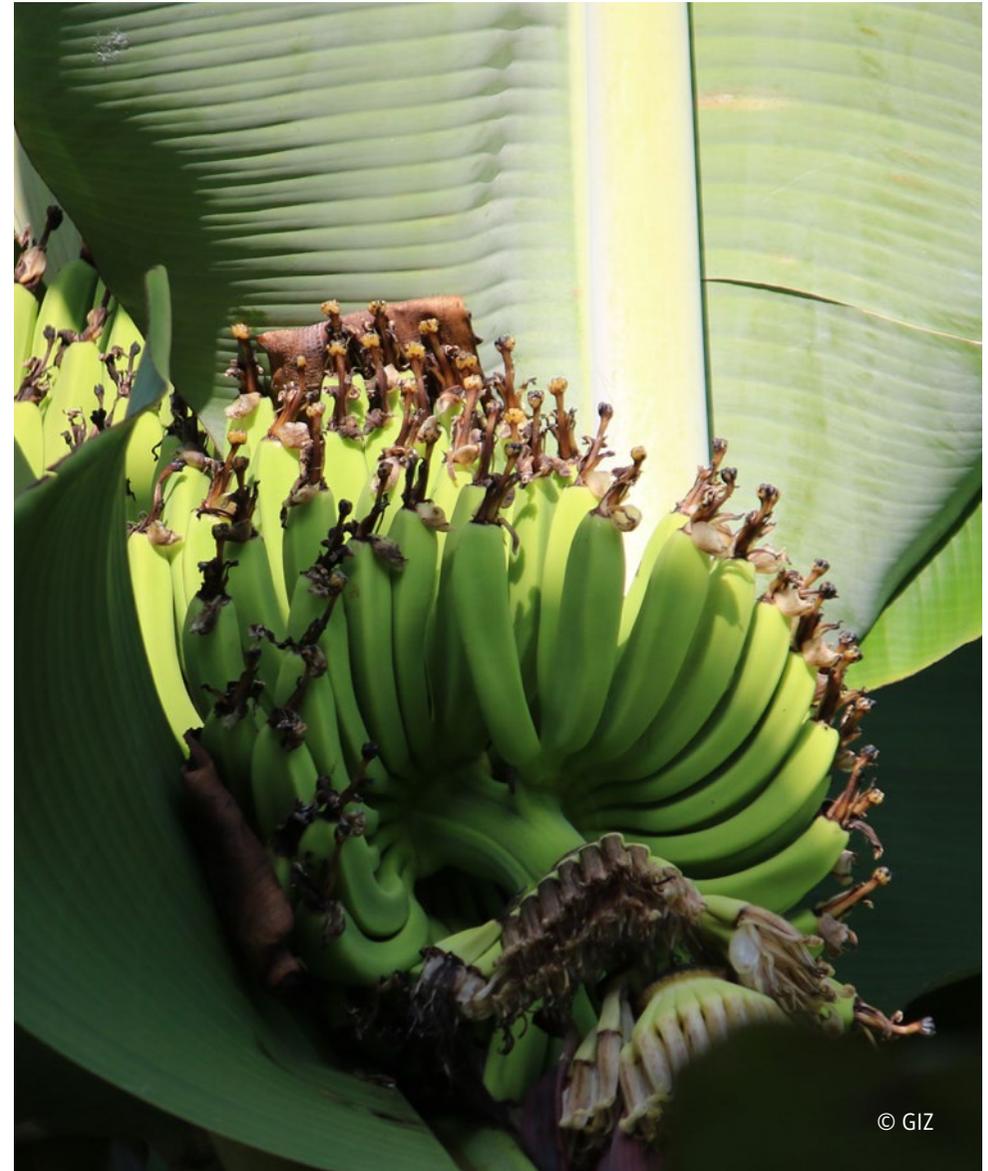
³For now, it is recommended to fill out the Salary Matrix on farms with 10 or more workers.



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THE APPROACH BY THE GERMAN RETAILERS WORKING GROUP

- Retailers realize that reaching and sustaining living wages for banana workers is a journey. Complexity leaves no room for short-term, quick fixes. They do not expect any farm to be paying living wages already. If there are wage gaps, this will not lead to an exclusion from the supply chain. Instead, they want to invite these farms to collaborate with them in this programme and work on measures that help to reduce prevailing gaps.
- There is no one-fits-all solution for promoting living wages. National and farm-specific contexts need to be considered in the design and implementation of strategies to close living wage gaps.
- The current approach focuses on the testing of viable approaches in different country contexts and with a selection of supply chain partners and other stakeholders.
- Together with their supply chain partners, they want to build on lessons learnt to develop good practices for promoting living wages at scale, step by step.



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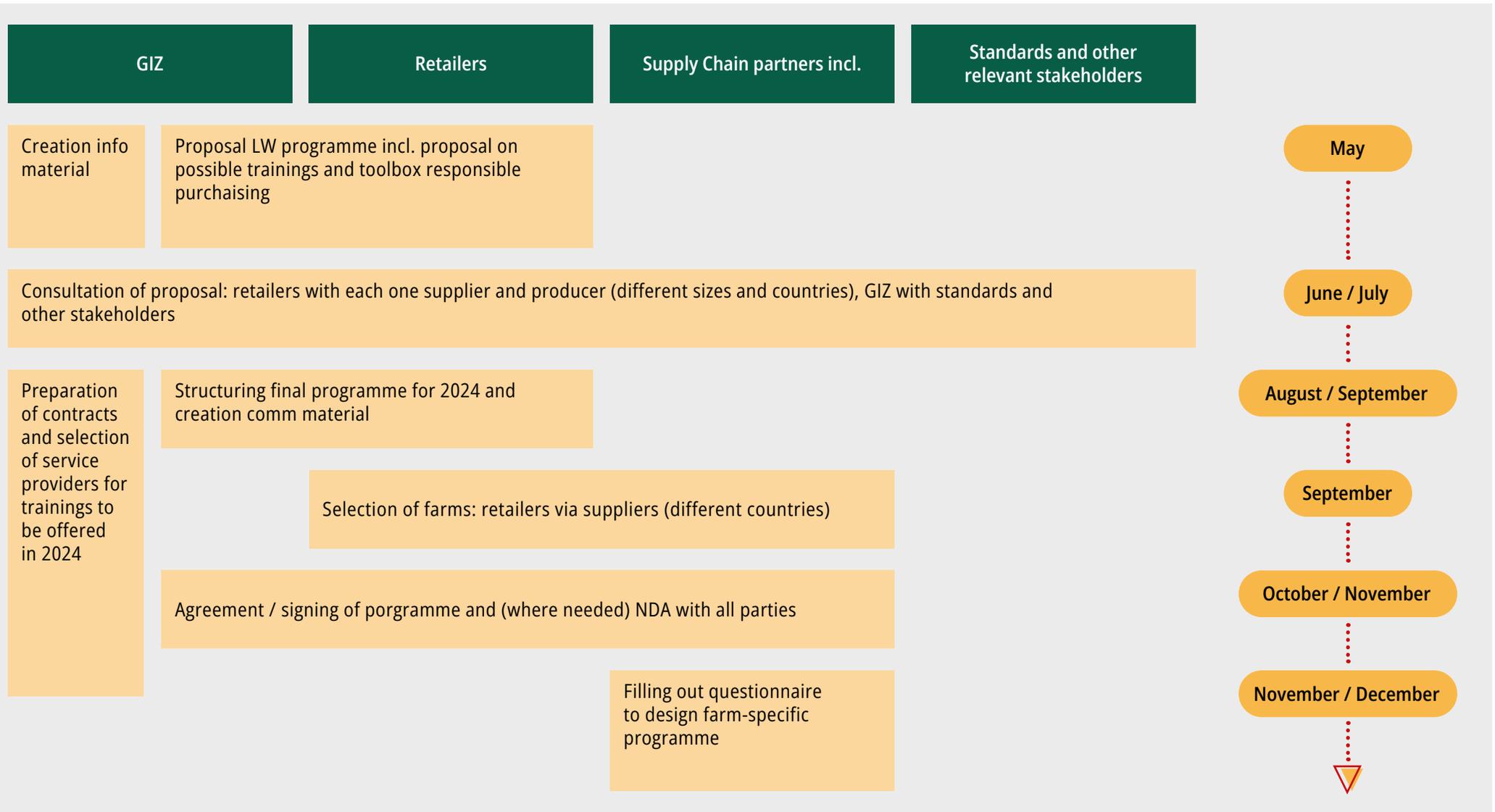
WHAT DOES THE PROGRAMME OFFER SUPPLY CHAIN PARTNERS?

- Living Wages are a prevalent topic in sustainability discourse in Europe on political⁴ and therefore as well on corporate⁵ level. The programme offers the opportunity to **work together with retailers at the forefront on finding and shaping solutions on Living Wages**. By doing so it helps you to position your company in the market in view of upcoming legislation and requirements by retailers. The programme will provide you with direct contact to retailers and open discussions on all topics and challenges regarding Living Wages.
- A variety of trainings and support options will be offered to you in the scope of the programme. All costs** for trainings, support and additional verification / auditing activities (apart from regular certification audits) will be **covered by retailers in the scope of the programme**.
- Participating producers that do not show a Living Wage gap** on their farm, will be able to agree with their supply chain partners (including retailers) on at least one **responsible purchasing practice** from a toolbox for the **contract phase 2025**. The toolbox will be developed collaboratively with all parties involved in the programme in the course of 2024; it could contain elements like long-term contracts, an open-costing approach, purchasing guarantees etc.
- Participating producers that show a Living Wage gap on their farm, will receive a Voluntary Contribution paid by retailers** to reduce the gap. For the calculation the GIZ Costing tool will be used, which enables producers to calculate the price mark-up needed to close potential prevailing wage gaps on farms. However, the exact calculation as well as mechanisms for distributing the contribution are subject to discussion with all relevant partners before implementation.

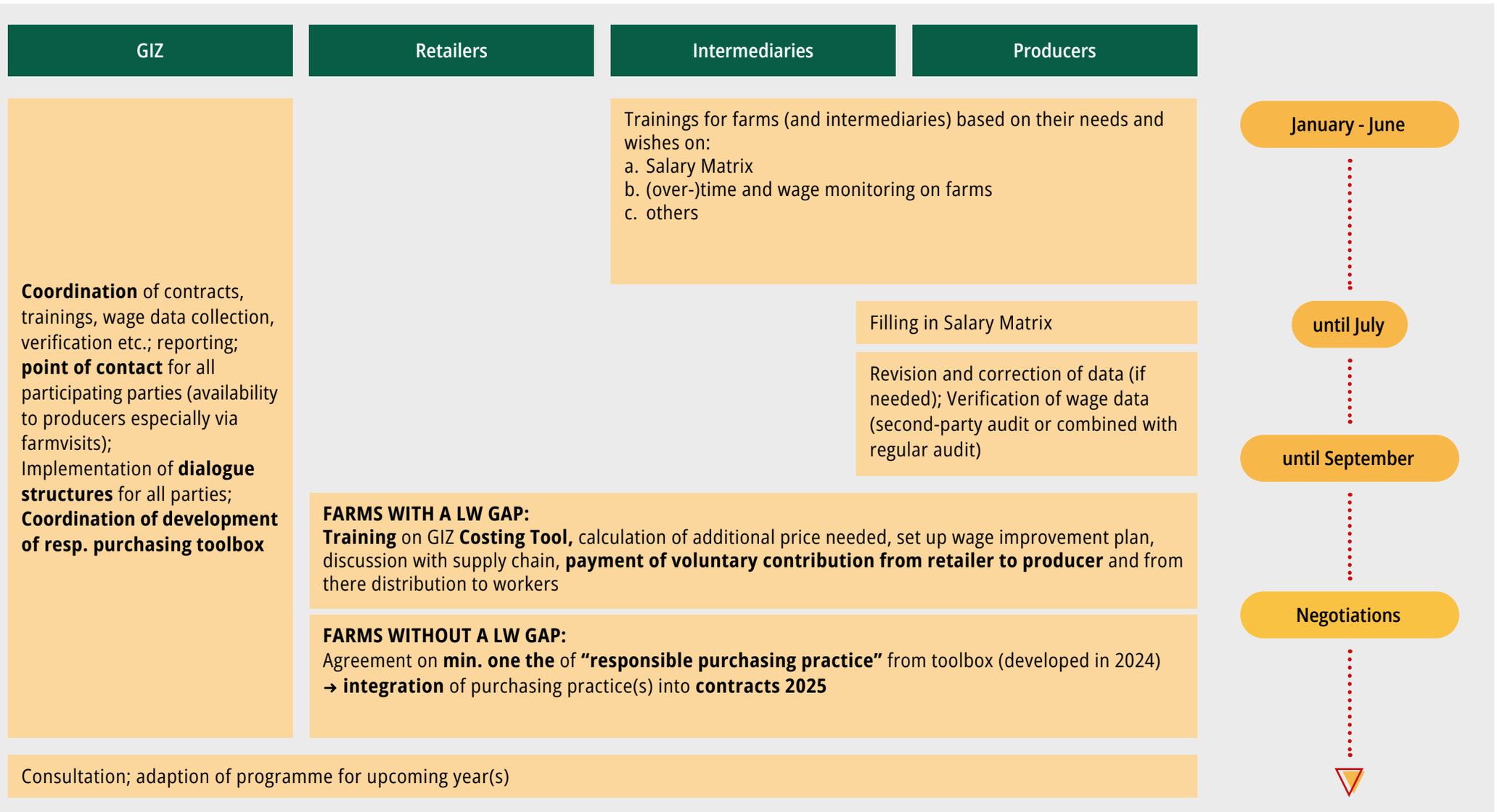
⁴On EU level, a Directive on Corporate Sustainability Due Diligence is being discussed. Living Wages are part of the Legislative proposal by the European Commission. Both, the position of the European Parliament and the European Council support this proposal and the inclusion of Living Wages as part of Corporate Sustainability Due Diligence.

⁵Next to the German Retailers Working Group on Living Income and Living Wages, there are (retail) initiatives in Belgium, the Netherlands, UK and France working on Living Wages in the banana sector.

Living Wage Piloting Programme, Process 2023



Living Wage Piloting Programme, Process 2024



BY PARTICIPATING IN THE PROGRAMME, THE PARTIES AGREE WITH THE FOLLOWING RESPONSIBILITIES

Retailers commit to:

- Provide information required in a timely manner
- Sign an NDA with all parties involved, where needed and requested
- Share learnings with supply chain partners and GIZ
- Participate in learning sessions
- Pay for all trainings / support eligible for supply chain partners as part of the programme
- Pay for revision and verification of Salary Matrix data
- Pay Voluntary Contribution to farms that show a Living Wage gap to support the closure of the gap
- Agree on minimum one responsible purchasing practice with farms that do not have a Living Wage gap for contracts 2025
- Support the development of a toolbox on responsible purchasing practices by communicating their needs and perspective

GIZ commits to:

- Provide point of contact for any questions regarding the programme
- Coordinate the programme with all its elements and organize a structure for learning sessions and the sessions itself and provide spaces for exchange
- Coordinate the contracts needed for services provided to supply chain partners
- Coordinate the development of a toolbox on responsible purchasing practices
- Coordinate the development of a neutral open-costing approach
- Share learnings within World Banana Forum

Supply Chain Partners commit to:

- Provide information required in a timely manner
- Provide information required in the questionnaire
- Sign an NDA with parties involved, where needed and requested
- Participate in trainings selected
- Fill out the IDH Salary Matrix with valid data according to the timeline provided; set up a correction plan and correct the data if needed
- Share learnings with other supply chain partners and GIZ
- Participate in learning sessions and exchange formats (time required with preparation: 3 hours per month)
- Support the development of a toolbox on responsible purchasing practices by communicating their needs and perspective
- **Time required** by producers and intermediaries for the participation in the programme:
 - » The time required for implementing the programme can vary widely since it depends largely on e.g.
 - Which trainings the producer and / or intermediary would like to participate in
 - Knowledge of the Salary Matrix and availability and organisation of the required data
 - » However, it is planned to organize learning sessions & exchange formats more or less every month throughout the year in which all partners should be willing to participate actively.



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On behalf of



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