

# Lessons learned report

PILOT ACTIVITIES OF THE GERMAN RETAILERS  
WORKING GROUP 2023



# Summary

The German Retailers Working Group (WG) conducted pilot activities in 2023 aimed at promoting living wages in the banana sector, collaborating with Rainforest Alliance and Fairtrade, testing mechanisms for retailers to support farms in closing living wage gaps. Key findings from the pilot include:

- 1 Challenges in Wage Data Collection:** Difficulty in collecting and verifying wage data due a mismatch of remuneration systems in the banana sector and the living wage calculation as well as the payroll systems structure on some farms, leading to inaccuracies in determining living wage gaps.
- 2 Complexity of Tools:** The IDH Salary Matrix, used for wage data collection, as well as the GIZ Living Wage Costing Tool, used for the on-cost calculation, were found to be complex and challenging for producers to use effectively, resulting in lower data quality.
- 3 Producer Incentives:** Producers lacked incentives to participate in data collection and in general, living wage efforts, highlighting the need for reward mechanisms to encourage engagement.
- 4 Methodological Uncertainties:** Questions arose regarding the inclusion or exclusion of severance payments and other payments in wage calculations, impacting the accuracy of living wage assessments.
- 5 Payment Distribution:** Challenges and questions in distributing and tracing voluntary contributions to workers were observed, with producers preferring in-kind benefits over cash bonuses due to legal constraints.

The WG addresses these findings through a Living Wage Pilot Programme in 2024, focusing on capacity building, simplifying tools, incentivizing participation, and fostering collaboration among stakeholders to achieve long-term scalable solutions. Moreover, the WG is advocating for constructive dialogue within World Banana Forum to find sector-wide agreements on overcoming challenges.

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# 1. Introduction and context

The German Retailers Working Group (WG) was founded in 2020, and its members are ALDI SOUTH, ALDI Nord, dm-drogerie markt, Kaufland and REWE Group. The overall vision of the WG's first project is to promote living wages across the banana portfolio of their own brands (for the German market). The aim is to meet this goal by 2025 for at least 50% of the bananas they purchase.

The WG 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 to achieve Strategic Objective I, the WG members have committed to paying a voluntary financial contribution to those producers not yet paying a living wage to all their workers. Mechanisms for this purpose were tested in 2023 on pilot farms in collaboration with the Rainforest Alliance and Fairtrade.

In this process, the WG and other stakeholders identified many lessons learned and a number of challenges which are outlined in this report.

Before going into detail, however, it is worth underlining that the most important lesson learned is that **promoting and implementing living wages is a journey that takes time**. Scalable solutions and approaches still have to be found and tested. Therefore, with a view to addressing the prevailing challenges, gaining further insights and testing approaches, the WG decided to implement a Living Wage Pilot Programme in 2024 with up to 30 producers in different countries.

It should be noted that the pilot activities in 2023 and the Living Wage Pilot Programme in 2024 are just part of the WG's overall project on promoting living wages in the banana sector. Many other activities, for example, strengthening worker representation and unions, have been implemented and will continue to be carried out in parallel.

The WG is aware that in order to promote and sustain living wages in the long run, other responsible purchasing practices will have to be implemented as part of sourcing contracts to ensure greater stability and security for producers, for example, longer-term contracts and stable volume commitments. Work will be carried out in cooperation with IDH in 2024, as part of the WG's Living Wage Pilot Programme, to determine which practices could be beneficial in the banana sector.

Although responsible purchasing on the buyers' side is considered a crucial – if not the most crucial – step in promoting living wages, there are many other ways to contribute to this goal, and it is very unlikely that any one measure will succeed in bridging living wage gaps. A package of actions adjusted to each specific case will have to be designed.

However, empowering workers to negotiate appropriate wages on their own and producers to negotiate prices with their buyers to cover the extra cost is regarded as the most sustainable solution in the long term for securing living wages for workers.

## 1.1 The aim

The aim of the pilot activities was to test mechanisms for retailers to support farms in closing prevailing living wage gaps by paying a financial voluntary contribution. Such a measure is clearly only a temporary, short-term approach to support the closure of gaps.

Nevertheless, it is considered an important step in the right direction since it meets a demand producers have been making for years: **higher prices**.

Collaboration with the Rainforest Alliance and Fairtrade was considered essential because, ultimately, scalable solutions can only be implemented jointly with voluntary sustainability schemes, and the WG retailers are very interested in finding synergies with the approaches and requirements of these organisation's standards in order to avoid putting an additional burden on supply chain partners.

## 1.2 The approach

The WG's approach for testing a mechanism to support farms with a living wage gap by paying voluntary financial contributions can be divided into four steps. More information on the WG's approach and these steps can be found in the FAQ document [here](#).

### The four steps are:

- (A) Collection of wage data using the IDH Salary Matrix and verification of wage data
- (B) If there is a living wage gap, calculation of the voluntary contribution to be paid by the retailer to the farm using the GIZ Living Wage Costing Tool<sup>1</sup>
- (C) Transfer of the voluntary contribution payment from the retailer to the farm
- (D) Distribution of the voluntary contribution by farm management to workers and verification of payments to workers

The challenges involved and the lessons learned from implementing each of these steps are outlined below.

## 1.3 Scope

The activities were implemented jointly by the retailers and their supply chain partners. Six farms in Colombia and one farm each in Ecuador, the Dominican Republic and Costa Rica participated in the pilots. All farms were certified by either the Rainforest Alliance or Fairtrade or both. The activities were carried out in close cooperation with and with the support of the Rainforest Alliance and Fairtrade.

<sup>1</sup> The GIZ Living Wage Costing Tool offers various simulations to analyse the direct cost implications for producers of paying workers a living wage. Different scenarios take into account the existing wage structures, that is, differences in pay for different activities on a plantation or farm. The cost implications of the respective scenarios and changes in the wage structure are clearly presented and can be compared with each other. The tool is available here: [Tips & Tools \(Initiative for Sustainable Agricultural Supply Chains\)](#).

## 2. Challenges, lessons learned and consequences

### 2.1 General challenges and lessons learned

The activities were very helpful in fostering a better understanding of the issue and the approach for all stakeholders. Many meetings took place throughout the year, bringing together the retailers and the respective supply chain partners participating in the activities. The meetings helped to build trust and a common understanding among all the participants. It is important to acknowledge, in particular, the willingness of producers to take part in these activities and share their insights.

Several observations were made in relation to the WG's approach and the project in general.

#### Observations regarding the issue of living wages in general:

- Living wages is an issue regarded as being driven solely by European markets. So far, there has been little ownership of the issue in producing countries or in other destination markets.
- A major factor, although not the only one, is that producers consider that implementing living wages entails a significant additional effort, with little in the way of return. Moreover, there is / and/or has been very little trust in supply relationships and few guarantees from retail side. Therefore, producers demand from retailers to show greater reliability and commitment by e.g., paying higher prices like the Fairtrade Living Wage Reference Price and longer-term contracts.
- The relevance of such initiatives is also questioned in some areas where other mechanisms are already in place to ensure the payment of living wages, for example, local labour/minimum wage legislation (Ecuador) and collective bargaining agreements (Colombia).
- Where living wage gaps exist, reducing them means substantial cost increases for producers. As labour costs account for a significant share of total production costs, producers and their associations regularly highlight the fact that the implementation of living wages is only possible and economically feasible if all supply chain actors share the responsibility on a long term basis. They call on retailers (not only the German ones) to improve their purchasing practices, including pricing policies, as this is considered a fundamental requirement for a sustainable, scalable, long-term solution. In most cases, the corporate social responsibility (CSR) departments of retailers are responsible for coordinating living wage activities. **However, lasting change can only be achieved if CSR strategies and the commercial practices of the buying teams are fully aligned.** One of the German retailers publicly announced a new sourcing approach for fresh bananas that focuses on open costing combined with cost-plus pricing, long-term contracts and regular updating of purchase prices to account for changes in costing structures. Many producers and intermediaries have applauded this approach and are calling on other retailers to follow suit.



**General observations regarding the WG's approach for the banana sector:**

- The approach (see above) and the tools (IDH Salary Matrix and GIZ Living Wage Costing Tool) used are considered to be unsuitable in some respects for the banana sector (see also 2.2.A) and the peculiarities of the different producing countries.
- The approach has no direct positive impact on other structural challenges in the banana sector, which include the high number of informal workers and part-time jobs due to production requirements. Some fear that it could lead to even more informality; the perceived pressure to not show wage gaps could prompt producers to stop registering workers earning less than the living wage in order to comply with retailer requirements. It has to be said, however, that the WG is NOT requiring farms to pay a living wage to all their workers right away. The German retailers that participate in the WG are willing to make financial contributions and support farms in closing living wage gaps.
- Retailers have committed to paying a voluntary contribution according to the amount of bananas they source from the farm. This means that the living wage gap will only be completely closed if all the farm's buyers pay a voluntary contribution. This is hardly ever the case anywhere because there are few retailers outside the WG and especially outside European markets willing to pay voluntary contributions.

## 2.2 Specific challenges and lessons learned in each step in the process

### (A) Collection of wage data using the IDH Salary Matrix and verification of wage data

For this step, the WG collaborated with independent consultants and auditors to check or audit wage data remotely or onsite or both. In some cases, the consultants also assisted the farms in filling in the Salary Matrix.

The insights and lessons learned set out below are based on reports from these independent consultants and auditors. They were, in most cases, financed by the retailers and, in some cases, by the Rainforest Alliance and Fairtrade.

The collection and verification of wage data is the most important part of this approach and of any living wage initiative because decisions to take or not take measures and actions are based on this data. If the data shows that there is a gap between a living wage and what workers on a certain farm are earning, retailers undertake to provide financial contributions to help close it. If a farm does not show a living wage gap for any of its workers, other measures can be taken. The WG will develop these measures in 2024. The wage data was collected using the IDH Salary Matrix, and many of the following challenges and lessons learned therefore concern the Matrix and its compatibility with how payroll and payment systems work in the sector.

#### ⦿ **No (over)time tracking for workers on banana farms:**

The great majority of farms in the banana sector in Latin America pay their workers on a piece-rate basis. The rationale behind this is that it gives workers an incentive to work productively. Different tasks performed on the farm are paid at different rates.

Collective bargaining agreements in the sector, where they exist, are also based on a piece-rate system. They establish the average time needed for each task, specifying upper and lower limits. A consultant collaborating with the WG confirmed that the estimated times for performing the different tasks were reasonable, especially on farms with high or average productivity. On farms with lower than average productivity, however, workers were often not able to reach targets and therefore had lower wages.

The fact that the sector pays its workers on a piece-rate basis means that many farms do not have systems to track working hours and overtime. This poses a big challenge when addressing the issue of living wages because, by definition, a living wage must be earned during normal working hours (either International Labour Organization maximum working hours/week or local maximum working hours – whichever is lower), excluding overtime. The IDH Salary Matrix is based on this definition and the Anker methodology and therefore requires the user to enter data on working hours. The consultants reported that, as many farms did not have this data, in order to complete the Salary Matrix, they either converted the piece-rate payments into working hours, which can be an effortful task, or entered the maximum working hours for every worker,

without any overtime, in the matrix. (Theoretically, the conversion of piece-rate payments into working hours is not necessary – it is needed, however, to enter into the Salary Matrix how much a worker earned in regular working hours and how much during overtime. This is not understood everywhere yet.) The lack of accurate data input leads to the inaccurate measurement of wage levels and (possible) wage gaps with the Salary Matrix.

**Action taken based on these lessons learned:** The WG commissioned a consultancy firm to conduct an analysis of payroll systems in the banana sector in Colombia, Costa Rica and Ecuador and to compare the systems with the data requirements of the IDH Salary Matrix. The results are expected in February 2024. Based on these results, the WG will offer farms one-to-one consultations to work on this issue and, at the same time, hold discussions with stakeholders on how to further improve and reduce the complexity of the IDH Salary Matrix. Moreover, trainings on the Salary Matrix will be offered to participants of the LWPP.



● **Complexity of the IDH Salary Matrix and lack of user ability resulting in low data quality:**

Many (although not all) farms reported that it was quite difficult to complete the Salary Matrix and required considerable effort (some bigger producers stated that they hired personnel to deal with this). According to the consultants and auditors, the producers blamed this on:

- The above-mentioned unavailability of data on working hours that has to be entered into the tool.
- The fact that the data points are too numerous and too specific, requiring a profound understanding of the issue and the methodology and making the tool quite complex. This led to common 'mistakes', such as in-kind benefits being wrongly allocated or jobs being wrongly categorised.
- Workers being entered individually in the tool instead of by job category because the piece-rate and task-based system means that every worker is paid differently.
- The producers not having the ability to handle the tool.

It became evident that **data quality was usually better** when producers had already worked with the IDH Salary Matrix previously. However, the consultants and auditors made the following **clear recommendations** for the short term:

- Producers should receive training on the Salary Matrix if they wish
- The Salary Matrix should be checked and corrected at least once remotely before an onsite verification takes place in order to minimise inconsistencies
- The data points required by the Salary Matrix should be reduced to the core data required to enable users to calculate living wage gaps and make its use less onerous. Producers should be supported in addressing systemic issues related to low wages, including resolving issues related to payroll systems, for example, the enhancement of internal systems to capture pay and hours worked in a way that facilitates the calculation of living wage gaps in the context of piece-rate payment systems
- Incentives should be created for producers to encourage and reward their efforts in completing the Salary Matrix.

**Action taken based on these lessons learned:** All these recommendations were taken up by the WG and have been incorporated into the 2024 Living Wage Pilot Programme. Under the programme, producers will be able to receive training on the Salary Matrix if they wish, the wage data will be checked before an onsite verification is conducted and producers will be able to have an individual consultation on their payroll system (see above). To get started, in parallel IDH in partnership with GIZ has initiated an effort to provide superuser training to leading suppliers and producer groups. More recently, on-site personal trainings have been delivered by IDH in collaboration with local producer associations in Costa Rica, Dominican Republic and Colombia covering 80 producers that voluntarily wanted to improve the use of the tool.



🕒 **Methodological uncertainties – inclusion or exclusion of severance payments when calculating a worker’s wage:**

In Colombia, *cesantías* are a form of severance pay equivalent to one month’s salary per year of service, which is paid yearly by the employer into a government fund. The purpose of severance pay is to provide some support for employees when their employment is terminated. However, in some countries, such as Colombia, workers can apply to make withdrawals from such funds and use the money for certain purposes, such as education or housing. Therefore, producer associations have argued that this amount should be included when calculating prevailing wages. Unions, however, argued against its inclusion because it is difficult for workers to access such funds and certification schemes like Rainforest Alliance and Fairtrade do not recognize advance severance payments as part of regular remuneration.

**Action taken based on these lessons learned:** Since the inclusion or exclusion of the amount does make quite a difference in the calculation of the prevailing wage and the possible wage gap, IDH has conducted a consultation on the matter and published its guidance on the Salary Matrix [e-learning site](#).

🕒 **Lack of incentives for producers:**

The consultants and auditors made the observation, corroborated by many producers, that completing the Salary Matrix requires a significant effort and offers practically no benefit to them. One consultant wrote that ‘they fill in the Salary Matrix because they have to, not because they want to’. In some cases, this leads to lower quality data or a reluctance to correct data.

**Action taken based on these lessons learned:** To create incentives and rewards for producers participating in the Living Wage Pilot Programme, retailers will pay a voluntary financial contribution to farms that show a living wage gap to help them close it. The voluntary financial contribution is calculated using the GIZ Living Wage Costing Tool, to which a section was added where producers can enter and therefore account for additional administrative costs incurred as a result of work required to record living wage data. For farms that do not have a living wage gap, retailers will agree on at least one responsible purchasing practice (a set of practices will be developed in 2024) for 2025 contracts. During the implementation of the LWPP, the WG will discuss this approach again with participants and see if adaptations/improvements can be made.



### Long-term outlook

In order to scale living wage approaches, stakeholders must explore and agree how to deal with wage data, in particular, which means there needs to be a scalable solution in which the following are acceptable:

- Effort that it takes for producers to fill in the Salary Matrix or any other wage data collection tool
- Effort that it takes for producers to undergo a data verification as well as clear scope of the verification
- Level of complexity of the data (auditors must be able to properly verify it in an acceptable time frame)
- Reliability and level of detail of wage data

This leads to questions already posed above, for example, how to simplify the Salary Matrix tool. It also raises broader questions, such as:

- How often does wage data have to be collected using the IDH Salary Matrix? So far, the data has been collected every year since the living wage benchmarks change every year particularly in highly inflationary scenarios. Would it be feasible for farms without a living wage gap to complete it every three years, for example, instead of every year?
- Does every producer have to complete the Matrix or could there be exceptions due to certain circumstances in a region, for example, an effective collective bargaining agreement or effective labour legislation?
- How can living wage verifications be scaled? What level of effort and resources have to be put into a data verification to ensure what level of accuracy?
- What role will certification schemes play? What can be included in the regular standards and therefore in standard audits? Could certification schemes recognise each other's data audits?

### (B) Calculation of the voluntary contribution to be paid by the retailer to the farm using the GIZ Living Wage Costing Tool

If the IDH Salary Matrix showed that there was a living wage gap for at least some workers on a farm, producers received training on the GIZ Living Wage Costing Tool. This tool offers various simulations to analyse the direct cost implications for producers of paying workers a living wage. The data entry system is based on the IDH Salary Matrix. Different scenarios take into account the existing wage structures, that is, differences in pay for different activities on a plantation or farm. The output of the tool is an on-cost per box price that would have to be paid for all the units sold to completely close the living wage gap on a particular farm. The original idea was to give producers a tool that would enable them to calculate how much more money they would need from their buyers to be able to pay their employees a living wage, thereby strengthening their negotiating position.

The WG retailers committed to paying this on-cost per box price for the boxes they source from a certain farm (also called a **voluntary contribution**). This means that the gap will only be completely closed if the farm sells all boxes at this higher price.

#### Lessons learned with regard to the GIZ Living Wage Costing Tool:

- The tool is Excel-based and uses macros. This posed a huge challenge for some producers as they found it impossible to enable the macros, which made it difficult to use the tool.
- There are too many scenarios in the tool to calculate the on-cost per box price, and users found them difficult to understand.
- In some cases, a bigger producer or intermediary, rather than the farm itself, used the tool to calculate living wage gaps on several farms. This involved a lot of work because although data can be entered by copying and pasting from the Salary Matrix, doing this for a large number of farms is time consuming and likely to lead to errors.
- Most producers chose Scenario 5 in the tool to calculate the on-cost per box price. In this scenario, the living wage gap is closed for all workers earning less than the living wage and, additionally, the wages of workers earning more than the living wage are increased by a specified percentage to maintain the existing wage structure.
- The tool relies on data from the IDH Salary Matrix. It is essential for retailers to trust the data output in order to scale the approach and pay voluntary contributions on a larger scale. It is therefore crucial to guarantee the quality of the data.

**Action taken based on these lessons learned:**

- The Costing Tool is being translated into a digital web-based version which will allow direct data transfer from the Salary Matrix. This will make the tool easier to use, especially on a larger scale, and reduce errors in data transfer.
- The Living Wage Pilot Programme will add relevant insights on which scenarios of the Costing Tool prove relevant and easy to use. Based on these lessons learned, GIZ aims to reduce the number of scenarios for the calculation of the on-cost per box price to make the tool easier to understand and use.
- GIZ will organise training on the tool.
- Action will be taken to improve data quality (see above).

**Digression: Comparison of the GIZ Living Wage Costing Tool and the FLOCERT Cost Calculation Tool**

In one pilot implemented jointly with Fairtrade, FLOCERT conducted a comparison of the GIZ Living Wage Costing Tool and the FLOCERT Cost Calculation Tool in order to see if they differ in calculating the on-cost per box price required to pay living wages and, if so, how.

The results of the comparison were as follows.

**Similarities:**

- Both tools use IDH Salary Matrix data as the basis for calculation.
- Both tools follow the same methodology, considering a plantation's total annual living wage gap (obtained from the IDH Salary Matrix) and average yearly production to estimate the cost per unit necessary to close the gap.
- The tools use different approaches to making living wage payments while maintaining the wage structure.
- In the most basic scenario (raising the wages of all workers earning less than the living wage to the living wage), both tools give practically the same result, showing that the calculations are done in a very similar way.
- It was not possible to compare other scenarios because the approaches are different. The FLOCERT tool has only one other scenario, where the calculation is done keeping the wage structure exactly the same; this does not exist in the GIZ tool. This scenario was, however, considered far too expensive by retailers.

**Differences:**

- The tools differ in terms of the user. The FLOCERT tool is not designed to be customer-facing; the input data is directly handled by FLOCERT-trained personnel, while the GIZ tool is used by the producer.
- Data on extra contributions from the employer (such as taxes and levies the employer has to pay): FLOCERT is provided with this data by the Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC), while with the GIZ tool, users have to enter the data themselves.
- Use of the Fairtrade Premium to support closure of living wage gaps: under Fairtrade certification, it is required for plantations to pay 30% of premium to workers close the living wage gap (as a temporary measure) and an additional 20% voluntary in case the Fairtrade premium committee decides to.

### (C) Transfer of the voluntary contribution payment from the retailer to the farm

The participating retailers decided not to set up sustainability funds or other mechanisms for passing or transferring the living wage payments to producers that would avoid passing the amount that has to be paid through the supply chain. This is because they agreed that, in the long run, living wages should not be something that has to be paid extra for but something that is included in the buying price. The price must therefore be high enough to cover this. To this end, the voluntary contribution should be passed down through the entire supply chain.

The participating retailers did this in two different ways – which does not mean that there are not others. In one case, the amount calculated for the voluntary contribution was paid through the supply chain and ring-fenced on invoices as an extra payment. The advantage of this is that the exact payment can be traced back to the producer. However, it also requires an administrative effort, especially for the supplier handling this, because the payment has to be linked specifically to the boxes from a certain producer.

In the other case, the retailer decided to incorporate the voluntary contribution into the following year's purchase agreements. The clear disadvantage of this is that the amount is not traceable and, from the outside, it is not possible to check whether the amount was added onto the final price or whether the voluntary contribution was offset by other costs so that, in the end, the price remained unchanged. The advantage, however, is that it requires less effort and, if implemented correctly, leads to a more sustainable price since the voluntary contribution is already part of the buying price.

IDH has developed guidance on voluntary contributions which provides advice for retailers and supply chain partners on how to deal with the payment of voluntary contributions.



### (D) Distribution of the voluntary contribution by farm management to workers and verification of payments to workers

When the voluntary contribution reaches the producer, the producer has to distribute the amount received to the workers. This can be done in many ways. The two main options are to either distribute it as an extra payment or bonus or in some other way where the worker receives the money directly or to pass on the amount to them in the form of in-kind benefits.

The first option of giving workers a cash bonus has the advantage that it directly impacts and improves their wages. However, in all the countries where the pilot activities were implemented, this also meant that the payment was counted as wages and became a legal entitlement for workers, as local labour legislation prohibits any pay rise from being taken back. This would mean that once a producer has paid out the voluntary contribution received from a retailer as a cash bonus, they cannot take it back the following year even if, for any reason, the supply relationship on the basis of which they received the extra money no longer exists.

Therefore, producers were not inclined to handle the distribution of the voluntary contribution in this way, preferring to pay it out in the form of in-kind benefits. In the case of the pilots, the voluntary contribution was paid out as medical aid to all workers equally and in the form of food and supermarket vouchers. In both cases, the contribution was used to cover living expenses considered in calculating the living wage. The value of medical aid is, however, harder to quantify per worker than a supermarket voucher, which can be distributed for exactly the amount calculated per worker/job category using the GIZ Living Wage Costing Tool.

CLAC is currently developing guidance on options for distributing the voluntary contribution to workers, taking into account local labour legislation and implications for producers. The results are expected in May 2024 and will be made publicly available.

If voluntary contributions are transferred in a traceable way, the next step is to verify that payments have reached the workers. In order to facilitate this, at the end of 2023, IDH developed a section in the IDH Salary Matrix where producers can enter the amounts of voluntary contributions received. When the figures are entered, they can be checked as part of a regular on-site verification of the Salary Matrix. It is not yet clear if the Rainforest Alliance audit of the Salary Matrix, for example, would include this check, as the development is relatively new. Moreover, evidence would need to be provided to ensure that the amount reached the workers, for example, the supermarket vouchers or similar proof. Checking this further adds to the effort involved for auditors and producers. Producers, in particular, raised the concern that, in some cases, this entails a disproportionately high effort compared to the amount received.

As with the Salary Matrix on-site verifications and the question of the depth of verification, a scalable solution must be found in which the level of effort required from all sides is acceptable.



## 3. Next steps



In line with the findings from the pilot activities, the German Retailers Working Group (WG) is implementing the Living Wage Pilot Programme in 2024. The Programme addresses various topics:

- Continue Learning and Adapting: The initiative is maintaining a stance of continuous learning and adaptation, regularly assessing the effectiveness of strategies and adjusting approaches based on lessons learned.
- Enhance Collaboration and Engagement: Stakeholder collaboration is being strengthened to foster a collective effort towards promoting living wages, ensuring diverse perspectives are considered.
- Simplify Tools and Processes: Actions are being taken to improve the user-friendliness of tools such as the IDH Salary Matrix and the GIZ Living Wage Costing Tool to improve usability and data quality. Efforts will be made to streamline processes and reduce complexity while ensuring data accuracy and reliability.
- Build Capacity and Providing Training: Comprehensive training is being provided to support producers in understanding and effectively utilizing wage data collection tools, empowering them with necessary skills and knowledge.
- Integration of Responsible Purchasing Practices to incentivize participation and enable higher wages: Steps are being taken to implement responsible purchasing practices to ensure greater stability and security for producers. Collaboration with IDH is ongoing to identify beneficial practices and incorporate them into sourcing contracts. In the long-run CSR strategies shall be aligned with commercial practices to ensure lasting change in purchasing behaviours.

Beyond the LWPP the WG is advocating for a sector-wide constructive dialogue to enable agreements, alignment and decisions on challenges and open questions regarding Living Wages under the umbrella of the World Banana Forum. It is regarded as crucial, that all relevant stakeholders can participate in this process, so that lasting agreements can be reached supporting a sustainable change.

Topics and questions include

- Questions on the methodology, e.g., the frequency of the calculation of living wage Benchmarks, the validation process of the benchmarks, the inclusion / exclusion of certain payments and many more
- Questions on the collection of wage data, e.g., in which frequency does wage data have to be collected? How detailed has the wage data to be? Can there be exemptions in the application of the Salary Matrix? How can audits be scaled? Could certification schemes recognise each other's data audits?
- Questions on market mechanisms and responsible purchasing, e.g., how does purchasing practices have to change in order to allow for living wages to be paid in the long run?





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