

On the way to living income and wages – how can governments and private sector work together?

High Level Meeting on Living Income and Living Wage



Federal Ministry
for Economic Cooperation
and Development

21 June 2022, 1:30 PM – 5:00 PM CEST



An Introduction to Living Income & Wages



On the Way to Living Income and Wages - *How Can Governments And Private Sector Work Together*

June 21, 2022

Living Income Community of Practice

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Living Wage and Living Income



Living Wage

A **worker** earns enough in a standard work week to enable his/her family to afford a decent standard of living.

<https://www.globallivingwage.org>

GLOBAL
LIVING WAGE
COALITION

Both are derived from the idea of achieving a decent standard of living.



Living wage applies to an individual worker. Living income applies to a household.



Living Income

Farming households earn enough in a year from all income sources to afford a decent standard of living.

www.living-income.com

The Living Income
Community of Practice

What is a Living Income Benchmark?

A living income benchmark is an estimate of the **cost of a basic and decent standard of living** for a household.

It answers the question: 'how much does a typical household in a particular place need to earn, from all income sources, in order to live a decent standard of living?'



Living income, a milestone towards
a prosperous income

The Living Income
Community of Practice



What is a Living Wage Benchmark?

Cost of decent standard of living for family



Living wage =



Number of workers per family

+



Payroll deductions and taxes

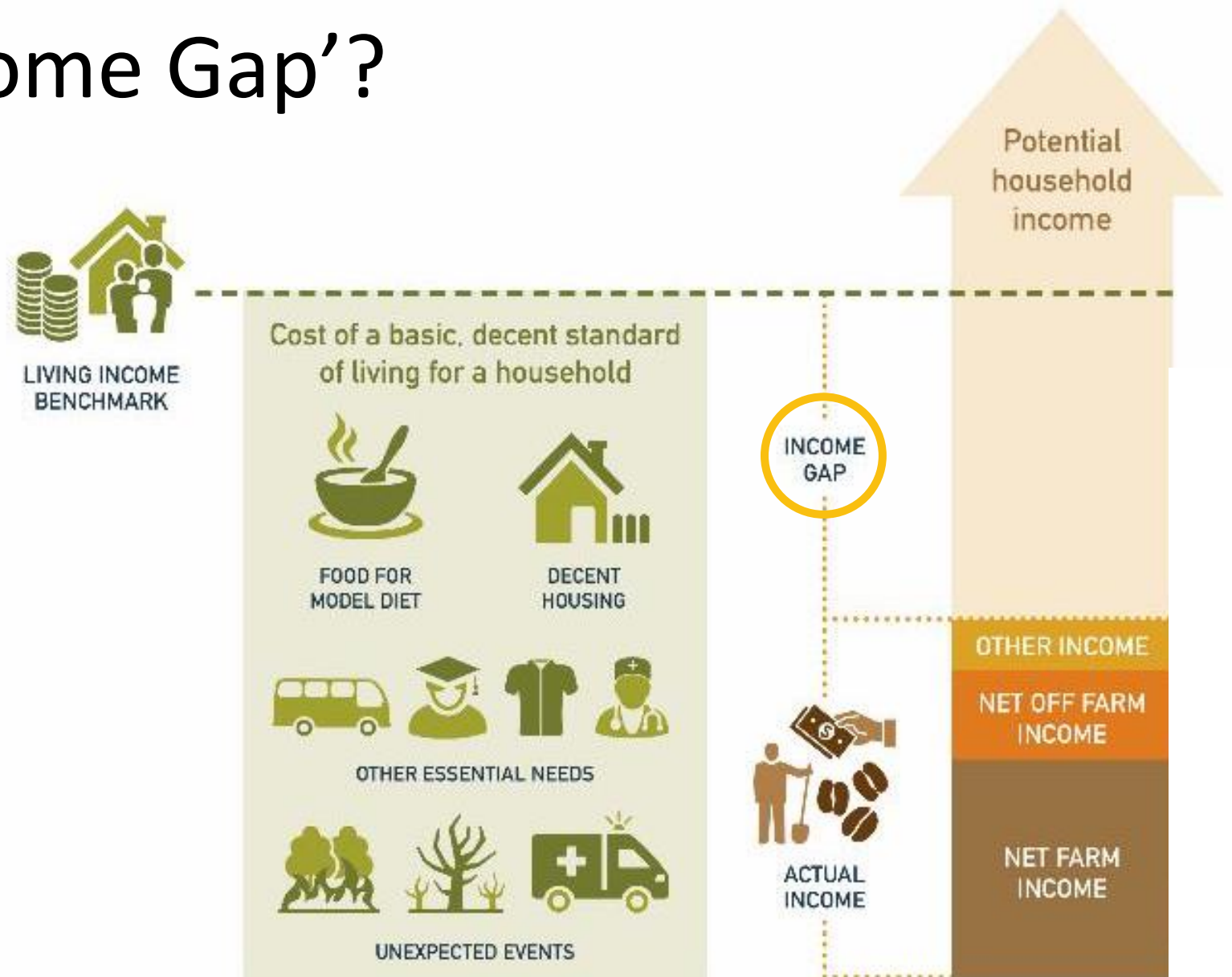
A living wage benchmark answers the question: 'how much does a typical worker in a particular place need to earn from full-time employment in order to enable his/her family to live a decent standard of living?'

Benchmarks and information on current wages and incomes help us understand the gap we need to close.

What Is An 'Income Gap'?

An **income gap** is the difference between the living income benchmark and current income of a typical farming household.

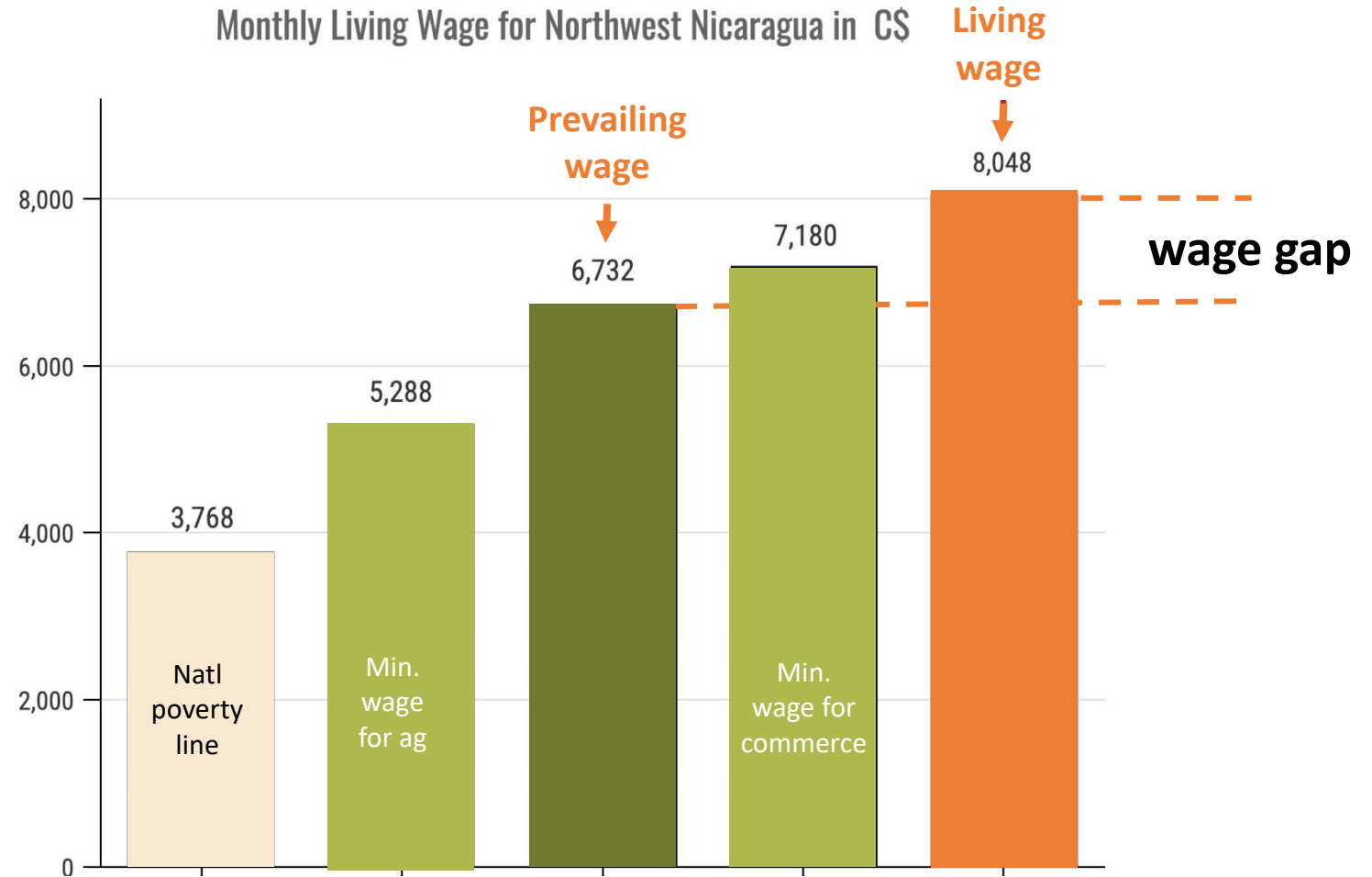
The income from farming households comes from many sources.



What is a 'Wage Gap'?

A **wage gap** is the difference between the living wage benchmark and current wage

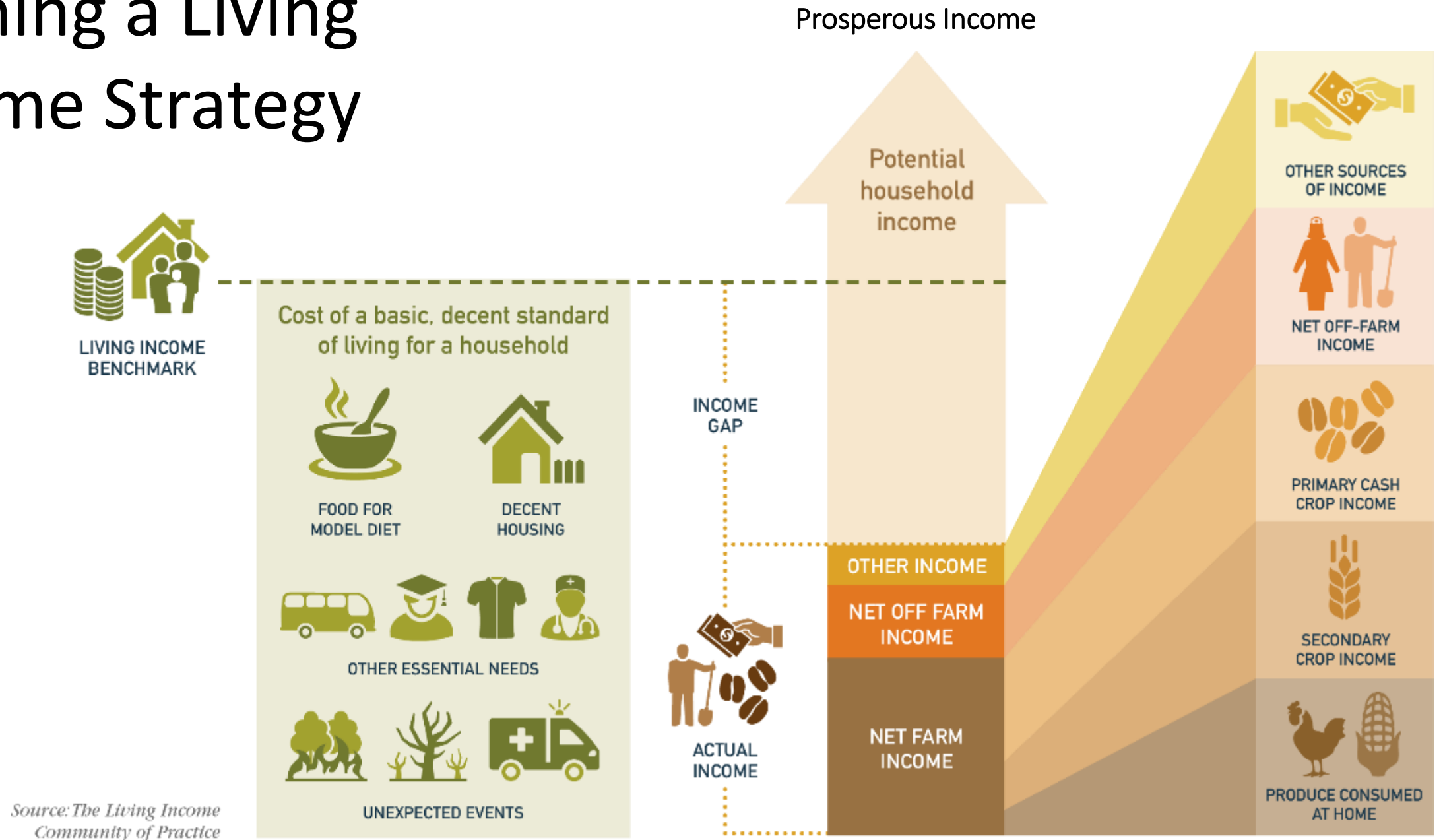
Meaningful in-kind benefits may be provided as partial payment of wages.



Lykke E. Andersen and Werner Hernani-Limarino, 2017, Living Wage Report: Nicaragua – Northwest, Global Living Wage Coalition.
www.globallivingwage.org

These concepts and measurements are
designed to inform action

Framing a Living Income Strategy



Using the Living Income Framework to Design Strategy

Task Force for Coffee Living Income

FIGURE 8: P&LS FOR SMALL FARMS (USD/FARM)



Source: https://www.idhsustainabletrade.com/uploaded/2020/02/TCLI_FR_3.2_Lres_singlepages5-full-report.pdf

Could we close the gap by increasing yield or price?

— Current level — Poverty line • • • Living income

Yield (kg GBE/ha) (% change in yield)

ARCHETYPE 1

Farm - gate price
(USD/lb GBE)
(%increase in price)

		Yield (kg GBE/ha) (% change in yield)								
		-20%	-10%	0	10%	20%	30%	40%	50%	60%
		728	819	910	1,001	1,092	1,183	1,274	1,365	1,456
0%	1.01	\$185	\$449	\$713	\$977	\$1,241	\$1,505	\$1,769	\$2,033	\$2,297
10%	1.11	\$396	\$687	\$977	\$1,267	\$1,558	\$1,848	\$2,138	\$2,429	\$2,719
20%	1.21	\$607	\$924	\$1,241	\$1,558	\$1,874	\$2,191	\$2,508	\$2,825	\$3,142
30%	1.32	\$819	\$1,162	\$1,505	\$1,848	\$2,191	\$2,534	\$2,878	\$3,221	\$3,564
40%	1.42	\$1,030	\$1,399	\$1,769	\$2,138	\$2,508	\$2,878	\$3,247	\$3,617	\$3,986
50%	1.52	\$1,241	\$1,637	\$2,033	\$2,429	\$2,825	\$3,221	\$3,617	\$4,013	\$4,409
60%	1.62	\$1,452	\$1,874	\$2,297	\$2,719	\$3,142	\$3,564	\$3,986	\$4,409	\$4,831
70%	1.72	\$1,663	\$2,112	\$2,561	\$3,010	\$3,458	\$3,907	\$4,356	\$4,805	\$5,254

Source: https://www.idhsustainabletrade.com/uploaded/2020/02/TCLI_FR_3.2_Lres_singlepages5-full-report.pdf

Strategies for Closing Income Gap



There is growing interest in and use of the living income concept to inform strategy and commitments.

Why companies are prioritizing living income in farming communities



Source: Sustainable Food Lab (2019)

Many platforms and initiatives are working towards a living income

ALIGN



FARMER INCOME LAB



The Living Income Community of Practice

International Forum for Multi-Stakeholder Engagement

Objectives



**Increase
understanding**
of living income
measurement and the
income gap



**Identify & discuss
strategies**
for closing the
income gap



**Share learning
and facilitate
collaboration**
between actors

Activities

**Technical Advisory
Committee**

News & Events

Tools & Resources

**Facilitation and
Strategy Advisory**

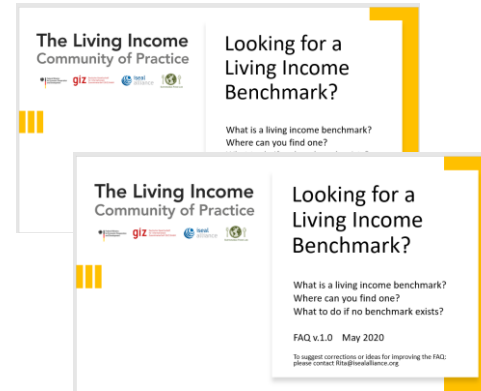
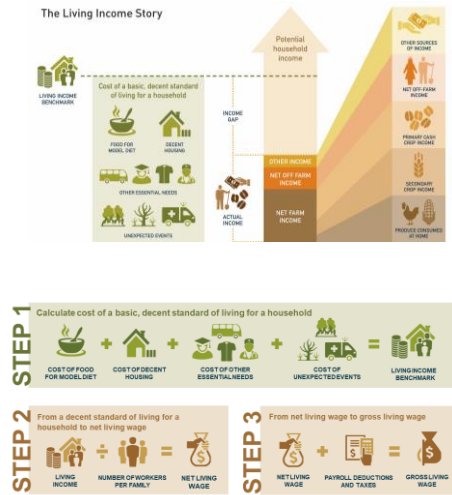
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Supporting the Living Income Movement



From Living Wage to Living Income
Creating space for LI discussion

2015

Development of Living Income concept
Providing clarity on the core elements of Living income

2017

Development & Dissemination of Foundational Resources
Measurement, benchmarks, strategies to close income gap

2018-2019

Sustaining Momentum
Supporting action (Toolkit for companies) and strategic partnerships; building alignment with existing initiatives

2020-2021

Supporting Scaling and Bringing in More Voices
Strategy support, maintaining alignment, expanding awareness to new geographies (interpretation) and actors (government guidance)

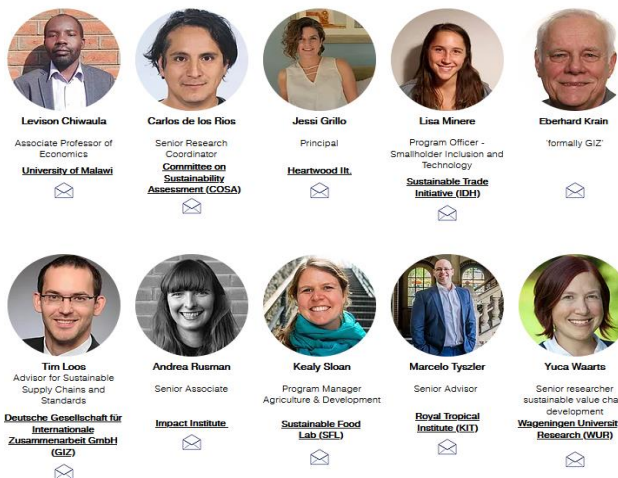
2022- beyond

A growing, engaged community



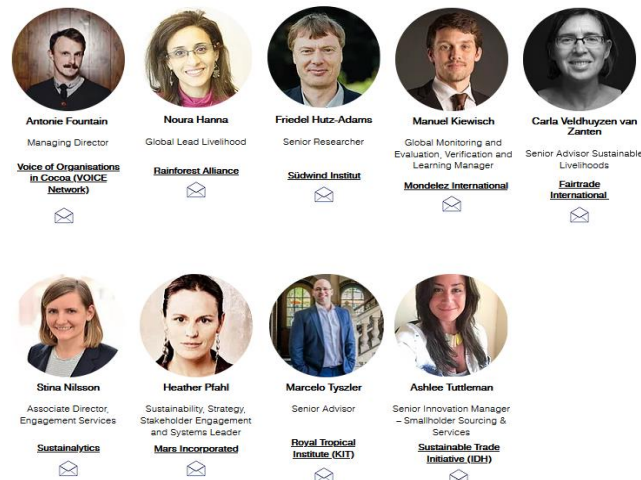
Technical committee (TAC)

The Technical Advisory Committee helps the LI CoP to identify the direction, priorities, and components of our technical work, providing a backstop for the technical guidance and resources we produce. It is composed of experts in farm household economics and characteristics, and income calculation.

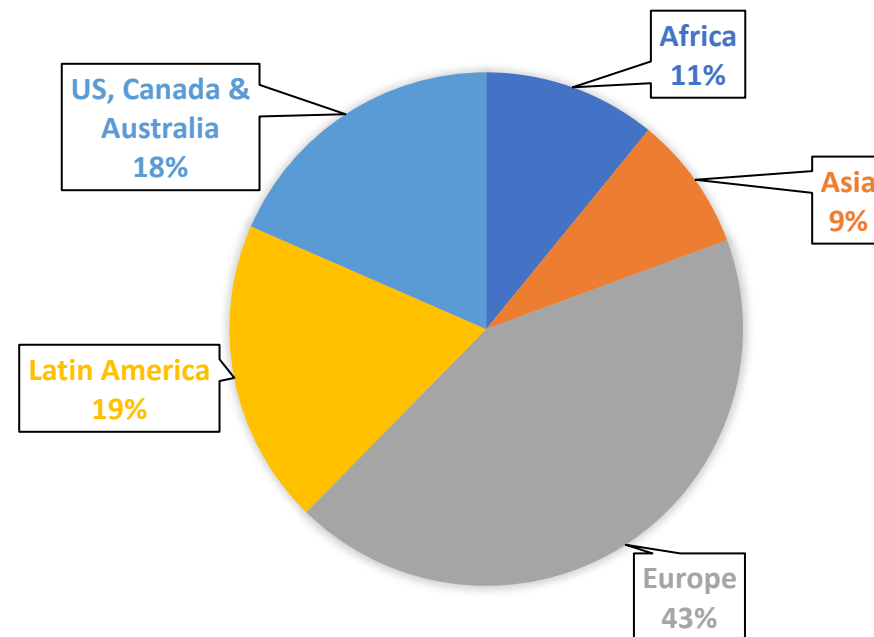


Advisory Board (AB)

The Advisory Board liaise with GIZ, Sustainable Food Lab and ISEAL to provide guidance and advice on the activities of the Living Income CoP by highlighting topics of interest, making recommendations on resources and guidance and suggesting topics and speakers for upcoming webinars and other in person events of the LI CoP.

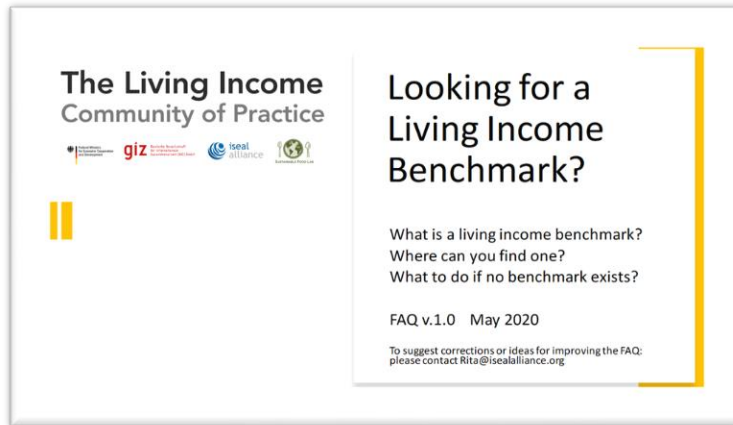


LICOP WORKSHOP ATTENDANCE-2021



LICOP Public Tools

Measurement Resources



Company Toolkit & Government Guidance



Many resources also available in Spanish and French

Living Income Toolkit for the Private Sector



Make the Case

Prepare for Action

Take Action

Monitor Results

Resources

Learn More About Living Income

www.living-income.com

About

[The Concept](#)

[Applications](#)

[Living Income and the SDG's](#)

Resources

[Graphics](#)

[Newsletters](#)

[Papers & Reports](#)

[Recorded Webinars](#)

Measurement

[Measuring Living Income](#)

[Actual Income](#)

[Living Income Benchmarks](#)

[Living Income Proxy](#)

Events

[Upcoming Events](#)

[Previous Events](#)

Closing the Gap

[Cases and Collaborations](#)

[Roles of Different Actors](#)

[Leveraging Improvement](#)



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Living Income Guidance for the Public Sector

Fair Trade
ADVOCACY OFFICE



The Role of Governments in Enabling Living Income in Global Agriculture Value Chains

Guidance for public policy makers

Introduction

Supply-Side Public Policies
to Support a Living Income

Demand-Side Public Policies
to Support a Living Income

Living Income Guidance Provides



Introductory Guidance, helpful for beginners and still relevant for experts



Spotlight Examples, bringing the concept to life

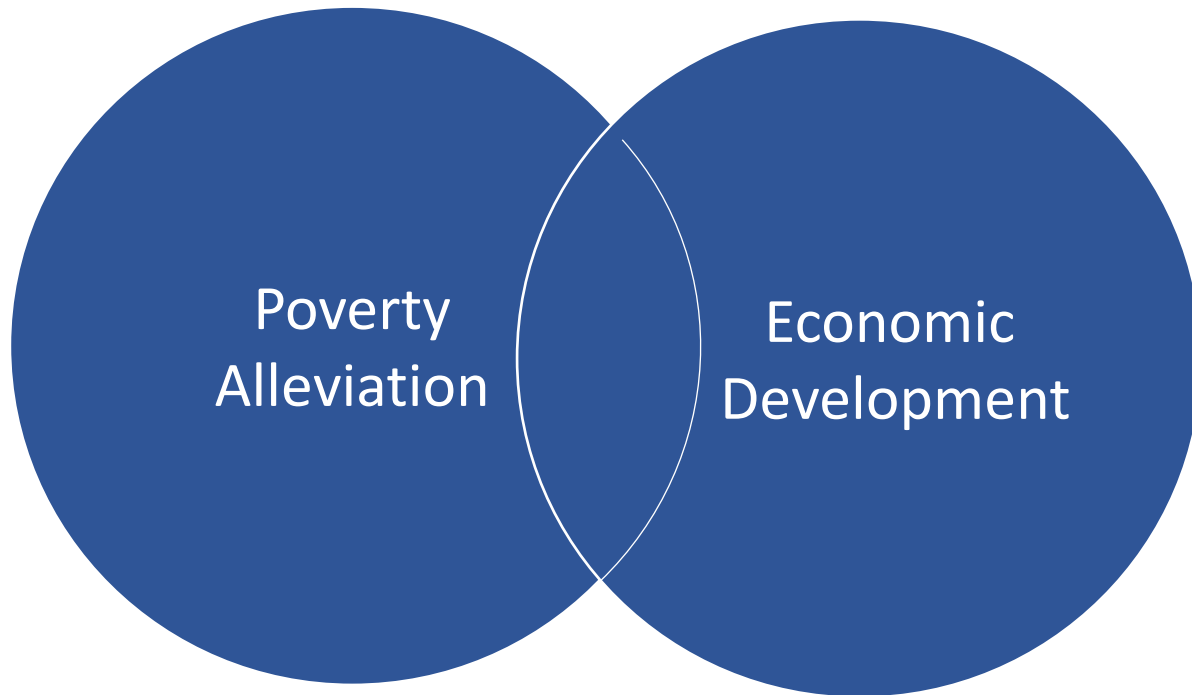


Links to helpful resources, technical guidance and examples, for further learning



Open Source PPT Slide Decks and Graphics, so users can customize and make their own

Living Income in public policies

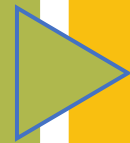




Supply-Side Public Policies to Support a Living Income



*Why Use the
Living Income
Methodology?*



*How to Adopt
a Living
Income
Strategy*



*Closing the
Income Gap*

Why use the living income methodology?

A Living Income approach examines household incomes and income gaps.

This information helps identify economic development risks and evaluate and target policies and investments.

It provides a basis for collaborative, harmonized, complementary strategies to reduce income gaps.

Framework to understand current investments



Climate proofing agricultural value chains and protecting natural resources



Increased collaboration and alignment between inter-governmental agencies and ministries



Improved data for strategic planning & continuous improvement metrics



Increased collaboration between stakeholders (public and private partners)

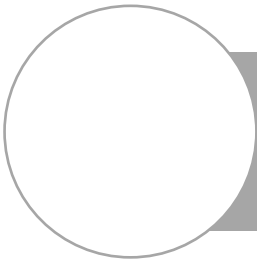


How can production-related public policies support a living income?

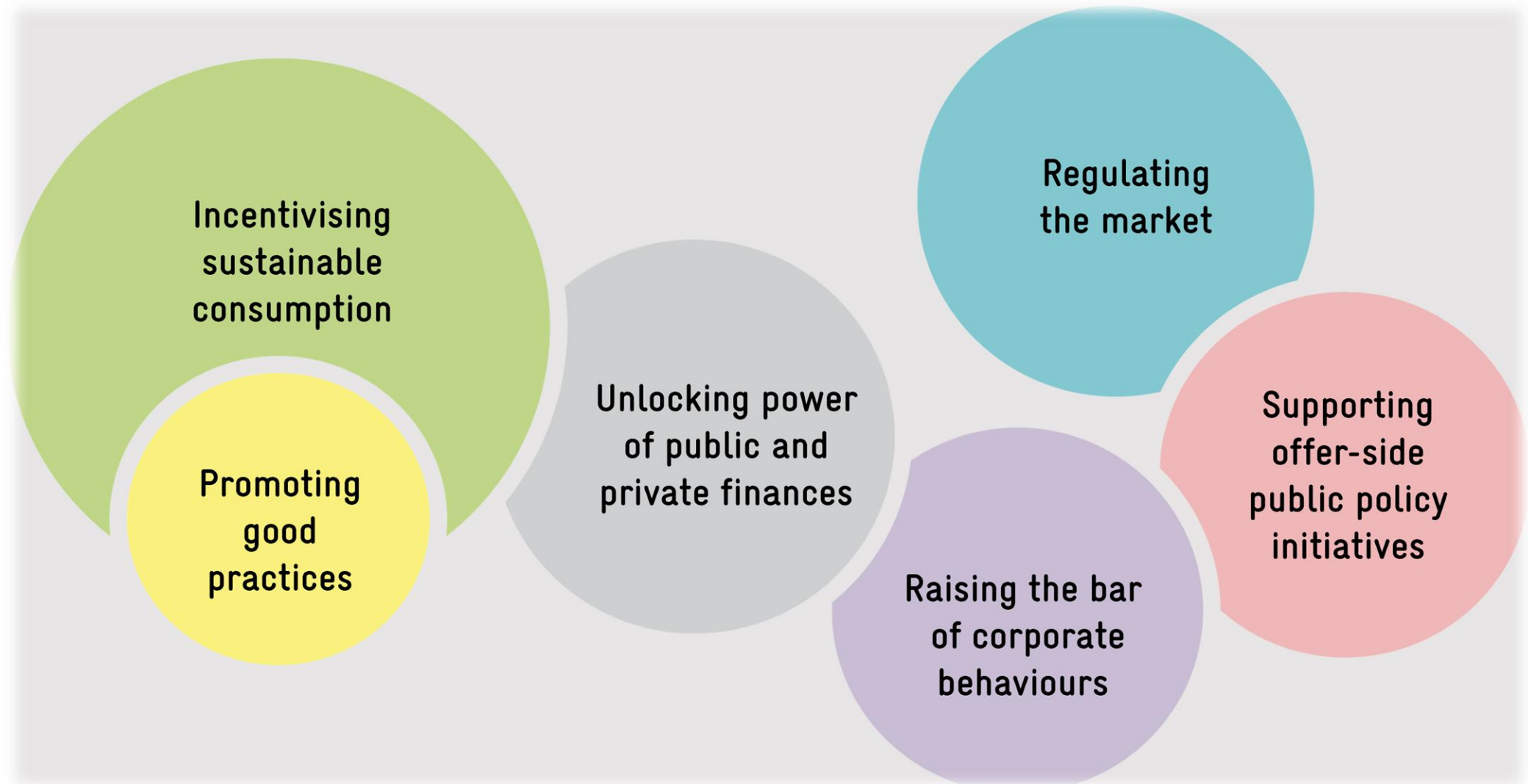
Living Income Enabling Factors

PRODUCTION  1	SERVICES  5	MARKETS/ VALUE CHAINS  6	COORDINATION  8	POLICY & REGULATION  9	INVESTMENT  10
▶ Improve agricultural production systems ▶ Access to arable land ▶ Efficiency/reduce production costs ▶ Adapt to climate change	▶ Extension services (GAP, inputs, planting material) ▶ Strengthen farmer organisations (e.g. transfer of knowledge, finance, affordable credit, decision making, empowerment) ▶ Support in farmer professionalisation (e.g. farmer field/business schools) ▶ Financial services	▶ Risk sharing and producer support ▶ Contract farming and long-term trade relationships ▶ Direct, efficient and transparent value chains (reduce transaction costs and create traceability) ▶ Fair pricing and trading practices (e.g. premiums and certification for quality and/or private voluntary sustainability standards)	▶ Sector dialogue, sustainability initiatives & PPPs ▶ Establishment of income benchmarks & production costs, baselines on farmer poverty/Living Income gaps ▶ Revival/Rejuvenation programmes for crops ▶ Learning & monitoring ▶ Market promotion ▶ Governance bodies	▶ Enable legal frameworks for LI->human rights ▶ Land use rights/tenure policies ▶ Taxes and trade tariffs ▶ Minimum wages ▶ Minimum farm-gate price setting and stabilisation funds ▶ Promote sustainable value chains ▶ Tax advantages for those who invest in farmer livelihoods	▶ Research in production systems, planting material (adapted/climate smart) ▶ Extension services ▶ Agricultural subsidies ▶ Access to affordable credit ▶ Invest in infrastructure (roads, irrigation, storage and rural development) ▶ Income diversification, education, vocational training, off-farm income ▶ Price stabilisation fund
See Example: Brazil and Uganda Spotlight	See Example: Brazil, Uganda and Honduras Spotlights	See Example: Brazil and Uganda Spotlights	See Examples: International Coffee Association , Brazil , Uganda and Spotlights	See Example: Ecuador, Uganda, Honduras, Cote d'Ivoire and Ghana Spotlights	See Example: Brazil and Uganda Spotlight

Table 1: Living income enabling factors based on the sector transformation model by Aidenvironment (2021)



Demand-Side Public Policies to Support a Living Income



Four case studies as spotlight examples

- Rules on public procurement
- Rules on Human Rights and Environment Due Diligence
- Rules against Unfair Trading Practices
- Government-enabled Multistakeholder Initiatives



Living Income Guidance for Governments

**Fair
Trade**
ADVOCACY OFFICE



The Role of Governments in Enabling Living Income in Global Agriculture Value Chains

Guidance for public policy makers

Stay tuned!

The publication will be published in
the upcoming last week of June!

We thank you for your attention!

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Development of the OECD handbook for companies to enable living incomes and wages in global supply chains

BMZ High Level Meeting on Living Income and Living Wage

Berlin, 21 June 2022

Shivani KANNABHIRAN, Sector Lead, Supply Chain Due Diligence
OECD's Centre for Responsible Business Conduct



Living incomes and living wages

Why does it matter for businesses?

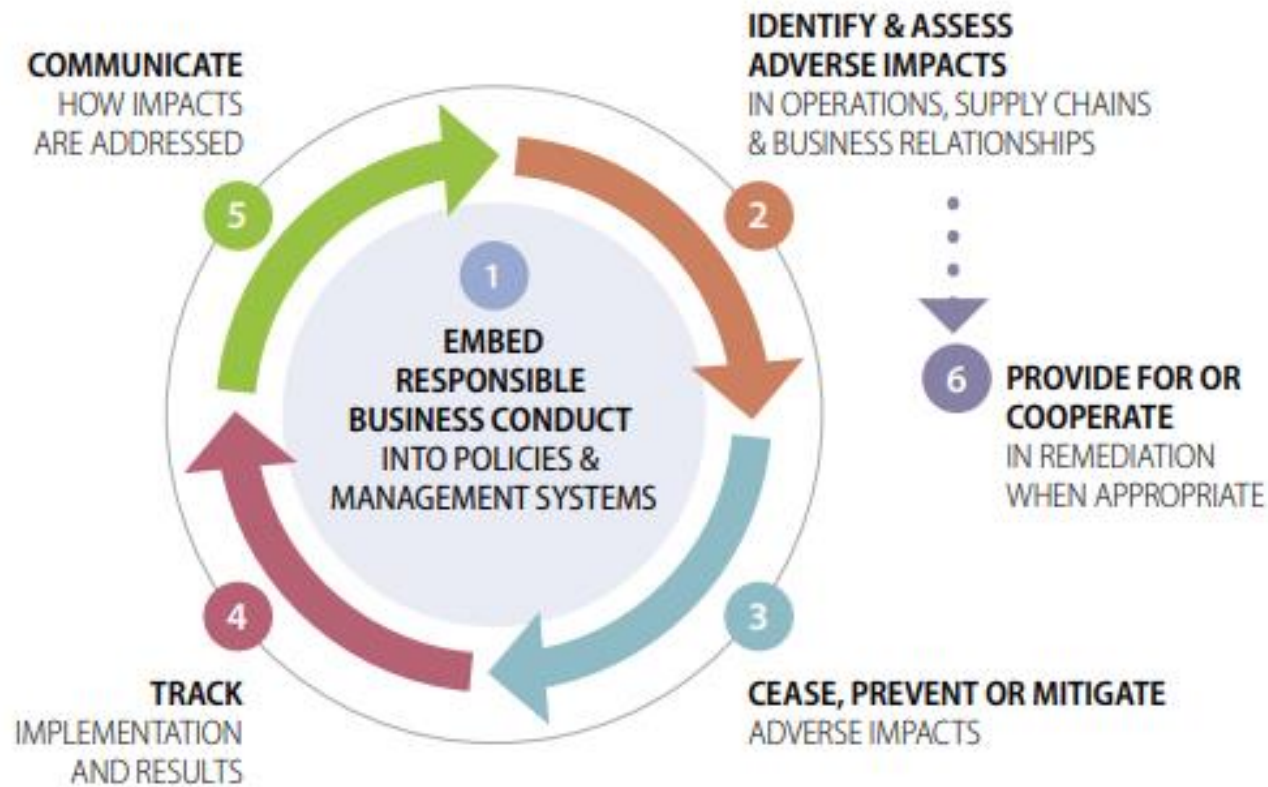
- Incomes and wages are **prevalent risks** in agriculture, garment and footwear sectors.
 - This means **workers are at risk of not earning enough to satisfy their and their family's basic needs.**
 - Companies should **identify and address** this risk in their operations and supply chain.
 - How to address this risk is a challenge, related, not least, to **supply chain fragmentation; pricing and costing models; lack of transparency; barriers to worker organisation; minimum and negotiated wage gaps, etc.**





OECD framework for risk-based due diligence

OECD framework for risk-based due diligence



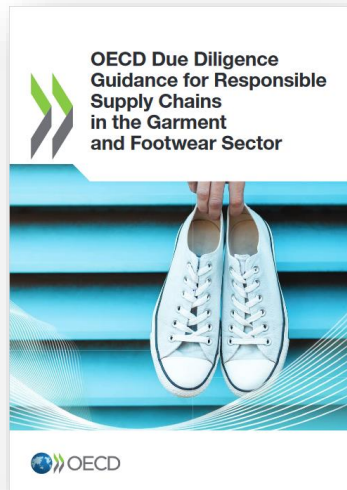
Source: OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*

Characteristics of due diligence





OECD sectoral due diligence guidance for agriculture, garment and footwear supply chains



- Launched in 2016 & 2017 following a multi-stakeholder consultation process
- Leading **global framework for businesses and investors in the sectors**, aligned with UN Guiding Principles, ILO MNE Declaration, OECD Guidelines and existing sustainability standards relevant to the sectors
- Introduces how companies can **manage social and environmental risks in supply chains** and **contribute to sustainable development** by implementing due diligence
- Illustrates how certain **risks can be pronounced in developing economies** and **interlink with systemic issues**
- The OECD-FAO Guidance recommends that companies provide the "**best possible wages.... at least adequate to satisfy the basic needs of the workers and their families**".
- The OECD Garment Guidance recognises **wages as a particular and prevalent due diligence challenge for the industry**, both non-compliance with national law, and failure to provide wages that "satisfy the basic needs of workers and their families". Further recognises that certain workers (e.g. women, homeworkers, informal sector, migrants) are more vulnerable to wage and income risk.



Development of a handbook for companies to enable living incomes and wages in global supply chains

Designed for businesses, based on OECD due diligence framework

The handbook will:

- Promote a common understanding of living income and living wage risks and impacts
- Provide clarity on how companies can use OECD due diligence to address these risks and impacts
- Provide illustrative examples of good practices, case studies that support business to identify, address, and remediate (if appropriate) these risks and impacts
- Reflect on actions appropriate to different supply chain actors, e.g. MNEs vs. SMEs, buyers vs. suppliers; downstream vs. upstream, etc.
- Reference leading multi-stakeholder/industry or policy initiatives including their existing tools and approaches

Format and scope

- 30-40 pages + annexes
- Risk-based approach
- Whole supply chain
- Plain language

Supported by the



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giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



Ensuring a participatory process – an informal expert group (IEG) and public consultation

A participatory process is key to designing a pragmatic handbook.

- To help its development, the OECD convened an informal multi-stakeholder group that consists of
 - experts in living income and living wage issues and sector specialists including from trade unions, civil society, policy makers and international organisations
 - expected end-users of this handbook such as business practitioners from upstream, downstream, large, small- and medium-sized enterprises
- Three informal expert group (IEG) meetings take place virtually to help shaping the handbook in 2022.
- An online public consultation for written comments to the draft handbook will be organised in late 2022 to collect constructive feedback broadly and inclusively.

Participatory process

- **Recurrent IEG meetings and feedback**
- **Online public consultation**

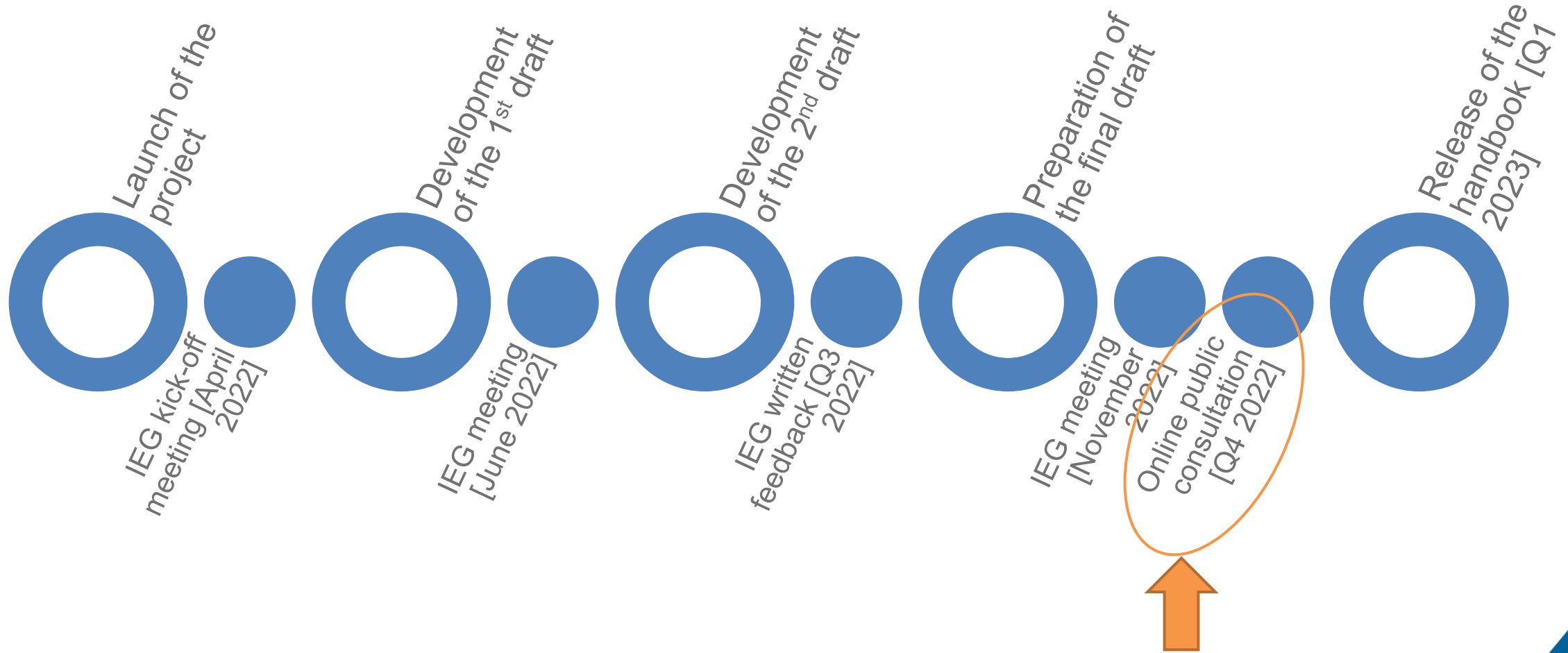


At a glance – the handbook's outline

- Understanding the issue of living incomes and living wages in agricultural and garment and footwear supply chains
 - Rationale and key concepts of living incomes and living wages
 - Description of the impacts of absence of living incomes and living wages and their root causes
- Understanding characteristics of agricultural and garment and footwear supply chains
 - Mapping of agricultural and garment and footwear supply chains and relevant stakeholders who companies should actively engage with
 - Description of their business relationships including possible control points where each of supply chain actors may build leverage
- Defining the corporate responsibility to identify and address risks related to incomes and wages
 - Landscape of regulations, international standards and major initiatives
 - Key concepts of risk-based due diligence per the OECD recommendations
 - The role of companies in carrying out due diligence and supporting sector-wide uptake to avoid and address risks and impacts related to living incomes and living wages
- Putting due diligence into practice, using OECD risk-based due diligence framework
 - Description of how companies can use OECD risk-based due diligence to address (case studies examples)
 - Description of practical actions to take with regards to each of steps in OECD risk-based due diligence framework
- Reaching impact at scale through a multi-stakeholder approach
 - Description of collaborative approaches with key stakeholders, in particular civil society, unions and governments



Timeline





THANK YOU!

Organisation for Economic Co-operation and Development (OECD):

<https://www.oecd.org/>

Centre for Responsible Business Conduct:

<http://mneguidelines.oecd.org/>

rbc@oecd.org

Project information sheet on development of the handbook:

<https://mneguidelines.oecd.org/handbook-for-companies-to-enable-living-incomes-and-wages-in-global-supply-chains.pdf>

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▶ living wages and living incomes: An input from the ILO

Patrick Belser, Senior Economist, ILO

belser@ilo.org

- The preamble of the ILO Constitution adopted in 1919 considered that “universal and lasting peace can be established only if it is based upon social justice” and called for the provision of an “adequate living wage”.
- The 1944 *Declaration of Philadelphia* calls on the ILO to promote “policies in regard to wages and earnings (...) to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection”.
- ILO has no agreed definition of “living wages”

Existing definitions point to the same general idea of wages that provide for a minimum living standard

“the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family” (*Global Living Wage Coalition*)

“the payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country” (*former ILO Constitution Article 41*)

Most recent developments

Article 45 of the Conclusions concerning the 3rd recurrent discussion on employment, ILC June 2022 provides a new mandate to the Office:

- “Contributing to a better understanding of living wages by undertaking peer-reviewed research on concepts and on estimations in that respect, and by providing assistance to Member States, upon request”

https://www.ilo.org/ilc/ILCSessions/110/reports/records/WCMS_848109/lang--en/index.htm

The new ILO DG elect Gilbert Houngbo calls the foundation of a Global Coalition for Social Justice” to explore inter alia “the possibility of an evidence-based minimum living income for all”

- A “living wage” applies to wage employees, while living incomes applies to the self-employed (farmers, home-based workers, etc...)
- No amount of “living wage” can guarantee a minimum living standard to all households – thus the broader idea of combining income from work and social transfers to attain a minimum living income

▶ Wage-setting should be based on the needs of workers and their families as well as economic factors

- In general the ILO supports “Member States to set adequate wages” (ILO Programme and Budget) that combine both criteria
- This approach is reflected in the ILO Minimum Wage Convention No.131, the MNE Declaration, and in ILO technical assistance on wages
- The principle will also remain central in the ILO engagement in the living wage debate

Some key principles

To assess “living wage gaps” many initiatives rely on living wage estimates, but where they are used:

- Methodologies should be transparent and benchmarks should be peer-reviewed at local level
- Benchmarks should be used to support social dialogue, not circumvent it through a “technocratic” approach to living wages

▶ A living wage should not be seen as the final objective of wage policy:

- When economic factors would allow for higher wages, paying only a living wage that cover basic needs would not be in line with the principle of “a just share of the fruits of progress” (ILO Declaration of Philadelphia).
- Collective bargaining over wages is one of the mechanisms that can contribute to “a just share of the fruits of progress”.

Strategies to achieving “living wages” and “living incomes” should also include measures such as:

- to raise productivity and skills
- to foster transition to formality
- to enable suppliers to pay living wages (prices)

There is a need to connect initiatives to promote living wages in global supply chains AND national initiatives

A small red arrow pointing to the right.

Thank you !

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