Hacia unos salarios e ingresos dignos en el sector bananero

GRUPO DE TRABAJO DE MINORISTAS ALEMANES

Foto: GIZ

LESSONS LEARNED REPORT

Living Wage Piloting Programme 2024

of the German Retailers Working Group

Content

1. The development of the Living Wage Piloting Programme

In 2023, the Working Group had conducted various pilot activities in partnership with the Rainforest Alliance and Fairtrade, aimed at testing mechanisms for supporting farms in closing living wage gaps through voluntary contributions paid by retailers. The availability of reliable wage data and better incentives for producers to participate in the project were identified among the key success factors in supporting living wage efforts. A detailed overview of lessons learned from these pilots is provided in this report published in 2024.

Building on the lessons learnt, piloting activities were expanded in 2024 under the umbrella of the **Living Wage Piloting Programme (LWPP)**, providing a structured framework to generate further learnings around good practices and remaining challenges in wage data collection and verification as well as in the implementation of responsible purchasing practices to promote living wages. Before its start, the structure of the Programme was consulted in 2023 with a variety of actors such as supply chain partners but also voluntary sustainability schemes, producer organisations, worker representation, relevant NGOs, and local GIZ offices.

2. Structure of the Living Wage Piloting Programme

The LWPP started in January 2024 and included **26 farms across six countries** (Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Peru), with **10 intermediaries** involved and **3,407 workers** reached (including **646 women**). Each retailer together with his supply chain partners nominated a set of farms, paying attention to include a variety of sourcing countries and farm sizes. Participation for farms was on a voluntary basis and free of any costs. All costs for trainings, support and verification activities (apart from regular certification audits) were covered by retailers. The Living Wage Piloting Programme consisted of four different pillars:

1. **Learning and exchange sessions** for all participating actors
2. **Capacity development**
3. **Wage data collection and verification**
4. **Responsible Purchasing Practices**

3. Implementation and learnings of the Living Wage Piloting Programme

3.1. Learning and Exchange Sessions

Fifteen learning sessions were held with a total of 126 participants (worker representatives, producers, intermediaries, retailers), fostering cross-country peer exchange and enabling participants to reflect on challenges and share solutions. Topics ranged from more general insights – like an overview of living wages, the German Working Group's approach, and 2023 pilot learnings – to strategic and technical issues, including worker representation, productivity impacts, and country-specific challenges.

Learnings:

The LWPP provided a streamlined communication platform for exchange with supply chain partners. The exchange was very insightful and supported a better understanding. However, it remains important to foster closer and individual follow-ups with participating farms and intermediaries to ensure active engagement and learn about and address specific challenges in implementing living wages.

3.2. Capacity development

Different demand-oriented trainings were offered for producers, intermediaries as well as union representatives, aiming to promote a common understanding of the concept of living wages and decent work. Deep-dives on relevant tools such as a the IDH Salary Matrix and the GIZ Living Wage Costing Tool answered open questions and supported a smooth application.

Seven trainings (five for producers, one for retailers and intermediaries and one for worker representatives), conducted by IDH Solutions, **reached 148 participants** (thereof 70 men, 78 women), addressing different levels of familiarity with the wage data collection tool IDH Salary Matrix, as well as conceptual sessions on living wages and decent work.

Learnings:

- The in-person trainings on the IDH Salary Matrix were a lot more effective than the virtual trainings due to direct interaction between participants and trainer.
- Many participants were already somewhat familiar with the tool but still had various open questions that could be addressed.
- Trainings will remain an important tool to further improve data quality and foster understanding on the topic.

3.3. Wage data collection and third-party verification

Using the IDH Salary Matrix, all 26 participating farms collected wage data of 2023 and submitted it to the IDH Salary Matrix platform. To increase the reliability of this self-reported data, the submitted Salary Matrices were checked through on-site verification conducted by the independent third-party auditor FLOCERT. The verifications followed IDH Salary Matrix Auditing Guidelines. By coordinating this effort with the three other European retailer initiatives, a duplicated reach-out to producers that supply to several retailers was avoided, while generating cost efficiencies for retailers through sharing data whenever producers provided their consent.

Key results include:

- A multi-step verification process including pre-audit remote data checks and modifications during the onsite verification helped to increase data reliability. While pre-audit checks detected errors in 95% of the Salary Matrices, at the end **69% of farms received a positive verification result**, meaning that the quality and reliability of the submitted wage data met the auditing requirements. Following the notion of joint learning, it was agreed in the working group that a negative verification result would not have any negative implications for the respective farm, but that underlying reasons would be analyzed to understand how to improve data quality in the future.

	All farms (n=26)	Farms with positive verification result	Farms with negative verification result
Farms with a LW gap in %	62%	46%	15%
For farms with a LW gap: % of workers with LW gap	65%	71%	55%
For farms with a LW gap: average LW gap in %	13,5%	15%	8,9%

Learnings:

- Data collection with the IDH Salary Matrix: Data input and complexity in wage tracking on farms, especially those using piece-rate payment sys-tems, still hamper an accurate input of wage data into the IDH Salary Matrix. Aligning wage data for different types of workers – seasonal, informal, and permanent – creates further difficulties. This leads to inconsistencies in wage data, making it a challenge to realistically assess the wage gaps.
    - The administrative burden of gathering, verifying, and entering wage data is especially significant for small to medium-sized farms. They often lack the time and resources for data collection and or filling in the IDH Salary Matrix, which leads to errors and delays.
    - Most common errors that later led to a negative verification result included: incorrect recordings of overtime, incorrect categorization of workers per job category, inclusion of non-applicable bonuses, indirect contracting not registered, no recognition or incorrect entering of vacation and paid holidays and incorrect production data.
    - Special case: Severance payments ("Cesantías") in Colombia. As a result of a consultation led by IDH with various stakeholders, severance payments were not supposed to be included in the IDH Salary Matrix according to the IDH auditing guidelines. Given the various and opposing positions on that matter, the working group however decided to tolerate the inclusion of severance payments as part of the remuneration.
- Scalability of wage data collection: stakeholders, particularly retailers and importers, request more sca-lability in the tools. They are interested in accessing aggregated wage gap data across multiple farms to better assess sector-wide challenges and create

collaborative solutions. The cur-rent tools however are primarily focused on individual producers, which limits such broader application.

- Scalability of verification: the verification of the IDH Salary Matrix data remains very resource intensive, both timewise as well as financially, due to the many detailed datapoints. Since onsite verifications of Salary Matrix data for hundreds of farms are not considered feasible, retailers will need to prioritize verifications for a sample of farms. Sampling should ideally be based on a risk-based approach that is agreed upon with other initiatives and the sector.

3.4. Responsible Purchasing Practices

Retailers followed a **twofold approach for farms with and without prevailing wage gaps**: Participating producers that showed a prevailing living wage gap, being 16 farms in total, were eligible to receive a **voluntary financial contribution paid by retailers** to reduce the gap. For the calculation the newly introduced web-based version of the GIZ Living Wage Costing Tool was used, which enables producers to calculate the price mark-up needed to close prevailing wage gaps on a specific farm using an upload of the IDH Salary Matrix data. Given that different job categories on a farm which are paid differently might result in some workers earning below and others earning above a living wage, the tool allowed producers to choose between different scenarios for the calculation of the price markup, tailored to their specific context and needs. In the end, retailers are processing payments to 11 of the 16 farms. Five farms rejected the voluntary contribution for three different reasons:

- The administrative effort to distribute the voluntary contribution was higher than the amount of the voluntary contribution to be received
- Wish to not interfere with local wage setting processes with additional payments
- Fear to get outpriced in the market

In the case of participating producers that did do not show a living wage gap, retailers together with their supply chain partners aimed to agree on at least one responsible purchasing practice from a prioritized selection.

Learnings:

Learnings on Voluntary Contributions:

- Calculation of the Voluntary Contribution with the GIZ Costing Tool: The tool was digitalized for easier application and a better connection with the IDH Salary Matrix. Although trainings were implemented, many users struggled with the use of the tool and the concept behind the various possibilities for the calculation of the Voluntary Contribution were hardly used.
    - The tool offers two scenarios to calculate the voluntary contribution: Either the price mark-up is calculated to close the gap for all workers below a living wage (scenario 1) or it is calculated to close the gap for all workers below a living wage

plus a certain amount for workers that already earn a living wage, in order to not disturb the wage structure on the farm (scenario 2).
  - Almost no user chose scenario 2 to calculate the voluntary contribution out of fear that the bananas will get too expensive, even if the retailers had committed to also pay for this scenario.
  - Accordingly, most users chose scenario 1 for the calculation of the voluntary contribution. However, in most cases the amount received then as a voluntary contribution was distributed among all workers and not just to those below a living wage in order to not disturb the wage structure and cause social unrest on the farm.
- The current approach to financially support the closure of living wage gaps, based on farm-specific wage gap assessments and voluntary contributions that are tailored to the individual farm context, proves effective in smaller-scale pilots. Yet, scalability of this approach in its current form is limited due to its complexity, a large set of unanswered operational questions and resulting high resource intensity for all involved parties, and especially producers. Concrete open questions regarding the implementation of VCs are (among others):
  - Should VCs be based on past or current year volumes?
  - Should VCs cover only living wage gaps or also support wage growth above the living wage?
  - Should VCs still be paid if distribution costs are high?
  - Can suppliers choose their own VC distribution strategy?
  - Should VC distribution methods (cash, vouchers, etc.) be standardized?
  - Can small VC amounts fund general worker benefits instead of individual payments?
  - How to handle VCs for farms no longer in the supply chain at payment time?
  - What rewards should farms without a living wage gap receive?
- Financial voluntary contributions remain an important signal for the retailers' willingness to remunerate efforts of producers to work towards living wages. However, they are a temporary solution due to the high complexity in their practical implementation. The **long-term overall goal is higher prices** that allow wage increases as well as **wage improvements towards a living wage through collective bargaining agreements** and local labour legislation.

Learnings on other Responsible Purchasing Practices

- Ongoing monitoring and transparency mechanisms are essential to ensure accountability and credibility in claims around responsible procurement.
- Implementation of other RPPs: Although the retailers were committed to implement other RPP aside from voluntary contributions for farms without a living wage gap, this has only happened for a few farms. According to retailers, they learned that it is difficult to implement purchasing practices for certain farms, because there is no immediate

relationship with the farm. Purchasing practices would rather have to be extended up the supply chain through direct suppliersTherefore the retailers are committed to tackle the issue of RPPs on this level.

4. Next steps

- The Living Wage Pilot Program (LWPP) will continue and is expanded under the **Living Wage Program (LWP)** in 2025. The program will cover farms that collectively supply at least **50% of each participating retailer's sourcing volumes**. The program encompasses:
    - Continued focus on **capacity building** through targeted **training sessions** for stakeholders, mainly **producers and worker representative organizations**. In person-trainings will be organized to address **local challenges** and ensure inclusivity in implementation.
    - Continued wage data collection with the IDH Salary Matrix and verification of a sample of Matrices to check and ensure data quality.
    - Individual support for participants.
    - Ongoing alignment efforts with **European retailer working groups** on key questions, including **voluntary financial contributions** to support living wage efforts.
- The **Living Wage Costing Tool** will be **phased out**. Its calculation methodology will partially be **integrated into the IDH Salary Matrix**, simplifying the process for producers and improving data alignment.
- **Severance payments in Colombia:** Following a **joint communication by Augura and Sintrainagro**, German retailers have agreed to **continue allowing severance payments** to be included in the **actual wage calculation** within the IDH Salary Matrix.
- **Risk-Based Approach to Wage Data Collection: Retailers** are proposing a more **targeted, risk-based approach** for data collection and verification where there are alternative robust processes in place, for example collective bargaining agreements or national systems for performing this. This would require being able to assess whether such systems meet stakeholder needs for living wage data. Ideally this would be done under a neutral third party.