



Towards Living Wages in the Banana Sector –
A Project by the German Retailers Working Group

Summary Report on the Wage Analysis of Ecuadorian Banana Plantation Workers Linked to the German Market



Background



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Recognizing the significant potential of living income and living wages, especially for eradicating poverty, several German retailers decided to come together in a pre-competitive collaboration. Coordinated by GIZ's Initiative for Sustainable Agricultural Supply Chains (INA) and commissioned by BMZ, the German Federal Ministry for Economic Cooperation and Development, the [German Retailers Working Group on Living Income and Living Wages was founded and is now comprised of ALDI SÜD, ALDI Nord, dm, Kaufland and REWE Group.](#)

As the first joint project, the retailers chose to promote living wages and decent work in the banana sector. The Working Group has set itself the goal that each member sources at least 50% of their total banana volumes for the German market as "Living Wage Bananas" by 2025. As a result of complex supply chains, mostly indirect business relationships and the lack of functioning tools to capture and compare wage data, the retailers had limited transparency on the real wage situation of workers in their banana supply chains. Thus, an analysis of prevailing wages and potential living wage gaps was an essential step to create transparency, understand social supply chain risks and create solutions for improving the wage and working situation of farm workers.

The Working Group decided to start its implementation activities in Ecuador due to its high relevance as sourcing country for the participating retailers as well as the German market overall (15% of Germany's banana imports were from Ecuador in 2020, FAO 2021). Other factors for the selection were the strong sector organizations and progress to work towards living wages as a result of the *salario digno* policy in Ecuador. The learnings generated in Ecuador will serve as a blueprint to transfer good practices to further sourcing countries and commodities in the upcoming years.

This publication shows the first validated findings on the wage situation on Ecuadorian banana farms relevant for the German market. While results were validated, on-site verification is still pending and shall be implemented in the context of the Working Group's upcoming wage analysis process with all relevant sourcing countries in 2023. The Group will collaborate closely with Fairtrade and Rainforest Alliance to build on and further improve existing verification mechanisms for this next step.

Our Approach

Conducting a wage analysis is included as one of the milestones in the Working Group's [Project Roadmap](#), which serves as the guideline to promote living wages and decent work in the banana sector. In October 2021, the Working Group initiated the wage analysis process and identified the [IDH Salary Matrix](#) as an appropriate self-reporting tool for banana producers to measure wages and compare them against Living Wage benchmarks. To prepare this wage analysis, producers and suppliers were provided with guidance materials on process steps, timeline, and instructions to fill in the salary matrix in the Ecuadorian context.

78 farms participated in this activity. The volumes sourced from these **farms represent 64% of the total banana volumes purchased from Ecuador** by the participating retailers for the German market. The scope of volumes covers all respective product lines excluding explicitly branded bananas.

The participating farms were all certified with either Rainforest Alliance and/or Fairtrade at the time of data collection. Among these farms large variation in farm size and number of employed workers was observed. It needs be noted that neither the **sample of farms nor the results of this wage analysis should be considered as representative for the Ecuadorian sector** since only farms were included that supply to the participating German retailers.

Transparency is key to progress on the topic of living wages. As a preliminary learning, the Working Group identified several key limitations of only validating results through remote checks, such as that unpaid or excessive overtime of workers might not be revealed. However, due to Covid restrictions and lack of qualified auditors at the time, large-scale verification of wage data in the field was not yet possible. Thus, the results presented in this report are still limited in terms of their validity and the results of this report may change once the verification of results is concluded. Nonetheless, valuable insights into the process of collecting and capturing wage data through the IDH Salary Matrix were gained.

Beyond the validation through remote data checks and in line with the need for increasing transparency in the supply chain, the Group aims to verify the results of the upcoming wage analysis in 2023 for all sourcing countries. The Group aims to achieve this by means of on-site document reviews and farm worker interviews as a next step, building on the verification mechanisms of Fairtrade and Rainforest Alliance. Throughout 2022 and 2023, retailers will conduct pilot projects with Fairtrade, Rainforest Alliance and related auditing bodies that aim to gather insights on how to best verify wage data as well as how retailers' contributions effect the improvement of banana workers' wages.

Results of wage analysis

The following results represent the aggregate analysis of **2020/2021 wage data from the 78 self-reported Salary Matrices** of which a sample of 35 has been validated, but not verified on the ground. The 78 farms represent a combined **total of 5,932 workers**, thereof **812 female employees**.



Aggregate results

- 9 of the 78 submitted Salary Matrix reports had one or more worker(s) earning below a living wage.
- Of the 5,932 workers included in the analysis, farms reported that an average of **39 workers (0.66%) earned below a living wage**. All but one of the workers with a living wage gap worked in either the **field/harvest or packing area**.
- **The average size of the living wage gap was 9.62%** among those workers below the living wage benchmark.

- Less than 1% of workers were below a living wage
- For those workers the average size of the living wage gap was 9.62%



Gender-disaggregated results

- **812 women** were registered, accounting for **13.69% of the total workforce**
- **5 women (0.62% of registered women) were reported to have a wage gap**. 4 of the women worked in the packing area and had an average living wage gap of 9.71%. One woman was categorized in the "other" work area and had a living wage gap of 2.71%.
- **The combined average size of the wage gap for women was 8.31%.**
- **5,120 men** were registered, accounting for 86.31% of the total workforce.
- **34 men (0.66% of registered men) were reported to have a wage gap**. 15 of these men worked in the field and had an average living wage gap of 4.67%. The other 19 worked in the packing area and had an average living wage gap of 13.87%.
- **The combined average size of the wage gap for men was 9.81%.**

- Women made up 13.69% of the workforce
- With 9.81% men had a slightly higher average wage gap compared to women (8.31%)



In-kind benefits

In-kind benefits are goods and services provided to employees free of charge or at reduced cost, such as free housing, free meals, or free transport to work¹. The analysis showed **that in-kind benefits accounted on average for 2.57% of total remuneration**. Workers in the field received, on average 2.55% of their total remuneration as in-kind benefits, while workers in the packing area received 2.45% of their total remuneration as in-kind benefits.

¹ As per the principles of a living wage that are used for this analysis (Anker and Anker, 2017), the total value of in-kind benefits is limited to 30% of total remuneration. Housing is capped at 15% of total remuneration and all other in-kind benefits are capped at 10% of total remuneration each.

Learnings & Challenges

A key learning is that **more transparency and on-site verification of self-reported wage data by means of worker interviews and document reviews is key** to ensure valid results and work towards a positive outcome for all banana workers in the supply chain. This is particularly relevant for successfully scaling this pilot to further countries of origin. In addition, the wage analysis generated valuable general lessons learnt on how to further adjust and improve the process of collecting and validating wage data.

1 Results in the context of Ecuadorian *salario digno* policy: On-site verification essential to ensure compliance

In Ecuador, farms have to comply by law with the *salario digno* policy, which means paying a living wage to their workers for a standard 40 hours work week. The results of the wage analysis tend to confirm compliance with this policy. It needs be considered that farms may be reluctant to show living wage gaps given that it would also indicate non-compliance with local legislation. Several civil society organizations keep pointing out the prevailing risk of serious wage gaps, especially for temporary workers in the banana industry. Organizations such as [Human Rights Watch](#) have reported that 12-hour workdays are common in the banana sector in Ecuador. Thus, remote checks might not be the right tool to disclose such possible discrepancies with legal requirements and self-reported data. On-site verification and interviews with workers in the field are considered key to ensure that indicated wage data reflects the reality.

2 IDH Salary Matrix is a useful tool for self-reporting and can be further improved

Many technical and contextual learnings were generated as part of this wage analysis process, flagged by the consultants, participating farms, retailers and GIZ. Lessons learnt entail topics such as adjustments in the Salary Matrix data entry to increase data quality and user friendliness or the need for better on-site support of producers. Lessons learnt during this wage analysis were shared with IDH, with some of the identified improvement potentials already being taken up in the upcoming version of the Salary Matrix.



Next Steps

The Working Group strives to establish a solid approach to verify wage assessment results on the ground, which will focus primarily on building on existing verification mechanisms of certification such as Rainforest Alliance and Fairtrade. Beyond this, the Working Group will explore complementary solutions to further improve assurance, such as second party audits, grievance mechanisms with a specific focus on wages and working conditions and closer collaboration with worker representatives. As the scope of countries will be broadened beyond Ecuador as a next step, further wage analyses and rolling out the Salary Matrix to cover 100% of the Working Group members' banana supply is envisioned.

If wage gaps are found on a plantation, retailers aim to contribute to closing the gap by paying an individual price premium. However, to adequately assess wage gaps and ensure gaps are closed, a concerted effort by the entire supply chain is required. The retailers recognize the additional efforts that producers and intermediaries face for the sake of providing more transparency on wages of banana workers. Besides paying a Living Wage differential to reduce prevailing wage gaps, the retailers aim to analyze the scope of these additional efforts related to implementing Living Wages as part of the upcoming piloting activities. This will provide the basis to explore options for granting additional support. Moreover, the Working Group aims to identify solutions to adapt their Roadmap towards Living Wages to the context of small(holding) banana farmers. As a first step, banana supply chains in all relevant sourcing countries shall be mapped to identify the scope and typologies of small farmers.

Next steps will now be undertaken to create the necessary level of transparency in other sourcing countries to jointly work towards the goal of sourcing at least 50% of their total banana volumes for the German market as Living Wage bananas by 2025.

Thank You

The Working Group thanks all partners that actively participated in this wage analysis process and highly appreciates their efforts put in place. A special thank you goes to the banana producers for filling in the Salary Matrix and for their openness to adjust their data input based on feedback provided during the validation interviews, to the intermediaries providing guidance to producers and facilitating the sharing of data, as well as to Heartwood and IDH for their professional support throughout the whole process.





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