Annex 9
Methodology for Measuring Remuneration and Gaps with a Living Wage

Version 1
Date: June 2020
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Developed by: Rainforest Alliance Department Standards & Assurance
Approved by: Chief Supply Chain Officer

Linked to (code and name of documents, if applicable):
- SA-S-SD-1-V1 Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm requirements
- SA-S-SD-9-V1 Salary Matrix Tool
- SA-S-SD-11-V1 Living Wage Benchmarks per Country

Replaces:
Not applicable

Clause or requirement number and text (if applicable):
5.4.1, 5.4.2, 5.4.3, 5.4.4

Applicable to:
Farm Certificate Holders

Country/Regions:
All

Crops: Tree crops (such as coffee, cocoa) and tea, fruits (such as bananas, coconuts and pineapples), nuts (such as hazelnuts) and cut flowers. Vegetables and palm: subject to confirmation

Type of organizations: Small and large farms
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SELF-EVALUATION

Introduction
This methodology was developed as part of the project entitled “Next Steps in Sustainability: Measuring Impact and Assessing Living Wages” sponsored by IDH, The Sustainable Trade Initiative, and other private entities and executed by Rainforest Alliance from 2016 to 2019. These organizations collaborated with the Global Living Wage Coalition (GLWC) to develop two benchmark studies of living wages in Costa Rica and Belize. These reference studies were developed using the Anker Methodology for Estimating a Living Wage and covered regions particularly dedicated to the production of bananas in both countries.

Beyond the benchmark studies of living wages, seven pilot farms volunteered to better understand 1) how their salaries, bonuses, and benefits are calculated and 2) how this total remuneration compares with the living wage recommended for each country, thus preparing themselves to address possible gaps. This research led to understanding the complexity of the compensation models and to developing a methodology to measure remuneration and gaps with living wages.

The first part of the methodology is a self-evaluation in the form of a matrix, where the company can determine the total remuneration (compensation) of its workers and its performance with respect to living wages. This Annex 8: Salary Matrix for a Living Wage Gap Analysis (the “Salary Matrix tool”) gathers the data needed to engage in conversations with key stakeholders in the value chain to address possible gaps.

During 2019, the Rainforest Alliance and its counterparts will develop the second part of the methodology, which includes a guide for auditors. This guide will include the evaluation protocol through documentation review and interviews with both the administration and the workers.

Objective
To guide the users of the Salary Matrix for a Living Wage Gap Analysis in the process of data collection, use of the tool, and interpretation of the results.

Glossary
- **Salary**: cash payment (or wages) received by a worker for a specific period, usually biweekly or monthly.

- **Piecework work**: jobs in which payments (or wages) are made based on the number of units produced/worked during a specific period.

- **Bonuses**: additional monetary payments granted to workers for performance and daily quality. Bonuses that do not depend directly on the worker are excluded.

- **In-kind benefits**: non-monetary benefits such as food, transport, and housing that reduce the amount of cash income that workers need for a decent standard of living. The Anker Methodology for Estimating a Living Wage includes rules on how to value in-kind benefits to ensure their value is fair and reasonable.

- **Remuneration (or compensation)**: the total amount of salary, bonuses, and value of in-kind benefits granted to a worker in a specific period.

- **Proratio**: adjustment of salary to a fixed period (48-hour week in this case). Therefore, if a worker earns a salary but works an average of 60 hours per week, the salary is then prorated to a 48-hour week.
**Living wage:** remuneration or compensation for a standard 48-hour work week sufficient to pay a decent standard of living for the worker and his/her family. The elements of a decent standard of living include food, water, housing, education, medical care, transportation, clothing, and other essential needs, including the provision for unexpected events (Global Living Wage Coalition).

**Basic Principles**
The calculations of remuneration (salaries, bonuses, and benefits) and gaps through this tool are based on the following basic principles:

1. Workers receive their salary in various ways. There are workers with a fixed salary (daily, weekly, biweekly, or monthly) and workers who receive their salary through piece-rate payments (units completed). For the latter, the final salary depends on the number of units worked and, on occasion, other factors (e.g., the number of workers in their team or the price per unit completed). For these workers, salary is calculated based on the average number of units worked during an average daily and weekly period. This calculation can be adjusted for different seasons of the year (e.g., high and low production seasons).

2. Average monthly salaries for workers are calculated based on a work schedule of 48 hours per week and 26 days per month, which is the working day that the Anker Methodology for Estimating a Living Wage stipulates. The remuneration and the gaps between it and the living wage are then calculated on a prorated basis for that work schedule, excluding overtime. This practice is also common to evaluate compliance with minimum wages.

3. If less than 48 hours per week are worked due to the very nature of the position (e.g., high risk or intensity positions), the Matrix compares the real average salary without prorating against the living wage. The reasoning is that workers with less than 48 hours work only earn their real salary and do not earn more (e.g., it would be unrealistic to prorate salaries for a period of 48 hours as workers in high risk positions will never work 48 hours).

4. Average monthly salaries that do not equal or exceed the minimum wage stipulated by law are adjusted at the end of the month to meet at least minimum wage requirements (e.g., positions with piece-rate payments when the salary for the work done do not exceed the minimum wage).

5. In addition to salary, bonuses for performance and quality that depend directly on the worker are added, as stipulated in the glossary.

6. In-kind benefits that represent lesser expenses for workers to maintain a decent living are considered valid for inclusion in the analysis (e.g., highly subsidized or donated food services, transport service from home to the workplace and vice versa, school supplies and uniforms, private medical services, and family housing). Benefits such as recreational activities or construction of facilities for meetings are not valid as they do not represent less expenses for the worker. The value of in-kind benefits is estimated according to the reference values established in the benchmark report (see detail in the section below). Therefore, the complete valuation of in-kind benefits can only be completed once the living wage benchmark is available for the region in question. The value of in-kind benefits cannot represent more than 30% of the remuneration received.

**Necessary Information**
The following data is necessary for the use of the Salary Matrix for a Living Wage Gap Analysis. Some data depends on the nature of the business or sector in which the company belongs and the area where it is located; others depend on the policies of the company; and others must be extracted from the benchmark report of living wages for the area where
the company operates. Make sure you have this data at hand when entering the information in the Matrix.

**Information on the nature of the business:**
- Determine if the business has a constant production level or if there are peaks of production over a year (high and low production seasons).
- If there were variations in production levels during the year, identify the number of months per year with average production, high peaks, and low peaks.
- Determine if the business has a structure of piece-rate payments or periods of time, or a combination of both.

**Company data:**
1. Name of the company or farm where the Matrix will be used.
2. Updated list of all types/categories of jobs, including field, administrative, managerial, and miscellaneous positions.
3. Total number of men and women who occupy each type of position (averaged throughout the year).
4. Type of unit against which payments are made. For example, the units for positions with piece-rate payment schemes could be hectares, linear meters, production volume (e.g., boxes, kilograms), and others. For other positions, the unit of payment may be hour, day, week, or month.
5. Amount paid in local currency per unit worked for each type of position in the form of values based on gross wages paid per unit.
6. Average number of units that are worked in a day for each type of position (for high, low, and average periods, if applicable).
7. Average hours per day worked for each type of position (for high, low, and average periods, if applicable).
8. Average hours per week worked for each type of position (for high, low, and average periods, if applicable).
9. Average amount of monthly bonuses granted for each type of position if bonuses for performance or quality that depend directly on the worker exist.
10. Number of workers who receive (or have access to) bonuses and in-kind benefits.

**Data from the living wage benchmark report:**
1. Value of the monthly gross minimum wage by law.
2. Reference value of the monthly gross living wage.
3. Reference value of the daily food cost per person.
4. Reference value for the purchase of school supplies per month per person.
5. Reference value for payment of private medical services per month per person.
6. Reference value for the rental of decent family housing in the area and the maintenance of this and other public services (e.g., water, electricity, gas) in the area.

Note that without the living wage benchmark, the part of the Matrix referring to salaries and cash benefits can still be completed and compared to local minimum wage. Valuation of in-kind benefits should be completed with data from the living wage report.
Data on in-kind benefits:

<table>
<thead>
<tr>
<th>POTENTIAL BENEFITS</th>
<th>NECESSARY DATA</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
</table>
| Does your company provide subsidized or donated food services to workers? | 1. Worker cost for the daily meals provided.  
List of job types that have access to this benefit. | If the value paid by workers for daily meals is close to or greater than the reference value of preparing such meals at home according to the living wage benchmark report for the area, this benefit is not factored into the calculations. If the value paid by the workers is significantly lower than the reference value or when the food is totally donated, the reference value of the monthly food cost per person (reference value multiplied by 26 days) is included in the analysis. |
| Does your company provide donated or subsidized transportation services to workers? | 1. Amount paid by the company for transport service per worker per month.  
2. List of job types that have access to this benefit. | As the living wage benchmark reports do not stipulate a specific amount for transportation from home to the workplace and vice versa, there is no explicit reference value for this benefit, so the average monthly amount paid by the company to provide this service to each worker is included in the analysis. |
| Does your company donate packages of school supplies for the workers' children? | 1. Amount paid by the company for each package of school supplies.  
2. Average amount of school packages donated to each worker.  
3. List of job types that have access to this benefit. | If the amount paid by the company for the purchase of school supplies is less than the reference value according to the living wage benchmark report for the area, the actual amount paid by the company (divided by 12 months) is included in the analysis. If the amount paid by the company is greater than the reference value according to the living wage benchmark report, it should be noted that the purchased items are in accordance with the official lists recommended by the relevant authorities (e.g., ministries of education). If the items purchased by the company are compatible with the official recommended list, the actual amount paid by the company (divided by 12 months) is included in the analysis. If this is not the case and the company is donating more materials, the reference value is included according to the living wage benchmark report for the area. |
| Does your company provide donated health care services to workers?  
Does the medical service provided by the company cover all medical consultation expenses not covered by public health entities?  
Do workers receive free medicines at the company avoiding purchases at private pharmacies?  
Does everyone in the worker's family receive this medical service? | 1. List of job types that have access to this benefit. | If the answer to all these questions is yes, then the reference amount associated with expenses for private medical services is factored into the calculations according to the living wage benchmark report for the area. |
With this information at hand, users can enter the data in the corresponding cells in the Matrix to obtain their level of performance with respect to possible gaps between current salaries and the reference value for a living wage in the area where it operates. Annex A indicates the columns or cells where each value must be included according to the template of the Salary Matrix for a Living Wage Gap Analysis.

Results
The Salary Matrix for a Living Wage Gap Analysis helps identify the following results for their respective analysis and consequent plans of action that allow diminishing or eliminating possible gaps.

1. Average total remuneration (compensation) of workers.
2. Percentage difference between current salaries and the living wage reference value for each type of job, considering only total remuneration in cash (salary plus bonuses, if any).
3. Percentage difference between current salaries and the living wage reference value for each type of job, considering total cash remuneration plus the applicable in-kind benefits.
4. Check of the total in-kind benefits granted by type of position as a percentage of the average remuneration for that type of position (not to exceed 30%)
5. Weighted average of gaps according to the number of workers by type of position (only with cash income).
6. Weighted average of gaps considering in-kind benefits by the number of workers per type of position, including only in-kind benefits available to all workers.

Note that the weighted average is used because some job categories (e.g. field workers) are likely to be much more common than others (e.g. office workers). Based on the above, the Matrix includes the following table of results for all positions and for non-administrative/managerial positions only:

<table>
<thead>
<tr>
<th>Company</th>
<th>Results</th>
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<tbody>
<tr>
<td>Range of gaps / surpluses (without in-kind benefits)</td>
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<tr>
<td>Range of gaps / surpluses (with in-kind benefits)</td>
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<tr>
<td>Total average of weighted gaps / surpluses (without in-kind benefits)</td>
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<tr>
<td>Total average of weighted gaps / surpluses (with in-kind benefits)</td>
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<tr>
<td>Number of job categories that show negative gaps (without in-kind benefits)</td>
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ANNEX A. GUIDE TO INSERT DATA IN THE SALARY MATRIX FOR A LIVING WAGE GAP ANALYSIS

Information on the nature of the business

- Determine if the business has a constant level of production or if production peaks exist over a year (high and low production seasons).
  - Columns G to N (with a green fill) are for data from the high production season.
  - Columns O to V (with a light blue fill) are for data from the low production season.

- If there are variations in production levels during the year, identify the number of months per year with average production, high peaks, and low peaks.
  - Insert the number of high production months in column N and the number of low season months in column V.

- Determine if the business has a structure of payments for piecework or periods of time worked, or a combination of both.
  - For positions with piece rates, the units against which payments are made are included in column F. For positions with monthly fixed salaries, the "month" unit is also included in column F.

Company data:

1. Name of the company or farm where the Matrix will be used.
   - Insert in cell A1.

2. Daily listing of all types/categories of jobs, including field, administrative, managerial, and miscellaneous positions.
   - Insert list in column A.

3. Total number of men and women who occupy each type of position (averaged throughout the year).
   - Insert in columns C and D, respectively.

4. Type of unit against which payments are made. For example, the units for positions with piece-rate payment schemes can be hectares, linear meters, production volume (e.g., boxes, kilograms), and others. For other positions, the unit of payment may be hour, day, week, or month.
   - Insert in column F.

5. Amount paid in local currency per unit worked for each type of position. The data must be values based on gross wages paid per unit.
   - Insert values for each job type in column E.

6. Average number of units worked in a day for each type of position.
   - Insert values in columns G and O for high and low production seasons, respectively.

7. Average hours per day worked for each type of position.
   - Insert values in columns H and P for high and low production seasons, respectively.

8. Average hours per week worked for each type of position.
   - Insert values in columns I and Q for high and low production seasons, respectively.

9. Average amount of monthly bonuses granted for each type of position if there are bonuses for performance or quality that depend directly on the worker.
   - Insert values for each job type in column AF.

10. Number of workers who receive (or have access to) bonuses and in-kind benefits.
    - If bonuses and in-kind benefits are not received by all workers in a specific job category, it is recommended to record the number of workers who receive them in the Observations column at the end of the Matrix for each type of bonus or benefit.

Data from the living wage benchmark report:

1. Value of the monthly gross minimum wage by law.
   - Insert in cell F41.

2. Reference value of the gross and net monthly living wage.
   - Insert in cells F43 and F44, respectively.
3. Reference value of the daily food cost per person. 
   Insert in cell AL4.
4. Reference value for the purchase of school supplies per month per person. 
   Insert in cell AN4.
5. Reference value for payment of private medical services per month per person. 
   Insert in cell AO4.
6. Reference value for the rental of decent family housing in the area, maintenance of this, 
   and public services (e.g., water, electricity, gas) in the area. 
   Insert in cell AU4 (add to the reference value for house rental only those values for payment 
   of public services that the company provides).
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OBJECTIVE
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AUDIENCE
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GUIDANCE

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Sub headings
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Sub headings
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2. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.”

Header 3
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Bullet points
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- Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.
- Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.
- Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.”