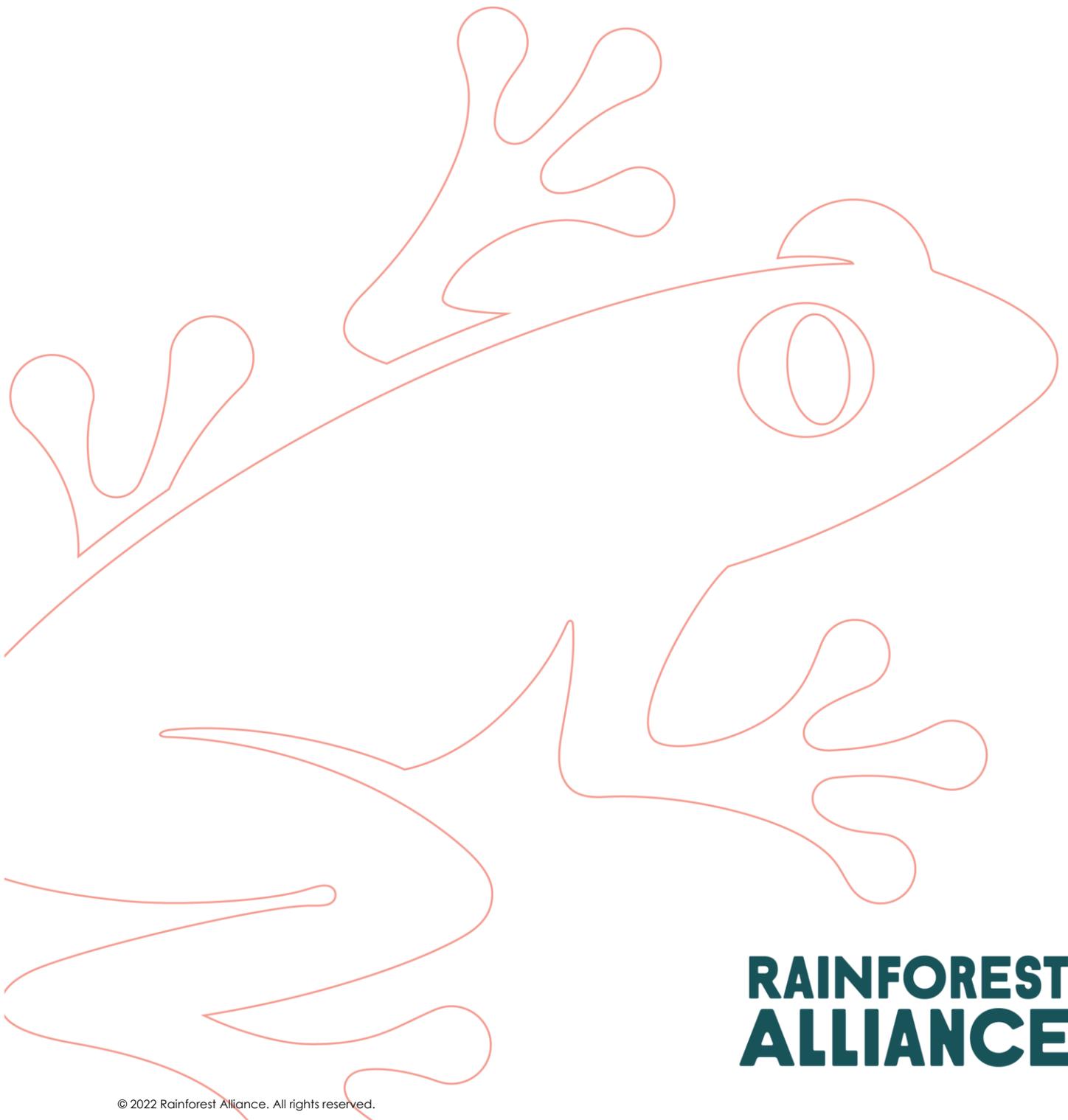


ANNEX S9

METHODOLOGY FOR MEASURING REMUNERATION AND GAPS WITH A LIVING WAGE

Version 1.1



**RAINFOREST
ALLIANCE**



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For any question related to the precise meaning of the information contained in the translation, please refer to the official English version for clarification. Any discrepancies or differences in meaning due to translation are not binding and have no effect for auditing or certification purposes.

More information?

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Annexes are binding and must be complied with for certification.

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1. INTRODUCTION

This Annex S9 explains how to fill in the Annex S8: Salary Matrix Tool for a Living Wage Gap Analysis, which is part of the core requirement 5.4.1 of the Farm requirements of the 2020 RA SAS. The Annex S8: Salary Matrix Tool was originally developed by IDH and Rainforest Alliance to measure gaps between workers' total remuneration packages and the living wage benchmark. In this document the Salary Matrix Tool is also referred to as 'the Tool'.

OBJECTIVE

The objective of this Annex is to provide the certificate holder using the Salary Matrix Tool with and explanation of:

- The terminology used in the tool
- The type of data needed to fill in the tool
- How the tool calculates the gap to a living wage
- Examples of bonuses, in-kind benefits and allowances that are eligible to be included as partial payment towards living wage

KEY DEFINITIONS

The following are the key definitions of terms related to the Living Wage used in the salary matrix tool. A full glossary of terms used in the Standard can be found in Annex S1 Glossary.

- **Applicable wage:** The applicable wage is calculated per month. In most cases it is either the applicable minimum wage or the wage negotiated in a Collective Bargaining Agreement (CBA), whichever is higher. If there is no applicable minimum wage or CBA the applicable wage is taken to be the current wage paid.
- **Gross wage:** Wages measured before taxes are removed or other statutory payroll deductions (e.g. social security taxes or insurances, contributions to national health systems, pension schemes).
- **Bonus:** The payment of additional wages based on performance and/or productivity. This could be a piece-rate incentive or based on exceeding the set production quota.
- **In-kind benefits:** non-monetary benefits that are provided to workers by their employer that reduce their cost of living. These include, but are not limited to, meals and food supplies, housing, transportation, childcare, children's education, and medical care.
- **Payment unit:** The unit by which a worker's pay is calculated. This can be time-related units, such as per hour, day, week, fortnight, or month; or production units such as kg, bunch, hectare, box, etc.
- **Piece work:** Work paid proportional to the volume of work done, i.e. based on the production unit completed instead of the time spent working. These units can be per kilo, box, hectare, etc.
- **Production quota:** the number of production units that a worker must complete in a certain time period (eg a day or a week), to be eligible for the basic payment and/or a bonus. Production quota may be used to determine both the bonus payment, and the minimum amount earned by a worker before bonuses and benefits. For example, many tea workers are paid a daily rate with an additional amount per kilogram of tea picked.



- **Remuneration:** Total financial value (wages, monetary and in-kind benefits) that the worker receives in a specific period.
- **Job category:** The classification of a group of workers by skill, type of tasks performed, and pay
- **Living wage:** The remuneration received for a standard workweek by a worker sufficient to afford a decent standard of living for the worker and their family.¹
- **Standard work week:** Hours worked per week (or month) that are standard to the country or industry and are not paid at overtime rates. The ILO (International Labour Organization) standard work week is 48 hours.
- **Living wage benchmark:** The monetary amount that is considered sufficient to provide a living wage. This is calculated in local currency for each country. The Rainforest Alliance uses living wage benchmarks developed by the Global Living Wage Coalition (GLWC), which can be found in the *Rainforest Alliance Annex S10: Living Wage Benchmarks per Country*.

2. HOW TO FILL IN THE TOOL?

1. General Information:

In the sheet of General Information, please note:

The '*Certificate Holder name*' should be the same name you are registered with in the Rainforest Alliance Certification Platform (RACP).

The '*contact person*', should be the person that completes this tool.

The '*Product*' refers to the crop that is being certified. This can be any of the crops in the scope of the Rainforest Alliance certification system. It is possible to add more than one crop if the CH certified several crops.

The '*certifications and standards*' field is to record all other standards for which you are certified at the moment of filling in the tool.

The '*harvest season information*' refers to the approximate dates of the the harvest period(s) for which you are entering the data in the tool.

2. Job Categories:

In the tool you should include Job Categories for all workers on the farm: this includes permanent, seasonal, temporary, and part-time workers. Both workers that handle certified products and workers that don't are to be included. Also workers hired through service providers (including guards, cleaners, etc) are to be included.

Workers who do work as part of community exchange of labour without monetary compensation should not be included.

A job category consists of any group of people who do the same type of work and are paid the same amount per hour/day or the same piece-rate amount and receive the same in-kind benefits. A category can be as small as a single worker.

¹ ILO, 2011



NB! If the daily role of a worker usually involves multiple tasks with different remuneration values, and different forms of payment per hour or piecework, you can enter this worker individually in the tool, as a separate category assigning a unique identifier (no names please).

If more than 10% of all workers are in the same job category, they must be divided into evenly sized job categories of no more than 10% of all workers. This is done to prevent the calculated average wage from diverging too greatly from the actual wage of any one employee.

If the average piece work differs among workers performing the same task for the same pay, different job categories must be separated and categorized in average units per day. For example, in a tea factory with 100 workers, where 30 workers are all packing the final product, they must be divided into separate job categories based on productivity and comprising no more than 10% of the workforce:

Job Category	Number of Workers	Unit	Value per unit	Average units per day
Packers 1	10	Box	\$1	50
Packers 2	10	Box	\$1	55
Packers 3	10	Box	\$1	60
Job Category	Number of Workers	Unit	Value per unit	Average units per day

Workers who do various tasks can be combined into a single job category, provided they receive the same remuneration, bonus, hours, and in-kind benefits.

There may be different work areas. However, there is no need to distinguish job categories per work area. If more convenient, you can list all below e.g. work area 'farm'. Also, in some farms a person might not be linked to 1 work area, and as such also the 'area' could be indicated as 'farm'.

3. Number of workers:

The tool will automatically fill in the 'job categories' in the list in tab 4: Type of work. In this tab, it is required to enter the numbers of men and women per type of work. The tool will calculate the total number of workers from this information.

4. Bonus and Harvest Season Wages:

Enter the wages per job category here. This includes the base, any bonus, and average hours worked.

Gross monthly cash wages

Wages can be calculated using a number of methods, based on different payment units. All wage data is collected in gross (without deductions) amounts.

The Salary Matrix calculates the average total gross monthly wages to compare against a living wage benchmark for each job category. Wage data is based on 'units' to estimate the typical wage. The unit of work is the output for which a worker is paid.

When wages vary depending on the time of the year, such as production peaks and lows, or cycles within a year, the tool collects data on the length of these different production 'seasons' (up to four seasons) to collect salary data for each season. In case the salary and wages are not different per harvest season, then there is no need to make this distinction, and you can fill in all in the 'first harvest season wages' columns.



Important points:

- If the average total gross monthly wage is known per employee, this can be directly included by using 'month' as the unit by which each employee or job category is paid.
- If the average monthly pay per employee is not known, the Salary Matrix Tool can support this calculation for various pay structures.
- In a time-based payment structure, the unit would be 'hour', 'day', etc. The Tool automatically makes this calculation. For example, if an employee is paid \$15 per day and works 26 days per month, the average monthly wage is automatically calculated to \$400.
- The Salary Matrix Tool collects wage data based on units to estimate the typical wage per day for piece work. For example, some workers are paid by the boxes they pack. The unit would then be a 'box'. In a case where the units are boxes, the 'amount paid per unit' is \$0.10, and the 'typical number of units produced in a day is 100, the Salary Matrix Tool would calculate an average daily wage of \$10.

Standard Work Week

To compare wages with a living wage benchmark, only those wages earned in regular working hours, or a standard workweek are considered. This is because a living wage should not need overtime work to be achieved. Therefore, Certificate holders do not include overtime hours in living wage calculations. Certificate holders only enter the hours worked by workers, and the tool calculates the regular working hours.

Important points:

- Regular working hours are equivalent to the country-defined legal standard workweek, for which overtime pay is not required. If there is no country-defined standard workweek, the International Labour Organization (ILO) standard workweek of 48 hours will apply.
- For all types of pay structures, the hours worked per day and per week must be collected as they form the basis for calculating the wage that an employee would receive if working a standard workweek.
- For workers paid by time units (hour, month, year, etc.), the total wage earned is divided by the days and hours worked on calculating the wage per hour. This amount is then multiplied by the hours in regular working hours. The resulting standard weekly wage serves as the most fundamental unit of calculation and produces comparable monthly (x 4.35) or yearly (x 52.14) units. It is important to understand that these monthly or yearly figures indicate actual time worked but represent a cumulative value if regular working hours were worked all month or year.
- To calculate the equivalent regular working hours equivalent wage, the total expected daily salary (value per unit x number of units per day) is divided by the number of hours worked per day. For example, if a worker is paid \$100 (piece-rate or otherwise) and works 100 hours a week, the Salary Matrix Tool will calculate that in 48-hour regular working hours, the worker would earn \$48 cash wage. This calculation is done per job category.

Bonuses

Monetary monthly or annual bonuses can be included in the calculation of remuneration ONLY if they are:

- NOT mandatory by law
- Received within one year
- Provided regularly and can be expected in advance by workers
- Don't require overtime
- Add to the disposable income of workers

To include a yearly bonus in the tool, prorate it over the number of months worked.



Eligible	Not eligible
Productivity bonus	Profit sharing (unless assured in advance and based on last year's business results)
13th and 14th month salary	Pensions or provident funds
Tenure bonuses; retention bonus	Bonuses earned in overtime hours or payment for overtime work
Additional paid time off on top of mandatory days off by law	Mandatory paid days off by law (unless daily worker payment)
Holiday bonuses	Annual leave, sick leave
National holiday cash bonus; birthday cash bonus	Maternity or paternity benefits

5. In-kind benefits 1:

Enter the different types of benefits workers could receive as well as the cost to the employer.

Step 1: decide if the in-kind benefit qualifies:

In-kind benefits can be considered as remuneration ONLY if they are:

- NOT mandatory by law
- accepted by workers as being valuable
- directly reduce the cost of basic living for a worker
- provided during regular working hours
- provided regularly and can be expected in advance by workers

Such in-kind benefits include food, transportation, family housing, healthcare, children's education, and childcare.

Eligible	Not eligible
Meals at work; Food sold at concession rates; Food vouchers	Christmas meal or food basket; drinking water at work; recreation facilities and activities; protective/ work related clothing
Cash allowance for housing; Housing (and utilities-power, fuel, water) ²	Dormitories or shared housing for seasonal workers; Land to build house on or grow vegetables
Transportation services (safe and reliable) or cash allowance for transportation (to and from work); Cash or other allowance to visit home	Time off for holidays; Annual leave; Sick leave
Child allowance; Child care/ creche; School for workers' children; Meals in creche/school	Educational allowance/ scholarships (unless many workers receive it and it covers costs for primary or secondary school),
Children education: donated supplies, uniforms, transportation, other materials. ³	

² Housing must meet the requirements as outlined in the requirements of 5.7 Housing in the 2020 Sustainable Agriculture standard.

³ If funding is provided directly to a school, the total amount should be divided by the total number of students at the school, and this per-student amount then may be included for every child of a worker who attends such school. Unlike the other in-kind benefits, the yearly contributions to children's education are collected and divided by 12, as these contributions are often for goods or services used all year (e.g. yearly school fees, supplies, or uniforms)



Medical services not required by law and not related to work injuries); Private medical insurance; Transport to hospital	Medical services related to work injuries and illness; Schools or hospitals on estates supported by government
Attendance allowance	Pension, provident fund; Gratuity/ severance payment; visa or work permit
Basic wage	Overtime pay; Employer contributions required by law: social security; unemployment insurance; workers' compensation/ injury insurance; contributions to national health service.

Step 2: Estimate monetary value:

The value of in-kind benefits is calculated based on the monthly cost to the employer. If workers must pay (even partially) for any in-kind benefit, the cost of their contribution will be subtracted from the cost to the employer for providing this benefit. If the employer provides cash for any of the below-listed benefits directly to the worker, this cash will be considered in the bonus category.

Step 3: Fill in the monetary value in the Tool

Important points when using the Annex S8: Salary Matrix tool:

- Workers receive the in-kind benefit:
 - You can answer 'yes' even if only 1 worker receives it.
- Number of workers who receive the in-kind benefit:
 - Here you can fill in the total of workers that receive it, summarizing all workers from all job categories
- Yearly cost to employer for providing the benefit.

Step 4: Ensure total benefits are within limits

In the Rainforest Alliance Standard, the maximum percentage of wages to be paid in-kind is set at 30%. The reason to cap the in-kind benefits is to ensure workers have freedom to choose how to spend their salaries and to avoid too high dependency of the worker to the employer.

Always check first whether in-kind benefits as partial payment of wages is allowed under national law. If it is allowed, please make sure in-kind benefits included in the salary matrix as payment to wages **do not exceed the maximum percentage allowed and those acceptable under national law**. Except in extreme situations, and only if allowed under national law, the total value of all in-kind benefits that can be included in the salary matrix as partial payment of wages may equal no more than 30% of the total remuneration (wages, bonuses, and in-kind benefits). Similarly, individual benefits may be equal to no more than 10% of the total remuneration that an employee is paid (aside from housing, which may be equal to no more than 15% of the remuneration).

6. In-kind benefits 2:

Enter the different types of benefits received per worker.

Results:

This tab presents the findings, as well as the living wage gap. This tab will be filled in automatically.



The Salary Matrix Tool provides a Living Wage gap analysis. Calculated remuneration is compared against the applicable Living Wage benchmarks published in annex S10.

At 'Enter Gross Monthly Living Wage Benchmark Estimate', please fill in the amount as indicated in Annex S10 for the country in which the CH is located. You can just fill in the amount, and do not need to enter the currency in this box. See image below for an example. If the CH is located in Bangladesh, we ask you to fill in the amount '13,630'.

Country name	Living Wage Benchmark (local currency, gross wage per month) or applicable wage
Argentina	Applicable wage
Bangladesh	Tk13,630
Belize	Applicable wage

Image 1: Extract from Annex S10, v1.1