

Living Wage Position Paper

Sustainable Livelihoods: Achieving Living Wages For
Agricultural Workers

The Rainforest Alliance is an international non-profit organization working in more than 70 countries at the intersection of business, agriculture and forests. We are building an alliance to create a better future for people and nature by making responsible business the new normal.



Introduction

The Rainforest Alliance envisions a world in which people and nature thrive in harmony. Critical to achieving this is ensuring that the agricultural producers, workers, and communities whose livelihoods are intricately linked to some of the world's most diverse ecosystems are able to achieve a decent and sustainable livelihood for themselves and their families. For the millions of workers worldwide who form the backbone of agricultural production, ensuring a sustainable livelihood starts with being paid a **living wage**.

Box 1

What is a Living Wage, Minimum Wage and Prevailing Wage?

What is a living wage?

"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 **their family**. Elements of a decent standard of living include **food, water, housing, education, health care, transportation, clothing**, and other essential needs, including provision for unexpected events."

As defined by the [Global Living Wage Coalition](#) and the [Anker Methodology](#).

What is a minimum wage?

A minimum wage is the government set level of wages which every employer is required to pay by law. A minimum wage establishes a wage floor, beyond which wages cannot fall, but does not necessarily equal a living wage. In many places, the statutorily defined minimum wage is insufficient to meet the basic needs of workers. Still, some countries do not have minimum wages at all, or, if they do, they are not enforced or supported by strong collective bargaining rights and institutions.

What is a prevailing wage?

A prevailing wage is the market wage for each set of skills in a region and industry determined by labor market forces. Usually higher than statutory minimum wages, prevailing wages sometimes fall to levels below the legal minimum wage in areas where government enforcement is weak or when the industry is struggling to make a profit.

LIVING WAGE

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A WORKER AND THEIR FAMILY SHOULD BE ABLE TO AFFORD:



Decent housing



Food



Transport



Other essentials (e.g. Health, Education, Water, etc.)

The Problem

Farm workers are one of the occupational groups with the highest incidences of extreme poverty, with many workers often living below the international poverty line of \$1.90¹² a day. Studies show that the main reason for this is low wages³. Beyond making up the majority of the rural poor, agricultural workers are also the most socially vulnerable part of supply chains⁴. They often work without formal labor contracts and access to social security and health benefits⁵. They are also frequently deprived of effective collective bargaining representation and lack a strong voice in policy and decision-making that could help them protect their rights and interests.

Earning a living wage is a fundamental human right recognized by the Universal Declaration on Human Rights (1948) and the International Labor Organization (ILO) Constitution (1919). It is endorsed as one of the main engines of sustainable development⁶ and a key driver of the ILO Decent work Agenda in the Declaration on Social Justice for a Fair Globalization (2018)⁷. That is why we promote the payment of a living wage as an important building block for any business to be truly sustainable.

The drivers of low wages

While many agree that paying a living wage is a key pillar of sustainable development, attaining a living wage is far from simple. Understanding the problem starts with identifying the factors that contribute to low wages in the first place.

1. Low wages are built into business models

Prevailing business models push costs and risks down the supply chain. This means that the true costs of production at the farm level—including the cost of paying a living wage—are not accounted for. Some producers are even at times willing to accept a price that is below their cost of production just so they won't lose valuable business. Even when a farm is profitable, sometimes wages aren't set fairly to benefit workers in proportion to the profit and performance of the business. In the end, since wages are the part of the cost structure most likely to be impacted by downward competitive pressure, it is workers' livelihoods that suffer under the current system of unfair trading practices.

2. Minimum wages are set too low

Zooming in on the local labor context in many countries, there is a risk that minimum wages are set too low to adequately support workers' needs. This is especially the case if minimum wage laws are not enforced or are not determined with input from the workers they impact. Workers' effective participation in the process of wage-setting through collective bargaining guarantees that the needs and concerns of those most affected are taken into account. Collective bargaining is important because it covers all other aspects in addition to wages that determine the standard of living of workers such as legal benefits, overtime working hours, sick leave and general terms of employment, and creates legally binding rights and obligations. Of course, in an ideal world, minimum wages everywhere

should be living wages. This is the underlying purpose behind the ILO Minimum Wage Conventions set decades ago to ensure full-time workers everywhere do not live in poverty. While minimum wages are mandatory, living wages are currently still a voluntary measure unless a government chooses to set minimum wage at the level of a living wage or makes mandatory the payment of living wage by all companies. Many governments fear that raising minimum wages would make their economy less competitive and diminish employment opportunities, despite evidence to the contrary⁸.

Box 2

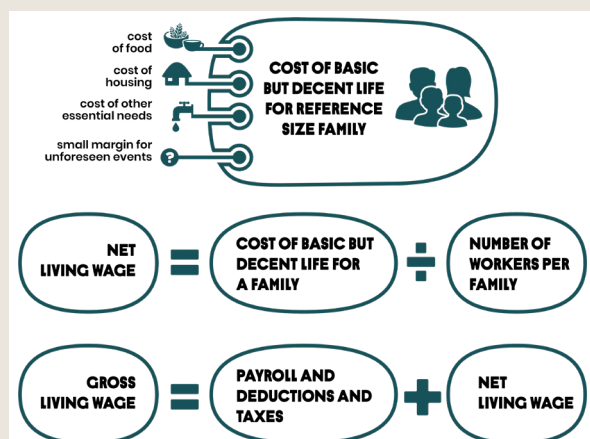
How is a living wage estimated?

The Global Living Wage Coalition and the Anker methodology

The Rainforest Alliance is a founding member of the Global Living Wage Coalition (GLWC) the members of which had agreed to a common definition of a living wage. The GLWC calculates living wage benchmarks in accordance with the Anker Methodology developed by the leading living wage experts Richard Anker and Martha Anker.

The benchmarks estimate the **cost of a basic but decent lifestyle for a worker and his/her family in a particular place** by adding up the cost of a low-cost nutritious diet that is appropriate for the food preferences and development level of a country, plus the cost of decent housing in the area, plus other costs for essential needs like healthcare, education and transportation. A small margin above the total cost is then added to help provide for unforeseen events such as illnesses and accidents, to help ensure that these events do not throw workers into poverty.

GLWC benchmarks are country and region-specific living wage standards established independently and validated in an inclusive, local stakeholder consultation process. The reports are publicly available on the GLWC website and contain valuable tools, such as wage ladders and infographics, that help contextualize and reveal the relationship between minimum wage levels, industry averages, and living wages.



3. Informality and low labor rights protection prevalent in agriculture

Finally, even if minimum wages are set at an adequate level, a large number of the agricultural workers are employed without formal contracts therefore their rights to a minimum wage and/or benefits under collective bargaining agreements are not protected or guaranteed by the local laws and regulators. In many rural areas, there is a lack of alternative livelihood opportunities and widespread unemployment. At the same, many governments lack the resources to enforce formal employment contracts or minimum wages.

Rainforest Alliance vision

The Rainforest Alliance approach to living wage is fully aligned with [United Nations Guiding Principles for Human Rights and Business](#) (UNGPs) and accordingly recognizes that the responsibility for achieving living wage must be shared across the supply chain so that the risks, costs, and burdens do not fall on the producers alone. Attaining living wages is a tall order for any producer, government, or company. Yet in order to achieve the [UN Sustainable Development Goals](#) (SDGs), and for companies and governments to fulfill their responsibility to protect human rights, all actors need to dramatically scale and speed up their good practices towards living wages in global supply chains. Rainforest Alliance Certified™ and UTZ Certified farms have already come a long way in the enforcement of minimum wages where there is no enforcement of local law and also where the minimum wages are much higher than average wages or wages paid in the informal sector. Our vision outlined in the [2020 Rainforest Alliance Certification Program](#), builds on this work as well as other requirements set out in both of the previous standards to make living wages the norm around the world.

Living wages as drivers of economic growth

According to the United Nations Development Programme, "Poverty eradication is only possible through stable and well-paid jobs."⁹ A living wage is not only a vehicle to solve the problem of widespread poverty among farm workers, but also a powerful way to drive economic growth. A recent, extensive empirical study by the ILO on the impact of changing income distribution¹⁰, showed that wage growth can generate demand and productivity, thereby creating a virtuous cycle. Paying workers living wages drives economic growth by increasing their spending power, and as a consequence, increases local demand for goods and services. It benefits all businesses indirectly while also incentivizing companies to introduce more innovative methods of production so as to safeguard their profits¹¹.

There is growing evidence of the business case to adopt responsible business practices on wages. Experience from a range of companies paying a living wage shows improved labor relations and social cohesion alongside increased workforce productivity¹². Beyond that, there is the broader case for companies to comply with legal obligations and consumer expectations to protect human rights in global supply chains.

Achieving a living wage

At the Rainforest Alliance, we have been building an alliance of producers, buyers, unions, governments, and civil society organizations around the world to make living wages a reality. Throughout our certification, tailored programs, and advocacy work, we have included a number of interventions to this end. We believe that living wages will only become the norm through a multi-stakeholder approach centered around human rights protection.

2020 Sustainable Agriculture Standard requirements

Our [2020 Certification Program](#) allows companies to take a step-by-step approach to tackle the complex challenges in their supply chains. The Rainforest Alliance 2020 Sustainable Agriculture Standard requires that all workers receive at least the minimum wage in their country and are afforded all the protections under ILO Conventions and Recommendations setting out basic principles and rights at work¹³. Going further, farms are required to assess prevailing wages for their workers yearly against the applicable living wage benchmark, and if there is a gap to develop a wage improvement plan with a specific timeline and targets in consultation with workers' representatives to reach (at least) the level of a living wage¹⁴. In every case, wages have to be adjusted yearly for inflation.

Supply Chain actors are thus enabled to take the wage improvement plans of the producers they purchase from into account and demonstrate how they are contributing to the achievement of these objectives.

Our aim is to support certified producers and supply chain actors to discover and bridge the gap between prevailing wages and living wages. The data we gather in the process will be used to foster collaboration across the supply chain and will enable us to report on and verify progress made in a consistent, standardized manner over time.

Data-driven developments

In the 2020 Sustainable Agriculture Standard, knowledge on living wages for different locations around the world and how those compare to workers' prevailing wages is fundamentally strengthened:

- 1. A clear definition and living wage benchmarks.** The [Global Living Wage Coalition](#), co-founded by the Rainforest Alliance, developed a standardized definition of a living wage and a robust methodology to calculate living wages called the Anker Methodology that we have integrated into our standard. Using this method, living wage benchmarks for over 21 locations have been published and continue to be developed for many countries around the world¹⁵. This is an essential step in order to understand the gap that needs to be bridged.
- 2. Harnessing the power of data.** We introduced a **Salary Matrix Tool** for collecting comprehensive wage data and analyzing the gap between prevailing wages and living wages for all types of workers on certified farms¹⁶. This new tool will help producers understand their actual labor costs and develop an informed and

Living Wages as a Human Right

The Rainforest Alliance promotes a living wage as a fundamental human right. The responsibilities of governments and companies to protect human rights are regulated by international human rights laws and further explained in the UNGPs and the [Organization for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises](#). The OECD guidelines are an international multilateral commitment of governments and the most comprehensive set of guidelines for responsible business conduct to date.

According to OECD guidelines¹⁹, companies not only have a responsibility to pay living wages within their own operations, but they should also promote the payment of living wages throughout their whole supply chain, using their leverage to ensure the suppliers they work with also pay living wages. OECD Guidelines also affirm a country's obligation to prevent human rights violations and their duty to enact measures to effectively protect people from human rights abuses by corporations.



workable strategy to increase wages together with workers. Creating transparency around wages allows all supply chain actors to identify the risks and see where they can effectively implement responsible purchasing practices that guarantee the true labor cost of a product.

Shared responsibility to create better livelihoods for workers

Three new requirements in our Sustainable Agriculture Standard and Supply Chain Standard encourage companies to reward and invest in more sustainable production and drive more value from the supply chain to workers:

- 1. The Sustainability Differential** is a mandatory additional cash payment, the amount of which is not fixed, made to certified producers over and above the market price of the commodity. The intention is that this payment recognizes the efforts and specific activities undertaken by the producer to meet the Farm Requirements of the Sustainable Agriculture Standard. In the context of large farms, it enables farmers who hire workers to pay higher wages. After consulting with a legitimate representative of their farm workers, large farms will be required to spend the Sustainability Differential on areas that directly benefit workers (i.e. improvements in wages, health and safety, and working and living conditions).
- 2. Sustainability Investments** and mandatory cash or in-kind investments from buyers of Rainforest Alliance Certified products to certified producers for the specific purpose of helping them meet the Farm Requirements of the Sustainable Agriculture Standard. These types of investments include those that are required for producers to fulfill core compliance or mandatory improvement criteria in the standard as well as the cost of achieving certification (i.e. implementation of the Digital Internal Management System and audit costs). The investments must go towards the needs identified by producers in their investment plans, and buyers must report on the investments they make.
- 3. Supply Chain Contributions for Living Wage Payment** is a self-selected criterion in the Supply Chain Requirements we developed to support due diligence on wages and facilitate dialogue across the supply chain. The criterion builds upon the transparency created by the Salary Matrix Tool on the gap to a living wage and connects companies to their suppliers who are willing to work together to implement a plan to achieve living wages over time. In this way, the Rainforest Alliance helps companies put their living wage strategy into practice while giving them an easy way to monitor their progress. As more companies use this requirement to contribute to achieving living wages, their aggregate purchasing power should drive sector-wide change.

Bringing key actors together—the Global Living Wage Coalition

Another significant step to achieving living wages is bringing diverse actors together to develop and learn from es-

sential research on the issue. That's why we co-founded the Global Living Wage Coalition in 2013 alongside Fairtrade International, GoodWeave International, and Social Accountability International in partnership with the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance and international living wage experts, Dr. Richard Anker and Ms. Martha Anker.

Over the years, the GLWC has evolved into a strong community to share learnings about applying the concept of living wage in sustainability standards and approaches for implementation. By providing high quality, consistent knowledge about living wage levels and implementation, the Rainforest Alliance seeks to empower stakeholders of all types to collaborate in a non-competitive environment and catalyze global action on living wages. The GLWC partners with critical stakeholders to spark action in key, labor-intensive sectors, engage with companies on their strategies to build sustainable supply chains, and strengthen the negotiation power of worker organizations and unions through quality data from the benchmark studies.

Tackling the policy framework

Advocacy and policy work is a vital part of the living wage equation. By addressing the policy framework, we can encourage governments to increase minimum wages and strengthen social policies. Advocacy is also essential in discouraging businesses from relocating to low wage economies and undermining the legitimate efforts of governments to raise the standard of living of their citizens. That's why we work together with producers, retailers, and traders in our [Sector Partnership Program](#) to investigate the implementation of living wages. We look at everything from farm-level productivity and labor costs, all the way up to the retailer's price on the shelf. Together with our partners, we are innovating successful tools and approaches that allow for the costs associated with paying a living wage to be accommodated within commercial business models. Experience shows us that costs can be absorbed by increasing efficiencies with a motivated workforce, bonus payments, added value at the consumer level, responsible purchasing practices, and shorter supply chains, among other practices. Dialogue is key as solutions lie in collaboration and contextualization¹⁷.

Another way we are tackling the policy framework is by partnering with the ILO within the framework of the project "Better indicators and Methodologies for Wage Fixing" to address the issue of minimum wages being set too low. Unlike GLWC benchmarks, minimum wages are set in a political process that balances competing goals and objectives such as the needs of workers with economic and corporate growth. Tools and indicators that better take into account the needs of workers are required to strengthen the capacity of governments, social partners, and trade unions to set adequate minimum wages. To this end, the project offers guidance that the ILO will use to assist countries in setting minimum wages.

Seeing results, looking at Malawi

All of these efforts we have undertaken at the Rainforest Al-

liance together with our partners to achieve living wages in supply chains around the world is starting to show results. A great example of this is the Malawi Tea 2020 partnership. This initiative, which was supported by Rainforest Alliance and GLWC research data, led to the first ever collective bargaining agreement signed between the Tea Association of Malawi and the Plantation and Allied Workers Union (PAWU). This, in turn, has led to increased wages across the entire tea sector in the country. In 2018, [the net living wage gap decreased by 25 percent](#)—meaning tea workers are now earning 40 percent more than the country’s minimum wage.

In addition to participating in the steering committee of the Malawi Tea 2020 Partnership, the Rainforest Alliance also supports the formation of strong and recognized agricultural labor unions in Malawi. We partnered with Oxfam to help strengthen the capacity of PAWU so that it can become a strong voice for tea workers and an equal negotiating partner in the collective bargaining process. This resulted in a more balanced and informed renegotiation of the collective bargaining agreement and increased union membership at the grassroots level. This project demonstrates how living wages can serve as a rallying point for all relevant stakeholders—government, local and global buyers, producers, workers, and unions—to drive sustainable development through responsible business practices.

The way forward

Everyone has a role to play: recommendations for governments and companies

As the Rainforest Alliance, we play a key role by strengthening the requirements of our certification program and the accompanying toolkit to achieve living wages for agricultural workers. We are providing better data to understand and measure progress towards achieving living wages, and we are creating mechanisms for companies to recognize and reward more sustainable production and directly support the certified producers they source from to pay their workers a living wage.

We also work with governments and companies to put in place effective policies that protect human rights and require employers to pay wages that allow workers to have a decent standard of living.

Governments play a vital role in achieving a higher standard of living across agricultural supply chains. Governments in producing and consuming countries alike are the main guarantors of human rights and have the duty to protect and fulfill the right to a living wage by setting up the necessary laws and regulations to create an enabling environment. They should stimulate inclusive economic growth and seek to repair existing inequalities by investing in social capital such as universal access to healthcare, education, social protection, and skill development—working to ensure that those who need it most get access to these benefits.

Governments also have a responsibility to protect people and nature against adverse impacts from irresponsible business activities. The Rainforest Alliance believes governments should enact legislation or binding regulation to require companies to undertake mandatory human rights due diligence. Mandatory due diligence on human rights has the potential to create a level playing field for companies already addressing living wages in their supply chains and give laggards a push to do so, promoting a culture of accountability and building momentum for collaboration in critical landscapes¹⁸.

The Rainforest Alliance urges companies to follow the steps of due diligence identified in the UN Guiding Principles and the Organization for Economic Co-operation and Development Guidelines by:

- **committing to the payment of a living wage throughout its supply chain** in an official living wage policy.
- conducting **due diligence on wages** in collaboration with other companies, sector-wide initiatives, standard-setters, workers, and in consultation with trade unions and worker representatives, identifying where the risk to living wages is biggest (i.e. the countries and supply chains where prevailing wages are still significantly below living wages).
- **remediating cases** where living wages aren’t paid. Addressing the negative impacts of non-payment of living wages depends on whether the business is directly responsible, or has contributed to it by, for example, allowing purchasing practices that do not allow for the payment of a living wage. Remediation must include a review of purchasing practices to discover the best way to guarantee that the true costs of labor are paid for in price negotiations and to create transparency on supplier costs and prices.
- **using their leverage** to make their suppliers change their behavior and ensure they pay a living wage.
- encouraging **collective bargaining agreements** that respect national minimum wage policies and advocating for governments to increase minimum wage and social protection mechanisms.

Notes

1 _____ Castaneda, R.A., Doan, D.D.T., Newhouse, D.L., Nguyen, M.C., Uematsu, H., & Azevedo, J.P. W.D. 2018. A new profile of the global poor. *World Development*, 101: 250–267 at

2 _____ World Bank's International Poverty Line is currently set at \$1.90 (PPP, 2015). The International poverty line is based on examination of the national poverty lines from some of the poorest countries in the world, and conversion of the lines to a common currency by using purchasing power parity (PPP) exchange rates. The PPP exchange rates are constructed to ensure that the same quantity of goods and services are priced equivalently across countries.

3 _____ "Agricultural workers and their contribution to sustainable agriculture and rural development" / FAO-ILO-IUF. – Geneva: ILO, 2007 at 40–43.

4 _____ Ibid., at 29 and 40.

5 _____ ILO. 2018. Women and Men in the Informal Economy: A Statistical Picture. Geneva. In developing countries, over 90 percent of agricultural workers are informal.

6 _____ The Sustainable Development Goals and the Living Wage/ The Living Wage Foundation at https://www.livingwage.org.uk/sites/default/files/LW_SDG_Report.pdf

7 _____ ILO Decent Work agenda includes employment creation, social protection, rights at work, and social dialogue, <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm> ; ILO Declaration on Social Justice for a Fair Globalization , adopted June 2008 http://ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms_371208.pdf

8 _____ Georgiadis, A. Efficiency Wages and the Economic Effects of the Minimum Wage: Evidence from a Low Wage Labour Market. *Oxford Bulletin of Economics and Statistics* (2012).

9 _____ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth/targets.html>

10 _____ Wage-led Growth An equitable strategy for economic recovery, ed.by Marc Lavoie and Engelbert Stockhammer, Palgrave Macmillan UK (2013), 7–99.

11 _____ Ibid.

12 _____ For the business case on paying a living wage with evidence from multiple employers see the UK Living Wage Foundation latest report <https://www.livingwage.org.uk/good-for-business>. For the general business case of compliance with human rights see *Business and Human Rights: From Principles to Practice*, ed. Dorothee Baumann-Pauly, Justine Nolan (Routledge 2016) at 11–22.

13 _____ ILO Convention No. 26 for determining minimum wages (Revised in 1970: Convention No. 131) ; Freedom of association and the recognition of the right to collective bargaining (87, 98) ; Elimination of all forms of forced or compulsory labor (29, 105) ; Effective abolition of child labor (138, 182) ; Elimination of discrimination in respect of employment and occupation (100, 111) ; ILO convention 95: Protection of Wages Convention (1949); ILO Convention 1: Hours of Work (1919) ; ILO Convention 155: Occupational Safety and Health Convention (1981).

14 _____ This requirement doesn't apply to small farms that are members of a group

15 _____ <https://www.globallivingwage.org/>

16 _____ The Salary Matrix Tool and the related methodology was developed as part of the project entitled "Next Steps in Sustainability: Measuring Impact and Assessing Living Wages" sponsored by IDH's Sustainable Trade Initiative and other private entities, and executed by the Rainforest Alliance from 2016 to 2019.

17 _____ Factors relevant for contextualization are the size of the company, the location of its activities, the situation in a particular country, the number of business relationships, the sector, and the nature of the products or services involved, among others.

18 _____ The Rainforest Alliance position on due diligence <https://www.rainforest-alliance.org/sites/default/files/2019-12/Due-diligence-legislation.pdf>

19 _____ OECD Guidelines for Multinational Enterprises, 2011, Chapter V, 4B. The OECD Guidelines is inspired by the ILO wording of living wage as laid down in the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. The OECD Guidelines state that: "when multinational enterprises operate in developing countries, where comparable employers may not exist, (they should) provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise but should be at least adequate to satisfy the basic needs of the workers and their families."

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