

MANAGEMENT RESPONSE

Baseline Report of the RA2020 Living Wage
Strategy Evaluation



**RAINFOREST
ALLIANCE**



ABOUT THIS RESPONSE

In July 2022, the Rainforest Alliance commissioned a baseline study to evaluate our Living Wage approach as outlined in the 2020 Sustainable Agricultural Standard. The study was carried out by the Institute of Development Studies (United Kingdom), in collaboration with their local research partners Fundação Getulio Vargas Center for Sustainability Studies (Brazil); Alliance Bioversity International (Colombia); Centre for African Bio-Entrepreneurship (Kenya) and an independent consultant (Indonesia). The research team designed and carried out the evaluation, gathering data from a sample of certificate holders, supply chain actors and experts.

In accordance with the ISEAL Impacts Code of Good Practice, we disclose the terms of reference and the final report of this study alongside this response. In this response, we want to share the key learnings that we have drawn and how we intend to utilize them.

WHY A STUDY ON OUR LIVING WAGE APPROACH?

Farm workers are among the occupational groups with the highest incidence of extreme poverty. The main reason for this is the persistent low wages that are built into existing business models. Minimum wages are often set at levels that are too low to protect workers from falling into poverty, and this is further exacerbated by the high levels of informality and low labour rights protection that are prevalent in many agricultural supply chains.

Compared to the 2015 UTZ Code of Conduct and 2017 Rainforest Alliance Sustainable Agriculture Standard, the 2020 Sustainable Agriculture Standard is more data driven. Specifically on the topic of living wages, it requires producers to measure their potential living wage gaps and supply chain actors to be more proactive in their support of certified suppliers.

Now that the Certification Program based on the 2020 Sustainable Agriculture Standard has been fully implemented, we can look at how the mechanisms we propose in our standard work and what impact they have on the ground. With this study, we sought to gain insight into how our Theory of Change works in practice, and how its elements relate to one another. Although the study was meant to set a baseline, the research team had the mandate to provide recommendations to improve our work, based on the outcomes of the research.

It is important to highlight the explorative nature of this research, covering a newly launched approach using a small sample size. Nonetheless, this study provides preliminary insights into our living wage approach.

METHODOLOGY

The study was meant to provide a baseline assessment of the outcomes and effectiveness of the 2020 Sustainable Agriculture Standard requirements related to living wage, as well as the tools related to it. Data was collected through semi-structured interviews with Certificate Holders, Supply Chain Actors and key informants. In the four countries under study, the following data collection was done:

- Brazil – coffee sector, context analysis and three case study farms
- Colombia – banana sector, context analysis and four case study farms
- Indonesia – tea sector, context analysis only due to lack of access to farms
- Kenya – tea and coffee sector, context analysis and four case study farms

KEY LEARNINGS FOR THE RAINFOREST ALLIANCE

Communication and expectation management

The study shows that it is difficult for Rainforest Alliance certificate holders and other stakeholders to understand how the different tools and systems are set up and what the



specific role and responsibility is for different supply chain actors. For example, when it comes to the Wage Improvement Plan, this is currently a mechanism through which supply chain actors can set contributions to the improvement of wages. But, since the mechanism is not in place across all sectors and contexts we work in, it would not be fair to scrutinize, rather than encourage, certificate holders on these efforts.

Parameters of the Salary Matrix Tool

Another point raised in the study relates to the parameters of the Salary Matrix Tool, more specifically around quantifying in-kind benefits. We know that we need to keep the balance between transparently reporting the actual benefits to workers and overcomplicating the work that needs to be done by certificate holders and auditors. We are working together with our partners, including the Global Living Wage Coalition, to assess how to best handle simplifying this approach.

Worker representation

As we have discovered together with certificate holders since the implementation of the 2020 Standard, the requirement to develop a Wage Improvement Plan in consultation with worker representatives created parallel systems to existing mechanisms, which was not the intention of our approach. Therefore, version 1.3 of the standard no longer requires involvement of worker representatives in creating a Wage Improvement Plan, yet it is still a self-selected criterion. Through this, we hope to improve worker representation in contexts where it is not yet embedded in the business as usual.

RECOMMENDATIONS BY THE RESEARCH TEAM

The research team provided recommendations related to three main points:

1. Stronger relationship building with farmers and workers on the ground as well as supply chain actors and other actors related

We concur there is room for improvement in terms of clearly communicating our approach to stakeholders and to further build partnerships. That is why we are currently working hard on our revised approach within our living wage workstreams. During this revision, we're consulting a broader range of stakeholders, making sure we listen especially to the voices of producers.

Since we aspire to make payments of Living Wages the new normal, we want to see as many partners as possible make commitments, but we need to be mindful that the potential for improvement implementation means that unrealistic and timebound goals may not sufficiently help address the root causes of the problem.

We also agree that in locations where unionization exists, trade unions play an important role in setting and improving wages. Therefore our approach mobilizes existing worker representation where it exists, rather than setting up a new or alternative form. This is also why we're developing trainings and doing consultations on this point. For example, in Costa Rica, where in summer 2023 we conducted a consultation with 8 workers' union organizations, to get their input on creating Salary Improvement Plans in consultation with workers and work representative bodies.

2. Clarifying the actual benefits of the approach

While the Rainforest Alliance could compute sector-level living wage gaps separately and only from aggregated data through the SMTs, this would hamper the ability of market partners to make designated contributions, as well as limit the insights market partners and certificate holders will have within their own supply chains and/or organizations. Furthermore, the approach would not align with the EU Human Rights Due Diligence guidelines.



The Rainforest Alliance will strive to better communicate to supply chain actors that their living wage contribution would almost always result in a partial reduction of the living wage gap. We agree this is important to acknowledge and communicate to market partners, which we do and will continue to do at every opportunity. Making strides on living wage is hampered in the absence of commitments from all buyers.

3. Further contextualizing the approach

The researchers point out that a feasible option to avoid sourcing shifts from areas with a high LW gap might be to define a fixed LW premium per unit sourced by the SCA, independent of the sourcing country. However, this doesn't feel very realistic, as it doesn't account for contextualization. Our program considers the potential unintended consequences of its program and designs to mitigate these risks.

Pricing is definitely an important part of certification, and while Rainforest Alliance certified farms often generate higher prices for their crops, a system that focuses primarily on pricing disregards other critical elements that influence whether or not farmers can lift themselves out of poverty and subsequently pay a living wage. For example, price-based systems depend on the willingness of buyers to pay a fixed minimum price for a certified product, but this approach is of little use to farmers who are not lucky enough to have such customers. Rather than emphasizing price, our approach is holistic and focuses on helping farmers grow their businesses and become more profitable and resilient through training in farm management and financial literacy as well as market access. We support farmers in increasing their incomes and conserving their soils and natural resources, all of which empowers them to have more control over their futures.