A photograph of a banana plantation with rows of banana trees and large green leaves. A blue speech bubble is overlaid in the center.

# Closing the Living Wage Gap in Supply Chains



the sustainable  
trade initiative

# WHO ARE YOU TALKING TO FROM IDH?

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Tony Bruggink

Global Director Retail &  
Fresh & Ingredients



Jordy van Honk

Global Director Agri  
Commodities



Sibbe Krol

Senior Program Manager  
Apparel



Carla Romeu Dalmau

Living Wage & Living  
Income Strategy Lead

# MENU

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CHAPTER 1  
**LIVING WAGE  
ESSENTIALS**



CHAPTER 2  
**WHAT DID WE  
LEARN?**



CHAPTER 3  
**WHAT DOES IDH  
OFFER?**



CHAPTER 4  
**DISCUSSION**

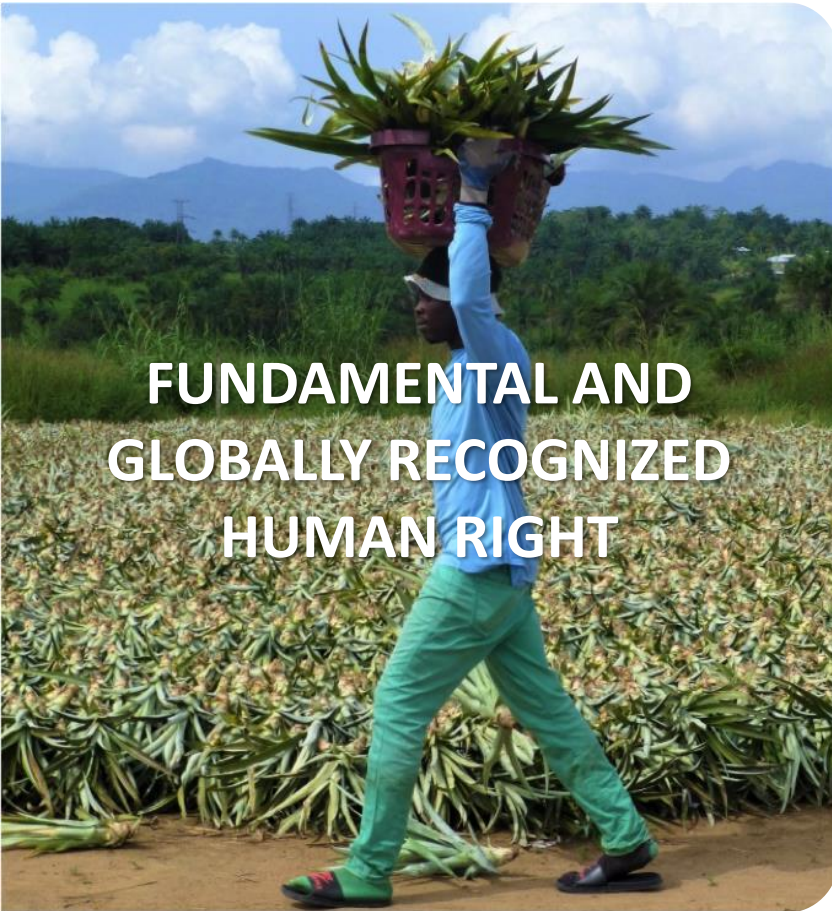


## CHAPTER 1

# LIVING WAGE ESSENTIALS

# WHY A LIVING WAGE?

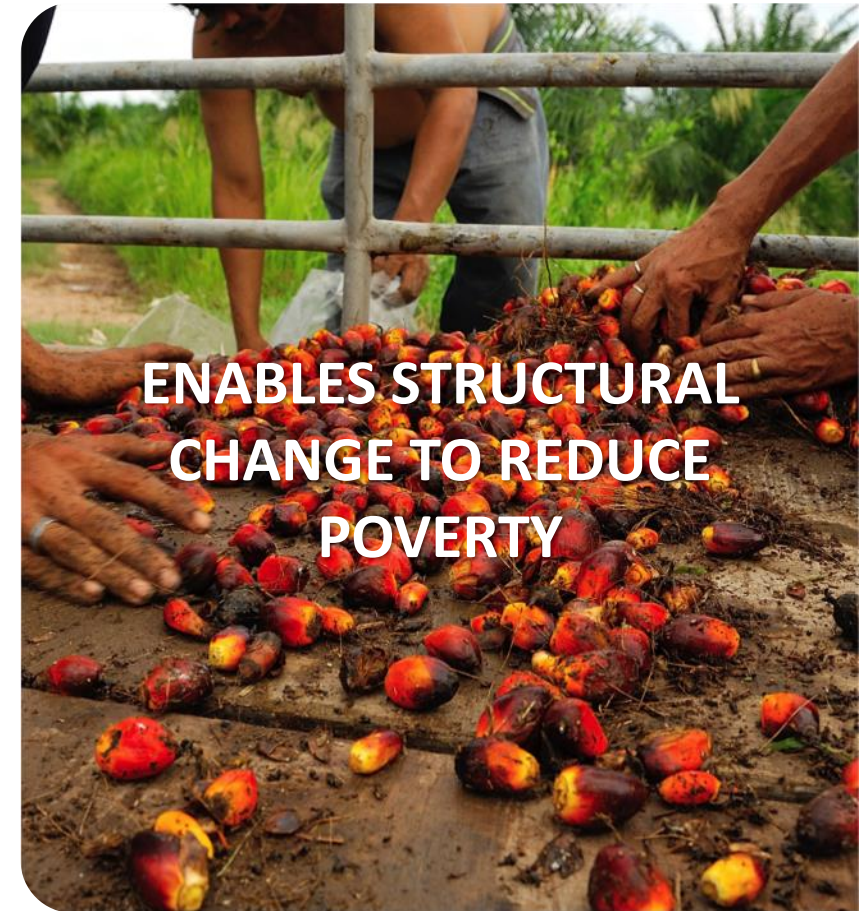
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**FUNDAMENTAL AND  
GLOBALLY RECOGNIZED  
HUMAN RIGHT**



**ALIGNED WITH HUMAN  
RIGHTS DUE DILIGENCE**



**ENABLES STRUCTURAL  
CHANGE TO REDUCE  
POVERTY**

# WHAT IS A LIVING WAGE?

The remuneration received for a **standard month** that is sufficient to **afford a decent standard of living** for a worker and her or his family.

**LIVING  
WAGES  
NEED TO BE  
SPECIFIC  
TO A  
PARTICULAR  
PLACE AND  
TIME**

# WHAT DOES A LIVING WAGE INCLUDE?



Food



Water



Housing



Education



Health care



Transportation



Clothing



Other essential needs  
including provision for  
unexpected events

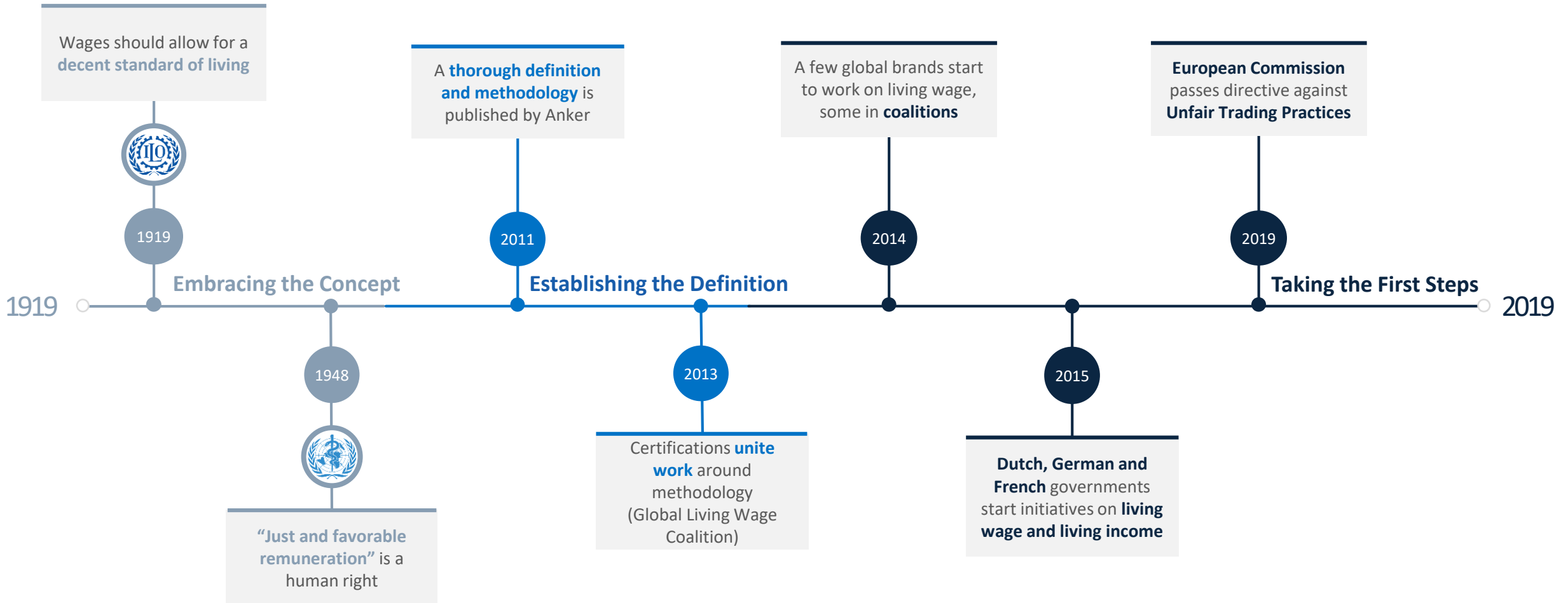


## CHAPTER 2

# WHAT DID WE LEARN?



# A BRIEF HISTORY OF LIVING WAGE



# IDH & LIVING WAGE

**Malawi Tea 2020:** First supply chain commitment to close the living wage gap while revitalizing the tea industry



2014

**Sustainability Initiative Fruit And Vegetables:** Engaging local and global banana stakeholders for living wages in Costa Rica, Belize, Ecuador and Ghana



2016



**Salary Matrix:** Tool to measure current wages at farm level created by IDH, Rainforest Alliance, with support from Fyffes and IPL



**Eosta - Avocados:** Pilot on living wage and living income of organic farms in Kenya

2018



2015

**Race to the Top:** Creating a win-win by improving working conditions and profitability in apparel and footwear factories in Vietnam



2017

**Floriculture Sustainability Initiative:** A supply chain approach on living wages and wage setting in Ethiopia, Kenya and Tanzania



2019

**Beyond chocolate:** Belgian commitment that cocoa growers will earn at least a living income



**Banana project:** Country-wide commitment from Dutch retailers to close the living wage gap in the banana supply chain

# WHAT DID WE LEARN?

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1. Set the Scope
2. Gather Insights
3. Take Action

## WHAT WORKS FOR BUYERS?

## WHAT TO TAKE INTO CONSIDERATION?

1. By working on many countries at the same time you ensure an equal playing field between producing countries
2. A coalition works better when:
  - Company's leverage is limited (e.g. small market shared; short term sourcing relationship; long value chain)
  - The wage gap is large
  - Enabling environment is challenging (e.g. no country-set minimum wages or wage setting mechanisms like CBAs)
3. There is the need to balance the needs of workers and their families, while maintaining the sector competitiveness and the jobs

1. Improve quality & productivity linked to increases in wages
2. Strengthen wage setting mechanisms
3. Increase workers in-kind benefits
4. Enhance workers' skills & voice
5. Improve health & safety
6. Improve human resource management

## WHAT WORKS FOR SUPPLIERS & WORKERS?



## Set the Scope

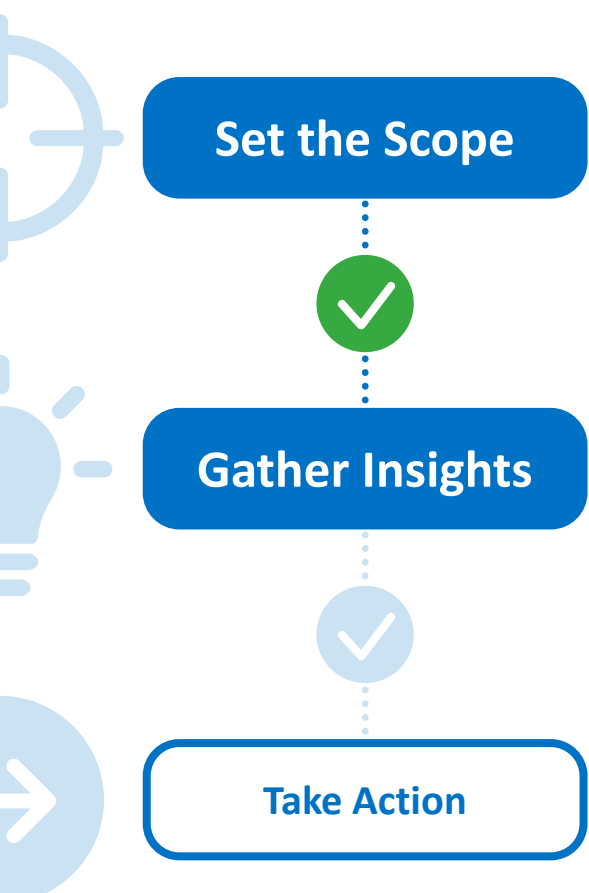


## Gathering Insights



## Take Action

Based on the outcome of the due diligence process, choose the products and suppliers/locations



Set the Scope



Gather Insights



Take Action

## Leverage

- Do you buy substantial percentage?
- Do you have a reliable relationship?

## Enabling Environment

- Are there minimum wages?
- Are there collective bargaining agreements?
- Is there supply chain transparency?
- Do you have support of industry peers?

- What is the Living Wage Benchmark?
- What is current remuneration?
- How large is the Living Wage Gap?

## Gap

## Set the Scope



## Gather Insights



## Take Action

Effectively market and brand the efforts



Set reasonable targets for producers to improve over time

Monitor & Evaluate



Invest on producer activities

Move towards sustainable pricing



Adopt sustainable procurement & trading practices

- Fair terms of payments
- Good planning and forecasting
- Link living wage to the compensation given to commercial buying teams

# WHAT DID WE LEARN THAT WORKS FOR BETTER WAGES AND WORKING CONDITIONS?

## WHAT DID WE LEARN THAT PRIVATE SECTORS NEED?

1. A clear definition & understanding on what a living wage entails
2. A living wage benchmark for the region their suppliers are in
3. A uniform way to measure the gap between the wages currently paid by their suppliers (including in-kind) and the living wage of that region
4. Trust & uniformity between standards
5. Once the gap is known, to understand how to help close this gap
6. Value distribution: to know that if they invest in closing the gap, the money truly ends up in the wallet of the worker & their family (income tax for the worker can increase; rents can increase)

1. Set the Scope
2. Gather Insights
3. Take Action:
  - Set reasonable targets
  - Invest on producer activities
  - Adopt sustainable procurement & trading practices
  - Move towards sustainable pricing
  - Monitor & Evaluate
  - Effectively market and brand the efforts

## WHAT WORKS FOR BUYERS?

### WHAT DID WE LEARN?

## WHAT TO TAKE INTO CONSIDERATION?

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## WHAT WORKS FOR SUPPLIERS & WORKERS?



## CHAPTER 3

# WHAT DOES IDH OFFER?



# WHAT DOES IDH OFFER?

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**To create alignment & give guidance on how to measure the gap**

**To test & design specific strategies to close the gap**

**Convene sector commitments and partner with individual companies**

**To connect, share and spread the knowledge gained**