

Roadmap on Living Wages

Salary Matrix V.2 Webinar Summary Report

On Friday, June 19, 2020, IDH hosted a webinar on the Salary Matrix V.2 — sharing improvements made to the tool for better calculating total remuneration and living wage gaps. The webinar was tailored specifically for our partners who are working on living wage initiatives, measuring workers' remuneration, and taking action to address gaps between current remuneration and living wage benchmarks. Almost 250 participants registered for the session, and around 160 joined online.

The webinar began with a summary of the key role Salary Matrix plays in the [Roadmap on Living Wages](#), the overall approach taken by IDH and companies working on living wages. This followed with a brief background of the tool, an overview of the improvements and changes made, and a basic explanation of its use. The webinar closed with a Q&A session.

In addition to this summary report, you can also watch the [recording of the Salary Matrix webinar](#).

An instructional video with complete details on [how to use the Salary Matrix V.2](#) is available on our website.

1. Introduction

How does the Salary Matrix fit IDH's approach to closing living wage gaps?

At IDH, we have learned that for companies to be able to advance towards living wages, they need:

1. Living wage benchmarks to compare against current remuneration.
2. Tools to measure current remuneration and gaps with the recommended living wage.
3. Credible mechanisms to verify living wage-related claims.
4. Uniformity in market support to implement living wage efforts.
5. Knowledge of field projects on closing living wage gaps for shared learning.

To address these needs, IDH joined forces with partner organizations and companies in 2019 to launch the Roadmap on Living Wages initiative.



IDH Roadmap on Living Wages

The Roadmap on Living Wages is an initiative co-steered by a group of companies committed to advancing living wage efforts in their supply chains. Together with these companies and a technical group of advisors, we are moving forward by improving tools that can help support such efforts, such as the Salary Matrix.

Our Roadmap on Living Wages has five steps. The steps are rooted in the needs companies have when addressing living wage gaps.

Step 1: Gaining a better understanding of how living wages are calculated for a given region

What is the living wage benchmark in a region? Different methodologies can be used to calculate the answer. At IDH, we recommend the use of benchmarks from the Global Living Wage Coalition (GLWC) that use the Anker methodology. But we also recognize that there are other methodologies that can provide benchmarks for regions where there are no GLWC benchmarks available. To support companies in using reliable living wage benchmarks, we have developed [criteria for living wage benchmark methodologies](#) and a process to identify which methodologies comply with said criteria.

Step 2: Measuring how companies and their supply chains are performing against living wage benchmarks

The [IDH Salary Matrix](#) is a tool that enables a better understanding of the total remuneration workers are receiving. The tool supports the calculation of wages, bonuses and in-kind benefits. And, it also allows for a comparison with the recommended living wage benchmark.

Step 3: Verifying the information that goes in to calculating remuneration and gaps

The Salary Matrix V.2 tool is available to any certification, sustainability, and auditing schemes that would like to use it as part of their array of tools for verifying living wages. Those schemes could support companies interested in getting their information verified and moving from the use of the Salary Matrix as a self-assessment to a checked one.

Step 4: Creating strategies and building business models that can help close living wage gaps

Through the above three steps, companies are able to move forward to Step 4. For the past five years, IDH has been implementing a series of projects that have yielded a variety of key learnings and we will continue to support the development and testing of such business models.

One example is the [Banana Retail Commitment](#), where Dutch retailers have committed to sourcing 100% of the bananas sold in the Dutch market from companies that can report progress on living wages.

During 2020, these retailers are using the Salary Matrix to map living wage gaps — with the objective of reducing gaps over the next five years by at least 10% every year, reaching 2025 with a closure of at least 75%. As such, the tool is enabling the connection between a market commitment and the entire supply chain.

Step 5: Sharing learnings from work in the field

Our efforts and those of our partners yield important lessons that we must share. Communication is an important part of the IDH Roadmap on Living Wages, and we will continue to share information through our website, publications, participation in conferences, our newsletter, and webinars such as this one.

2. IDH Salary Matrix

How did the tool for calculating living wage gaps come about?

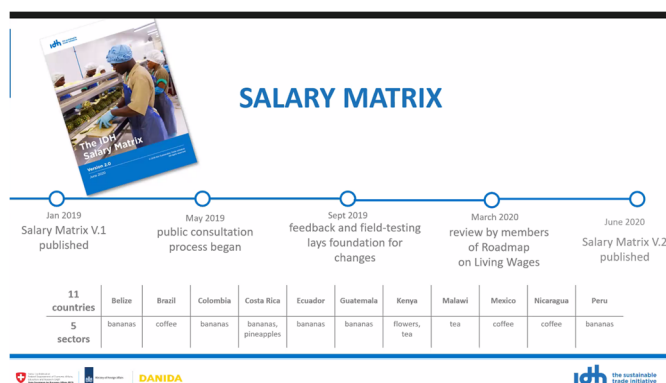
The original Salary Matrix tool was published in January 2019, as part of a project with Rainforest Alliance and other partners. Its core purpose is to help calculate the remuneration that workers receive — including wages, bonuses and in-kind benefits — and compare that remuneration to the recommended living wage benchmark.

The tool is also useful for tracking progress over time, supporting work with certification programs, many of whom are introducing living wages into their ambitions and requirements, as well as communicating about living wage throughout the supply chain. Above all, it enables users to raise awareness about living wages.

Following the launch of Salary Matrix V.1, IDH held a public consultation process, from which valuable feedback and suggested improvements were collected from companies and partners. All relevant feedback was adopted, and new testing took place in 11 countries and 5 sectors: coffee, pineapples, bananas, flowers, and tea. After a review by the members of the Roadmap on Living Wages, Salary Matrix V.2 was released.

The updated tool, available in Excel format, is now freely available for everybody to [download](#).

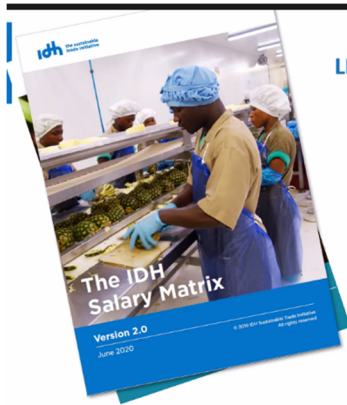
In the future we will publish a digital version.



What improvements were made in Salary Matrix V.2

A host of performance adjustments and new features were added to Salary Matrix V.2:

- Specific requirements of in-kind benefits and bonuses in order to be included in the calculation of remuneration.
- Clear instructions for calculating the value of in-kind benefits.
- Listing of all individual employees in addition to groups of individuals in job categories.
- Division of workers by gender, allowing for gender-specific analyses.
- Inclusion of payment structures that are incentive-based or bonuses that often make up a significant part of the remuneration.
- Reflection of local standard workweeks when available and defers to 48-hour workweeks when not.
- Increased number of production seasons, allowing commodities or manufacturing that work in more than two seasons to use the tool as well.
- More complete results, including living wage gaps, living wage gaps per gender, and percent of remuneration paid in in-kind benefits.
- Data sharable with IDH for the creation of visual graphs (not automatically generated in the tool) that help to display data in a user-friendly format.



LEARNINGS AND IMPROVEMENTS WITH SUPPORT FROM THE TECHNICAL ADVISORY COMMITTEE

- Guidelines to be met for in-kind benefits
- Individual data versus job categories
- Incentive payments and bonuses
- Standard work week



GUIDELINES FOR IN-KIND BENEFITS

to be included, must be:

- directly **reduce the cost** of basic living for a worker
- **accepted** by the workers as being valuable,
- **regularly** provided,
- **expected** in advance,
- aligned with **working hours**
- and **not be mandatory** by law.



Food



Transportation



Family Housing



Medical Services



Children's Education



Childcare



GUIDELINES FOR IN-KIND BENEFITS

value will be derived by:

- Determining the cost to the employer

with automatic limits built into the tool:

- **Total value** of all in-kind benefits < **30%** of the remuneration
- **Individual benefits** < **10%** of the remuneration (housing < 15%)



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How do I use Salary Matrix V.2?

To use the tool, specific data needs to be input across a series of tabs, from left to right. Results are then generated based on this data. A video detailing how to fill out the tabs is available on our [Salary Matrix](#) webpage.

Tab 1 (Cover): General instructions

You can start using the tool as soon as the necessary information listed is at hand. Blue boxes provide more detail on how to complete the inputs. Yellow cells indicate where data should be entered, and green cells display the results.

Tab 2: Facility information

Collects specific information about the location, the production type, and the production seasons.

Tab 3 and 4: Job categories and number of workers

Collects information on work areas, job categories, and the total number of men and women in each category.

Tab 5: Wages and bonuses

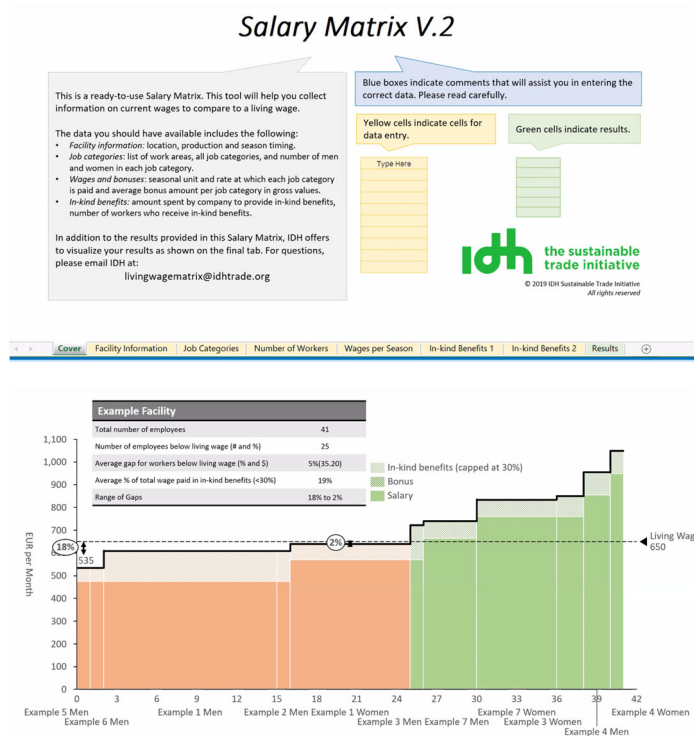
Collects key information on seasonal units and rates paid, hours worked, and average bonuses per job category or individual.

Tab 6 and 7: In-kind benefits

Collects information on which in-kind benefits are provided, the value of those in-kind benefits based on the amount spent by the company, as well as the number of workers receiving the benefits.

Tab 8: Results

Displays results once all the information has been added. Four tables provide full insights into the data. IDH can supply a visualization graph of the results on request (an example is included in this tab).



3. From the audience

Questions and answers

Q. Where do I find benchmark numbers to start addressing living wage?

A: Visit the [Global Living Wage Coalition's website](#) for benchmarks developed using the Anker methodology. They cover a variety of countries and regions. If you cannot find the benchmark for your desired region, check the [IDH website](#) for an IDH-recognized Living Wage Benchmark Methodology. In [step 1](#), you will find the criteria for recognizing said methodologies.

Q. Will IDH facilitate access to recognized benchmark numbers?

A: As we have recently launched our process for recognizing benchmarks, we plan to make available a list of recognized methodologies later this year. We encourage organizations managing such methodologies to apply to this recognition process. Additionally, we recommend visiting the [ALIGN website](#) that has additional resources.

Q: Will IDH make the Salary Matrix tool digital?

A: We have begun the process of creating a digital tool, which will be available in the future. The goal is to make it more user friendly, reduce the number of times facilities have to fill in data, and to get different systems to speak to each other. We also hope this will reduce the time for facilities to collect and communicate their data.

Q: Why did IDH test the Salary Matrix in specific countries, and how are we moving forward?

A: The testing was open to any interested volunteers. Additional testing was done in bananas because this is the sector where the tool was originally created. The next step was to test the tool in other sectors IDH works with, for instance pineapple, tea, flowers, and coffee.

Over 500 users have downloaded the Salary Matrix in many parts of the world and are using it on their own.

Q: How will the data be shared among different players?

A: The owner of the information is the facility owner. The information will only be shared if they agree and authorize that. It is not public information. People can use the tool without any connection to IDH or other organizations by simply downloading it from the website.

Q: How does IDH work with certification schemes?

A: We created the tool to facilitate access to anybody that wants to use it. But we want to make sure that, for projects where we are involved, there is a minimum set of requirements to ensure that the information is accurately collected and checked. That is the reason why Step 3 of the Roadmap on Living Wages exists: to enable the level of trust we need around the data. We hope certification schemes can help in that endeavor, using or adopting this tool or their own but following those minimum requirements. We envision signing agreements with the schemes and others that will be able to perform such checks.

More information

Please visit our website: www.idhsustainabletrade.com/approach/estimating-a-living-wage/

We also made a [recording of our Webinar](#) on the improvements made to the Salary Matrix V.2 for you to watch at your leisure.

Or, get straight to the action and start using the IDH Salary Matrix in accessible Excel format:

www.idhsustainabletrade.com/matrix-living-wage-gap/