

From knowing the living wage gap to closing it

Mid-term evaluation of the project on living wages in the banana sector

Executive Summary

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This report presents the findings of a progress (mid-term) evaluation of the support IDH provided since 2019 to European retailers and their supply chain partners in their commitments to living wages in bananas (in this report referred to as “the project”). The evaluation has been conducted by AidEnvironment in collaboration with IDH staff. The purpose is to evaluate changes regarding the progress achieved so far on living wages at sector and field level in the banana trade sector, how these can be attributed to IDH’s work and what IDH can do better to become more effective in the coming years, especially in the remaining period of the project. The time scope of this evaluation is from 2019 to mid 2023.

The evaluation was conducted through document review and interviews with Dutch, German, Belgium and UK retailers who signed the commitments to pay living wages to the workers of banana suppliers, and interviews with the partners involved in the project. The evaluators also participated in or consulted several webinars that were organised by the project around the theme of living wages, and participated in some meetings by committees related to the Roadmap on Living Wages (referred to as “the Roadmap”). In addition, topics were identified that deserved a deeper understanding, leading to three deep-dive case studies, as follows:

1. The effects of activities conducted and, in particular, the Salary Matrix on local actors, through interviews with traders and producers in producing countries.
2. Experiences of retailers and producers in GIZ supported pilots to implement the commitments on living wages, through interviews with retailers and traders involved in the GIZ pilots (GIZ being a partner that has also adopted the steps of the Roadmap and its tools).
3. The role of labour unions and social dialogue in the process of improving living wages, through interviews with labour unions in Ivory Coast and Banana Link project implementers and resulting webinar.

In total, including the case studies, about 90 different documents were consulted, interviews with 52 key informants were held (10 partners, 10 retailers, 5 international traders, 4 local traders, 6 local producers, 5 labour unions, 10 with IDH staff, of which some were interviewed more than once), and 12 webinars were consulted or participated in. For reasons of developing a methodology that can help IDH to assess over time the implementation of the Roadmap and its tools in other sectors, interviews were also conducted with IDH managers involved in living wage work in other sectors. Preliminary findings of this evaluation were discussed with the IDH project team, contributing to improved understanding and joint reflections.

There is no specific theory of change for this project of ‘improving living wages in the banana sector’.

Rather, the work in this project was structured by the 5 steps of the Roadmap on Living Wages:

Step 1: Align on the use of recommended methodologies that provide living wage benchmarks.

Step 2: Measure current wages and living wage gaps using the Salary Matrix

Step 3: Verify the resulting living wage gap

Step 4: Take actions on closing the living wage gap

Step 5: Share learnings

The evaluators formulated five assumptions that are underlying the rationale and objectives of the 5 steps of the Roadmap, and which make it more explicit what changes are expected with each step. These assumptions are being validated as part of the main conclusions, summarised below. The main conclusions are based on an understanding of the context of the banana sector, the work done by IDH and its partners on living wages in the banana sector, tabular overviews of outcomes that have been achieved in the project (data including 2022, collected by the project), and sections summarising the main outcomes, challenges and lessons per step of the Roadmap.

Main conclusions

- IDH has successfully convened retailer commitments on living wage, making it a key target in the banana sector. The four national retailer commitments have become important drivers to determine living wage gaps and then reducing or closing the living wage gap. From scattered attention, retailers now have joint ambitious targets and willingness to act. This means that the first assumption, being 'Pre-competitive industry commitments are more effective in reaching market scale than individual commitments', is validated for the banana sector.
- The Roadmap on Living Wages has structured and aligned efforts by retailers and other stakeholders to assess living wage gaps, and created broad awareness and understanding on the living wage topic. There is now awareness on the living wage topic among retailers and supply chain actors in the banana sector. Alignment has been achieved on the approach to determine the living wage benchmark and the tools used to measure current remuneration, estimate and verify gaps for workers in large- or medium sized farms (excluding small farms with less than 5 workers, expected to be adjusted to 10 workers). IDH's data-driven approach and tools have provided retailers with a credible basis to work on living wages. Certifiers and auditors are integrating living wage tools and services in their systems. This means that the second assumption, being 'Retailers need reliable data about actual living wage gaps in their supply chain before they are willing and ready to act to close gaps', is validated for the banana sector.
- While a few retailers recently started individual initiatives for closing the living wage gap (in the last year), there is no concrete evidence yet of any reduction or closure of living wage gaps by retailers that were convened by IDH. Companies taking initiatives are not transparent on the finances involved, which producers are involved, and which workers receive additional payment. IDH has had limited direct involvement in these initiatives, which is an indirect result of the fact that IDH did not intend to take an active role in retailer's efforts of closing living wage gaps. This means that the third assumption being 'Uniform and standardized tools to determine and validate the living wage gaps are a precondition for closing living wage gaps at scale', is validated for the banana sector, but experiences in other sectors, within and beyond IDH, show that it is not a condition for companies to start to work on paying higher or living wages.
- Due to the momentum that was created by the commitments signed, producers and worker unions have become aware of the living wage topic. As a consequence, they also raised multiple concerns. Concerns have been mainly about the need of being engaged from the onset, and in processes of setting living wage benchmarks and using the Salary Matrix. Commitments that were signed later (Belgium and UK) have started to engage local stakeholders at an earlier stage in order to address these concerns, with mixed results.
- The current challenges in step 4 to close living wage gaps may pose a risk in the banana sector of losing momentum on realising the overall goal of the commitments (i.e. payment of living wages for all workers). In spite of the fact that some companies are taking initiatives to work on closing the living wage gap, most companies expected practical guidance on the approach to be taken to work on closing living wage gaps, and the mechanisms to do so. Such guidance has so far not been developed by IDH or others. We believe this 'workstream' could have been initiated by IDH in parallel to working on steps 1, 2 and 3. The Living Wage Action guide is not considered as the practical guidance that companies were looking for. The facility to support pilot projects on working on step 4 is not well known by retailers, others did not find it appropriate and thus has not been intensively used.
- To realize the commitment of payment of living wages for all workers, both retailers and local stakeholders have become aware of the need to work on structural barriers through a collaborative and bottom-up process. There is recognition that structural barriers impede efforts to close living wage gaps at scale. The inability of individual retailers to deal with these structural barriers risks failure in meeting the signed commitments. The need to work on structural barriers is also recognized in the German, Belgian and UK commitments, in a recent research by ISEAL, and in a recent survey on voluntary contributions. There is wide recognition that addressing

structural barriers needs collaborative and bottom-up processes with the involvement of local stakeholders. So far there are few concrete experiences on how this can be done. This leads to the fifth assumption, being that *'addressing systemic barriers to payment of living wages at scale and in a structural way (that will sustain in time) requires collaborative action by a wide range of stakeholders'*, which has so far been unable to validate because collaborative bottom-up actions to close living wage gaps has not received much attention until recently.

- IDH's convening role in establishing the commitments has been critical to get companies on board and moving, and creating joint understanding on the living wages concept. Companies and partners appreciate the technical and advisory role on developing tools related to steps 1, 2 and 3 of the Roadmap.
- On step 4, there is a mismatch in expectations on IDH's role as retailers expect more practical guidance on approaches and mechanisms for closing the living wage gaps than IDH has always intended to deliver within this project.
- There is evidence of uptake of the tools developed for steps 1 to 3 of the Roadmap by other sectors, organisations and business initiatives. The project has very much contributed to raise further awareness and alignment on the topic of living wages. It is expected that these organisations will also welcome guidance, lessons and good practices on the next step of closing the living wage gap, and of addressing structural barriers to achieve impact at scale.

Theory of change

In order to frame our recommendations in a wider perspective of realising living wages at scale and supported by an enabling context, we propose a theory of change that can be used for a bottom-up, inclusive and holistic approach of achieving living wages at scale, and to set priorities on structural barriers that need to be addressed. It is built up on the basis of the IDH business unit theory of change, having three pillars of sector governance, field level sustainability and business practices. It includes entry points for all actors that need to be involved in order to achieve payment of living wages at scale: local government, labour unions, local producers, international traders and retailers, certification bodies. It allows for identification of existing barriers and weaknesses, and then setting priorities for joint actions. It also forms the basis for defining key performance indicators to capture progress along a pathway towards the goal of payment of living wages, for any sector.

Recommendations

Specific recommendations for steps 1, 2 and 3 of the Roadmap are (see report for details):

1. Improve guidance to involve local stakeholders in the Roadmap journey steps 1, 2 and 3.
2. Continue to improve the user-friendliness of the Salary Matrix.
3. Further promote capacity building services for medium sized farms (with less than 5 -10 workers) which have difficulties in using the Salary Matrix.
4. Further promote that certifiers and other sustainability initiatives incorporate the living wage gap assessment tools fully in their systems.
5. Support pilots and build up experiences on how to reduce the burden of verification for producers.

Recommendations for step 4 are organised by four workstreams (see report for details).

1. Workstream 1: Motivate and support individual retailers to undertake pilots of closing living wage gaps, through a bottom-up and inclusive approach leading to agreement with local actors (producers, labour unions) on the mechanism to adopt.

Tools to be developed or improved in this workstream include:

- a. A co-funding facility that is better accessible for pilot projects proposed by retailers and traders with their local partners, to pilot initiatives on closing living wage gaps.
- b. Guidance and facilitation to retailers, traders and producers on the approach to build up mutual understanding and partnership relations, as a fundament for more long-term relations.

- c. Practical guidance on different types of mechanisms to make available voluntary contributions, with the pros and cons..
 - d. Practical guidance to retailers and traders on more responsible procurement practices, with different types of practices, the capacities required and the key issues to be addressed.
 - e. Guidance followed by training and capacity building for producers to develop better business models which allow to close living wage gaps.
2. Workstream 2: Initiate and support joint initiatives for an area-based approach to agree on living wages and collective bargaining agreements at scale, and addressing structural barriers to do so through multi-stakeholder social dialogue.
Tools to be developed in this workstream include:
 - a. A diagnostic tool to assess the current state of contextual factors and barriers relevant to payment of living wages in a given context (country, region, production area).
 - b. Guidance and facilitation for bringing together relevant companies and local stakeholders in a given context.
 3. Workstream 3: Deepen collaboration with international institutions such as ILO and UN Global Compact to acquire recognition of living wage as national benchmark for payment of living wages in production origins.
 4. Workstream 4: Explore pre-competitive funding mechanisms which can be used by retailers to pay volume-based contributions while the fund ensures payment of living wages in a responsible way.

With respect to learning, step 5 of the Roadmap, IDH has supported several meetings and sessions to exchange experiences, with engagement of retailers, NGOs and other stakeholders. To support the above workstreams and realise payment of living wages at scale, we recommend to:

- Monitor progress of the project using the KPIs proposed in the previous section, as a basis for combined accountability and evidence-based learning (see for details Appendix 6).
- Associate learning with above 4 workstreams on step 4, especially where guidance has been proposed.
- Organise learning and knowledge sharing sessions and events that include local actors, i.e. producers, exporters, certifiers, labour unions or representatives of local workers.

Role of IDH

The focus of roles by IDH has so far been at international level. In line with above recommendations on step 4, we expect IDH to take up more roles, especially at local level. These roles are related to the above 4 workstreams, as follows:

1. Workstream 1: support gap closure pilots, not only by funding but also by contributing to develop practical guidance, provide training, enhance learning and support continuous improvement, as part of further methodology development of the Roadmap step 4.
2. Workstream 2: Support social dialogue and coalitions to remove structural barriers, not only by convening businesses to join multi-stakeholder initiatives, but also play an active role in conducting diagnostic studies to identify structural barriers, build coalitions to address priority barriers, engage with stakeholders especially local governments, collaborate with partners like GIZ, World Banana Forum and Banana Link, and ensure that living wage tools to determine living wage gaps are properly used.
3. Workstream 3: Deepen collaboration with international institutions.
4. Workstream 4: Identify pre-competitive mechanisms for voluntary payments, not only by funding but also by contributing to design, learning, and monitoring the results of initiatives to test new funding mechanisms.

