

## **Overview on living wage compliance criteria in several sustainability standards / codes**

### Introduction

As promised this table shows how the selected sustainability standards and codes describe living wage within their working rights section. The selection represents often used systems within the food retail.

The SA8000® Standard was the first social responsibility standard to integrate the concept of living wage. Since 2013, the Global Living Wage Coalition (GLWC) has published a series of living wage benchmarks for various countries. SAI recognizes that SA8000 certification bodies and currently certified organizations have been using a different methodology to calculate living wage benchmarks in those countries based on the [SA8000 Guidance Document](#).

Therefore, the GLWC benchmarks are not yet the official living wage requirement for SA8000 certification. SAI will complete a gap analysis of the current living wage calculations and the benchmarks and then provide specific guidance for certification bodies and certified organizations on how to use the benchmark for certification.

You will also notice that not only the timeframes differ greatly (from immediate to complying within 3 years), but also how strict it is formulated or in how far the standard focusses on strengthening collective bargaining processes or puts the responsibility of closing the gap almost entirely with the management. As the requirements on living wages are a new element in almost all standards (effective generally since 2017) except SA8000 audit practice will tell if it is workable, measurable or not.

The classification in major or minor compliance criteria has to do with level of severity when a non-conformity is found during an audit. A smaller number of compliance criteria is classified as major. Fulfilment of these criteria implies compliance with the fundamental principles or sometimes called core criteria that always need to be complied with. If non-conformity with major CC is identified during an audit (renewal or surveillance), this may lead to a suspension of the current certificate or decertification. The minor compliance criteria generally refer to more progress or development oriented criteria. In case non-conformity with these CC are identified the organization receives a timeframe within which they can repair without being suspended.

Table based on descriptions published by standards / codes themselves

Name standard	Rainforest Alliance + UTZ (text is from the new standard currently under public consultation)	Fairtrade Int (FLO)	Amfori (former BSCI social code)
<b>Description</b>	<p><b>3.7 Living wage (core)</b></p> <p>3.7.1 The total remuneration (wages plus cash and in-kind benefits) is reported and assessed against the Living Wage, where a benchmark is available, or the Proxy provided.</p> <p>3.7.2 If workers’ total remuneration is below the living wage estimate/proxy, a wage improvement plan is developed in consultation with worker representatives or an informal workers' committee. The improvement plan applies to all workers (daily, temporary, permanent etc.). Yearly milestones are identified. At a minimum, cash wages increase yearly beyond the national inflation rate.</p> <p><b>Improvement levels</b></p>	<p><b>3.5.4 Wage level increase</b></p> <p><b>In Year 1:</b> If remuneration (wages and benefits) is below the living wage benchmarks as approved by Fairtrade International, your company ensures that real wages are increased annually to continuously close the gap with living wage. The incremental steps and timeline toward the applicable living wage are negotiated with trade union/elected worker representatives.</p> <p><b>Guidance:</b></p> <p>Real wages refers to wages that have been adjusted for inflation. The real wage increase is intended to raise wage levels to an eventual living wage. Once a living wage is reached, wage increases are expected to continue to keep up with inflation.</p> <p>Where living wage benchmarks have not yet been established, regular wage increases are</p>	<p><b>Principle Fair Remuneration</b></p> <p>Business partners observe this principle when they respect the right of the workers to receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families, as well as the social benefits legally granted, without prejudice to the specific expectations set out hereunder. Business partners shall comply, as a minimum, with wages mandated by governments’ minimum wage legislation, or industry standards approved on the basis of collective bargaining, whichever is higher.</p> <p><b>Guidance:</b></p> <p>Prior to the audit, the auditor estimates and calculates living wages in the region. He/ she uses this tab to assess the auditee’s ability to provide coherent information on these topics. The auditor shall not aim at comparing his/her own calculation result to the one provided by the auditee. At this point, the auditor is asked to evaluate the level of understanding that management and workers have</p> <ul style="list-style-type: none"> <li>• Living costs of the workforce in the region •</li> </ul>

	<p><b>3.7.3</b> Total remuneration of workers (cash wages, cash benefits, and in-kind benefits) is at least 75% of the Living Wage</p> <p><b>3.7.4</b> Total remuneration of workers (cash wages, cash benefits, and in-kind benefits) is at least the Living Wage.</p>	<p>required in addition to increases for inflation.</p> <p>Negotiations on annual wage increases do not have to take place every year, as long as real wages increase every year. Negotiations can take place according to industry practice, for instance every year, every two or even three years, depending on the term of the wage agreement</p>	<p>Possible gaps existing between the actual remuneration and the fair remuneration figure • Identifying potential actions to fill the gap</p>
<b>Time frame</b>	Core = Within 1 year	Calculation and negotiation = Within 1 year	Within 1 year
<b>Requirement level</b>	Major for reporting + yearly improvement for reaching Living Wage	Major for reporting + yearly improvement checked for reaching Living Wage	Major for reporting + improvement plan
<b>Calculation methodology</b>	Anker	Anker	SA8000 guide

Name standard	FSC Forest Management	For Life + Fair for Life	SA8000
<b>Description</b>	The Organization* shall pay wages that meet or exceed minimum forest industry standards or other recognized forest industry wage agreements or living wages*, where these are higher than the legal minimum wages. When none of these exist, the Organization shall through engagement* with workers* develop mechanisms for determining living wages.	The employer can demonstrate that the wages (including existing social benefits, in-kind benefits and bonuses) paid to ALL workers for normal working hours are equal to or above living wages (see guidance). Otherwise, the employer shall provide a plan to progressively reach the living wage and apply this plan. A timeframe will be set depending on the available resources and means at the employer level. If no benchmark is available and it would be too complex to calculate the living wage, the employer shall prove that particularly good, participatory and inclusive wages agreements have been made, and this is confirmed by the workers.	The organization shall respect the right of personnel to a living wage and ensure that wages for a normal work week, not including overtime, shall always meet at least legal or industry minimum standards, or collective bargaining agreements (where applicable).
<b>Time frame</b>	Immediate	Within 3 years	Immediate
<b>Requirement level</b>	Major	Minor	Major
<b>Calculation methodology</b>	Anker	Not mentioned, but most likely Anker	SA8000 guide

## NEW DEVELOPMENTS REGARDING LIVING INCOME (SMALL HOLDERS)

### Rainforest Alliance

Rainforest Alliance is exploring new pathways and addresses more extensively than before the prosperity of the farmers and workers. In the newly presented standards (one for plantations and one for medium/small holder farms), a start was made with the introduction of criteria related to living wage and the practices behind farm profitability and living income. In the new standard, there is more focus on productivity and income, which will be explored together with further developments in the chain of custody standard and other requirements for buyers. Finally, addressing gender inequality is more pronounced in the new standard, recognizing the importance of women and girls for development.

## **Implementation through the standard for small holders:**

### **1.9 Living income**

Indicator used = estimated certified crop income compared with living wage benchmark or proxy. Calculation of crop income is linked to criterion 1.8 farm profitability where the gross income is calculated using the sales of the certified crop

All is considered – **improvement levels**

**1.9.1** Group management collects and reports data of group members on the farms size, yields, sales volumes, premium and farm gate prices received over a year for the certified crop. The group management inserts these data in a digital tool to be provided by the Rainforest Alliance, to identify the gap with Living Income or proxy (poverty/income benchmark).

**1.9.2** The gap with Living Income or proxy (poverty/income benchmark) is less than 30%.

**1.9.3** The gap with Living Income or proxy (poverty/income benchmark) is less than 10%.

### **Fairtrade International**

Concept used by Fairtrade International =

A Living Income Reference Price is based on the following key parameters:

1. Cost of a decent standard of living (living income benchmark)
2. Sustainable yields (productivity benchmark)
3. Viable farm size (to fully employ the available household labour)
4. Cost of sustainable production (in order to achieve above mentioned yields)

### **Implementation through pricing system:**

By establishing Living Income Reference Prices, Fairtrade quantifies the gap between market and sustainable prices at farm gate level and emphasizes the need to address price as a crucial factor to attain sustainable supply chains that enable farmers to earn a living income. The price gap is large and it will take considerable effort and commitment from the entire industry to make living incomes possible. The increase of the Fairtrade Minimum Price for cocoa is a first step in a gradual approach to bridge the price gap. Applying today's differential of US\$ 799 between farm gate and free on board (FOB) prices, as per regulated price breakdown in Côte d'Ivoire, the Fairtrade Minimum Price at FOB would have to be US\$ 3,467 per tonne to result in a farmer price that equals the Living Income Reference Price. Hence, a Minimum Price increase from US\$ 2,000 to US\$ 2,400 per tonne closes 27% of the price gap.

It is important to note that for calculating the reference price they focus on the Fairtrade crop as their sphere of influence. Although it is recognized that farm income may well be diversified – and indeed crop diversification is strongly promoted – the formula is based on for instance cocoa as a single crop, assuming that any other farm activity would be as profitable as cocoa and thus generate a proportionate share of a living income.