

CONSULTATION ON LIVING WAGES FOR BANANA WORKERS

Q&A IN RESPONSE TO WEBINAR, SEPTEMBER 2020

GENERAL QUESTIONS

How will you deal with Fairtrade banana origins for which a Living Wage benchmark is not available?

We already have Living Wage benchmark studies and/or Anker Reference Values - both calculated using the Anker methodology - for the nine countries where Fairtrade certified bananas are grown on plantations, including Colombia, Dominican Republic, Ecuador, Ghana, Mexico and Nicaragua with Living Wage Benchmarks and Cameroon, Ivory Coast and Peru with Anker Reference Values. Most of these have already been published, and the remainder will be available at the Global Living Wage Coalition website by the end of October 2020. A full list of countries with Living Wage benchmark studies and/or Anker Reference Values can be found on their website.

Have producers been consulted about the proposals?

Yes. Producers and workers have already been consulted once and are being consulted again during this consultation. Producers were also involved in drafting the proposals as they stand.

How will Fairtrade banana growers - already squeezed by low prices and additional costs caused by COVID-19 - be able to afford wage rises?

It is true that COVID-19 has already caused additional costs for banana growers. However, when setting the 70 percent Fairtrade Base Wage (FBW) level (rising to 75 percent in 2023), Fairtrade took into account the current banana growing and trading environment and we believe these are realistic targets which plantations should be able to meet.

Data on the additional costs for dealing with COVID-19 in 2020 will be collected and analysed as part of the banana price review in 2021. The price review will also clarify whether part of the additional costs of paying the FBW should be reflected in the FMP for 2022. During the price review producers will have an opportunity to provide information on their costs of sustainable production - including wages - which forms the basis for developing the FMP. The cost analysis in 2021 will be based on collected data of costs of production.

We carried out extensive research into current wage levels at Fairtrade banana plantations in order to calculate a fair and achievable base wage for all countries. We also took into account the feedback given by plantations and workers during workshops and consultation with them in November 2019.

Some countries (Colombia or Ecuador, for example) are already close to achieving Living Wages. In others, such as Dominican Republic and Ghana, there is a significant gap to be bridged. We want to set an initial level that is achievable for all and establish a level playing field across all origins, especially given the additional cost burdens imposed by COVID-19.

However, if you feel strongly that the FBW should be set at a different percentage of the Cash Living Wage, please include this in your response to the consultation document, together with your reasons.

Why aren't traders, retailers and consumers being asked to pay more in order to close the Living Wage gap?

Fairtrade believes that we all have a responsibility to pay a fair price for bananas which will enable workers to earn a Living Wage, which is why this consultation engages with retailers and traders, as well as workers and plantation owners. In addition, we have always been clear that buyers, retailers and consumers should support the right of workers to organise and bargain collectively. That said, we have to start somewhere and if we wait for everyone in the supply chain to agree higher prices it's unlikely workers will see the benefits any time soon - indeed, banana prices are going down and are likely to be squeezed even further. We believe our proposals will achieve significant steps towards Living Wages for banana workers, but we will continue to urge all actors in the supply chain to accept their responsibility for enabling Living Wages, by reviewing the Fairtrade Minimum Price (FMP) for banana in relevant origins.

How did you assess the value of in-kind benefits? And what percentage of the Living Wage Benchmark can be counted as in-kind benefits?

It is important to note that in-kind benefits are not part of our strategy for closing the Living Wage gap. In setting the level of the FBW, we are only looking at the cash component of the Living Wage. It is very difficult to estimate the monetary value of in-kind benefits - which varies between different countries and different plantations - which is why we're focusing on the cash components of a Living Wage

According to our internal research on what is currently provided to workers, in-kind benefits make up an average of 10 percent of the Living Wage Benchmark in banana producing countries. Based on this, Fairtrade International accepts that in-kind benefits can form up to 10 percent of the Living Wage Benchmark (but not the cash component of the Living Wage). In order to strengthen our understanding of in-kind benefits and the role they play in decent incomes for workers, we are also in discussion with [IDH](#) about opportunities for alignment and collaboration. Fairtrade is represented on the advisory committee for the [IDH Salary Matrix](#), which considers in-kind benefits.

Do the new proposals apply also to Small Producer Organizations (SPOs)?

No, they are only for plantations (Hired Labour settings) and workers on plantations.

Won't this cause more bureaucracy and confusion for banana plantations - most of whom are dual certified with Fairtrade and Rainforest Alliance?

As the leading global ethical standard setter, Fairtrade believes its proposals are both in line with its mission and principles and the most effective strategy to achieve Living Wages for banana workers. Other organizations may choose to take a different approach, but both Fairtrade and Rainforest Alliance are members of the Global Living Wage Coalition and as such we strive to align our approaches wherever possible. This aim is also shared along with all members of the GLWC.

WAGES

Does the Fairtrade Base Wage depend on sales of Fairtrade bananas?

No. The FBW is not linked to Fairtrade sales or to labour productivity. Every Fairtrade certified banana plantation must pay it regardless of sales volumes, or the percentage of production sold under Fairtrade terms. In those cases where the national minimum wage or current wages are higher than the FBW, there will be no change to wages. However, where current wages and the national minimum wage are lower than the FBW, then the latter must be paid.

What happens if a plantation can't or won't pay the Fairtrade Base Wage?

Ultimately, any Fairtrade certified organization which refuses to comply with the Standard requirements will be investigated by our independent certifier FLOCERT and could be suspended and eventually decertified. However, our proposals have been drafted after thorough research and consultation - and are currently going through another round of negotiation - and we are confident we have come up with a package which will be acceptable to the vast majority of both plantations and workers.

When will the Living Wage gap be completely closed?

Eliminating the Living Wage gap is of course the ultimate goal, but we have not set a date as a requirement under the Standard because we believe that employers and workers have to work together to achieve this target. We are suggesting that companies and trade unions themselves should set the timeline and steps for reaching the Living Wage, because ultimately any agreement will be all the stronger for having been negotiated willingly rather than being imposed.

Fairtrade International also reviews the costs of sustainable production periodically (in consultation with all stakeholders), which also factors in any increase in labour costs.

However, if you feel strongly that Fairtrade should add a fixed date as a condition in the revised standard, please include this in your response to the consultation document, together with your reasons.

Can part of the Fairtrade Base Wage be paid in in-kind benefits?

No. The FBW is calculated as a percentage of the cash component of the Living Wage, therefore the FBW is also a cash wage, and does not include any in-kind benefits. We're not counting in-kind benefits because it's very difficult to estimate their monetary value which vary between different countries and different plantations, and because we're focusing on the cash components of a Living Wage.

PREMIUM

By using some of the Fairtrade Premium to close the Living Wage gap, aren't you in danger of taking money away from community projects such as healthcare or education?

It's true that some of the cash to close the Living Wage gap could come from Premium funds, but this is a temporary measure to plug the gap until wages rise to the level of the net Living Wage. Fairtrade's priority is to achieve a Living Wage for banana workers, and if that means using some of the Premium in the short term - within strict parameters - we believe that is the right thing to do. We also recognise the importance of community projects, which is why we have set 50% as a maximum.

Why the maximum amount of Premium to be used disbursed in cash is set at 50 percent? Why not more if it is needed?

Although our priority is to close the Living Wage gap, we also recognise that many essential community projects could be affected if more than 50 percent of the Premium is disbursed as cash. We have to strike a balance between closing the Living Wage gap and allowing Premium funds to be used for community projects. However, if you feel strongly that the maximum percentage of Fairtrade Premium allowed to be disbursed as cash should be higher than 50 percent, please include this in your response to the consultation document, together with your reasons.

Some plantations are using 20 percent of the Premium as a cash bonus, as it is currently allowed by the Fairtrade Standards. Can this 20 percent be considered as part of the mandatory 30 percent?

No, the 30 percent is mandatory while the 20 percent is optional. The Fairtrade Premium Committee, which is responsible for managing the Premium, *must* disburse up to 30 percent to close the Living Wage gap. The optional 20 percent *may* still be used on top of the 30 percent if workers so decide. Note that if less than 30 percent is needed to close the gap completely for all workers, then only the required amount is mandatory.

Is the 30 percent Fairtrade Premium usage mandatory?

Up to 30 percent is mandatory if there is a Living Wage gap, even if the gap concerns a minority of workers. If closing the gap requires less than 30 percent, then only the required amount is mandatory. If all workers are earning wages at or above the net Living Wage benchmark, using the Premium as cash or vouchers is not permitted. Our objective is to promote collective bargaining for negotiated wages to plug the Living Wage gap, so that cash use of Premium is no longer necessary for workers to meet their essential needs.

How will this mandatory payment be enforced, given it is not legally binding under national laws?

Many Fairtrade Standard requirements are not enshrined in national law. The proposal on mandatory use of the Premium will be monitored as part of the FLOCERT auditing process in the same way as any other requirement under a Fairtrade Standard.

Collective bargaining agreements (which themselves may be legally binding under national law) do not generally prohibit employers and unions negotiating further bonuses or other remuneration on top of existing rates. However, it is important to understand that Premium use (cash or vouchers) cannot be part of any collective bargaining agreement, and that Premium cash bonuses will not be considered part of actual wages to determine the Living Wage gap.

How will the Fairtrade Base Wage and the Premium cash bonus be paid?

There is a clear distinction between the FBW and the Fairtrade Premium. The FBW must be paid at the same frequency as current wages are paid (e.g. weekly, fortnightly or monthly). For temporary, seasonal, part-time or migrant workers, the FBW must be paid pro-rata at the same rate as for full-time workers.

The Premium cash bonus is a temporary bonus paid on top of the FBW, and it is up to the Premium Committee to decide the frequency and amount paid.