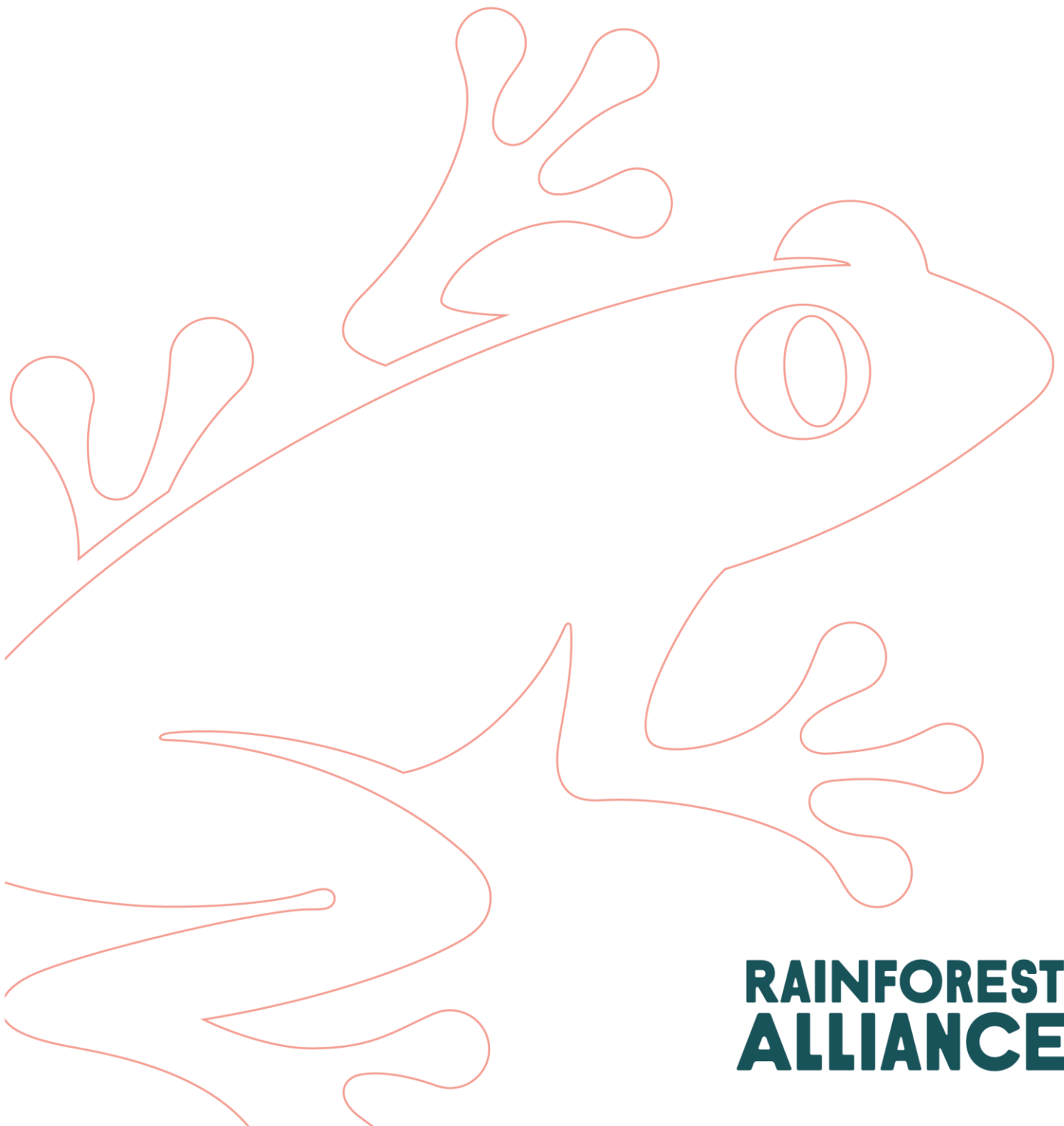


Annex 9

Methodology for Measuring Remuneration and Gaps with a Living Wage

Version 1

Date: June 2020



**RAINFOREST
ALLIANCE**



Translation Disclaimer

Translation accuracy of any Rainforest Alliance sustainable agriculture certification program document into languages other than English is not guaranteed nor implied. Any question related to the accuracy of the information contained in the translation, refer to the English official version. Any discrepancies or differences created in the translation are not binding and have no effect for auditing or certification purposes.

More information?

For more information about the Rainforest Alliance, visit www.rainforest-alliance.org or contact info@ra.org

Issue Date:	Binding date:	Expiration date:
June 30 th , 2020	July 1 st , 2020	Until further notice
Developed by:		Approved by:
Rainforest Alliance Department Standards & Assurance		Chief Supply Chain Officer
Linked to (code and name of documents, if applicable):		
SA-S-SD-1-V1 Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm requirements		
SA-S-SD-9-V1 Salary Matrix Tool		
SA-S-SD-11-V1 Living Wage Benchmarks per Country		
Replaces:		
Not applicable		
Clause or requirement number and text (if applicable):		
5.4.1, 5.4.2, 5.4.3, 5.4.4		
Applicable to:		
Farm Certificate Holders		
Country/Regions:		
All		
Crops:	Type of organizations:	
Tree crops (such as coffee, cocoa) and tea, fruits (such as bananas, coconuts and pineapples), nuts (such as hazelnuts) and cut flowers. Vegetables and palm: subject to confirmation	Small and large farms	



Contents

Self-evaluation	4
Introduction	4
Objective	4
Glossary	4
Basic Principles	5
Necessary Information	5
Results	8
Annex A. Guide to insert data in the Salary Matrix for a Living Wage Gap Analysis	9



SELF-EVALUATION

Introduction

This methodology was developed as part of the project entitled "Next Steps in Sustainability: Measuring Impact and Assessing Living Wages" sponsored by IDH, The Sustainable Trade Initiative, and other private entities and executed by Rainforest Alliance from 2016 to 2019. These organizations collaborated with the Global Living Wage Coalition (GLWC) to develop two benchmark studies of living wages in Costa Rica and Belize. These reference studies were developed using the Anker Methodology for Estimating a Living Wage and covered regions particularly dedicated to the production of bananas in both countries.

Beyond the benchmark studies of living wages, seven pilot farms volunteered to better understand 1) how their salaries, bonuses, and benefits are calculated and 2) how this total remuneration compares with the living wage recommended for each country, thus preparing themselves to address possible gaps. This research led to understanding the complexity of the compensation models and to developing a methodology to measure remuneration and gaps with living wages.

The first part of the methodology is a self-evaluation in the form of a matrix, where the company can determine the total remuneration (compensation) of its workers and its performance with respect to living wages. This Annex 8: Salary Matrix for a Living Wage Gap Analysis (the "**Salary Matrix tool**") gathers the data needed to engage in conversations with key stakeholders in the value chain to address possible gaps.

During 2019, the Rainforest Alliance and its counterparts will develop the second part of the methodology, which includes a guide for auditors. This guide will include the evaluation protocol through documentation review and interviews with both the administration and the workers.

Objective

To guide the users of the Salary Matrix for a Living Wage Gap Analysis in the process of data collection, use of the tool, and interpretation of the results.

Glossary

- **Salary:** cash payment (or wages) received by a worker for a specific period, usually biweekly or monthly.
- **Piecework work:** jobs in which payments (or wages) are made based on the number of units produced/worked during a specific period.
- **Bonuses:** additional monetary payments granted to workers for performance and daily quality. Bonuses that do not depend directly on the worker are excluded.
- **In-kind benefits:** non-monetary benefits such as food, transport, and housing that reduce the amount of cash income that workers need for a decent standard of living. The Anker Methodology for Estimating a Living Wage includes rules on how to value in-kind benefits to ensure their value is fair and reasonable.
- **Remuneration (or compensation):** the total amount of salary, bonuses, and value of in-kind benefits granted to a worker in a specific period.
- **Proratio:** adjustment of salary to a fixed period (48-hour week in this case). Therefore, if a worker earns a salary but works an average of 60 hours per week, the salary is then prorated to a 48-hour week.



- **Living wage:** remuneration or compensation for a standard 48-hour work week sufficient to pay a decent standard of living for the worker and his/her family. The elements of a decent standard of living include food, water, housing, education, medical care, transportation, clothing, and other essential needs, including the provision for unexpected events ([Global Living Wage Coalition](#)).

Basic Principles

The calculations of remuneration (salaries, bonuses, and benefits) and gaps through this tool are based on the following basic principles:

1. Workers receive their salary in various ways. There are workers with a fixed salary (daily, weekly, biweekly, or monthly) and workers who receive their salary through piece-rate payments (units completed). For the latter, the final salary depends on the number of units worked and, on occasion, other factors (e.g., the number of workers in their team or the price per unit completed). For these workers, salary is calculated based on the average number of units worked during an average daily and weekly period. This calculation can be adjusted for different seasons of the year (e.g., high and low production seasons).
2. Average monthly salaries for workers are calculated based on a work schedule of 48 hours per week and 26 days per month, which is the working day that the Anker Methodology for Estimating a Living Wage stipulates. The remuneration and the gaps between it and the living wage are then calculated on a prorated basis for that work schedule, excluding overtime. This practice is also common to evaluate compliance with minimum wages.
3. If less than 48 hours per week are worked due to the very nature of the position (e.g., high risk or intensity positions), the Matrix compares the real average salary without prorating against the living wage. The reasoning is that workers with less than 48 hours work only earn their real salary and do not earn more (e.g., it would be unrealistic to prorate salaries for a period of 48 hours as workers in high risk positions will never work 48 hours).
4. Average monthly salaries that do not equal or exceed the minimum wage stipulated by law are adjusted at the end of the month to meet at least minimum wage requirements (e.g., positions with piece-rate payments when the salary for the work done do not exceed the minimum wage).
5. In addition to salary, bonuses for performance and quality that depend directly on the worker are added, as stipulated in the glossary.
6. In-kind benefits that represent lesser expenses for workers to maintain a decent living are considered valid for inclusion in the analysis (e.g., highly subsidized or donated food services, transport service from home to the workplace and vice versa, school supplies and uniforms, private medical services, and family housing). Benefits such as recreational activities or construction of facilities for meetings are not valid as they do not represent less expenses for the worker. The value of in-kind benefits is estimated according to the reference values established in the benchmark report (see detail in the section below). Therefore, the complete valuation of in-kind benefits can only be completed once the living wage benchmark is available for the region in question. The value of in-kind benefits cannot represent more than 30% of the remuneration received.

Necessary Information

The following data is necessary for the use of the Salary Matrix for a Living Wage Gap Analysis. Some data depends on the nature of the business or sector in which the company belongs and the area where it is located; others depend on the policies of the company; and others must be extracted from the benchmark report of living wages for the area where



the company operates. Make sure you have this data at hand when entering the information in the Matrix.

Information on the nature of the business:

- Determine if the business has a constant production level or if there are peaks of production over a year (high and low production seasons).
- If there were variations in production levels during the year, identify the number of months per year with average production, high peaks, and low peaks.
- Determine if the business has a structure of piece-rate payments or periods of time, or a combination of both.

Company data:

1. Name of the company or farm where the Matrix will be used.
2. Updated list of all types/categories of jobs, including field, administrative, managerial, and miscellaneous positions.
3. Total number of men and women who occupy each type of position (averaged throughout the year).
4. Type of unit against which payments are made. For example, the units for positions with piece-rate payment schemes could be hectares, linear meters, production volume (e.g., boxes, kilograms), and others. For other positions, the unit of payment may be hour, day, week, or month.
5. Amount paid in local currency per unit worked for each type of position in the form of values based on gross wages paid per unit.
6. Average number of units that are worked in a day for each type of position (for high, low, and average periods, if applicable).
7. Average hours per day worked for each type of position (for high, low, and average periods, if applicable).
8. Average hours per week worked for each type of position (for high, low, and average periods, if applicable).
9. Average amount of monthly bonuses granted for each type of position if bonuses for performance or quality that depend directly on the worker exist.
10. Number of workers who receive (or have access to) bonuses and in-kind benefits.





Data from the living wage benchmark report:

1. Value of the monthly gross minimum wage by law.
2. Reference value of the monthly gross living wage.
3. Reference value of the daily food cost per person.
4. Reference value for the purchase of school supplies per month per person.
5. Reference value for payment of private medical services per month per person.
6. Reference value for the rental of decent family housing in the area and the maintenance of this and other public services (e.g., water, electricity, gas) in the area.


Note that without the living wage benchmark, the part of the Matrix referring to salaries and cash benefits can still be completed and compared to local minimum wage. Valuation of in-kind benefits should be completed with data from the living wage report.



Data on in-kind benefits:

POTENTIAL BENEFITS	NECESSARY DATA	OBSERVATIONS
	<p>Does your company provide subsidized or donated food services to workers?</p> <ol style="list-style-type: none"> 1. Worker cost for the daily meals provided. 2. List of job types that have access to this benefit. 	<p>If the value paid by workers for daily meals is close to or greater than the reference value of preparing such meals at home according to the living wage benchmark report for the area, this benefit is not factored into the calculations. If the value paid by the workers is significantly lower than the reference value or when the food is totally donated, the reference value of the monthly food cost per person (reference value multiplied by 26 days) is included in the analysis.</p>
	<p>Does your company provide donated or subsidized transportation services to workers?</p> <ol style="list-style-type: none"> 1. Amount paid by the company for transport service per worker per month. 2. List of job types that have access to this benefit. 	<p>As the living wage benchmark reports do not stipulate a specific amount for transportation from home to the workplace and vice versa, there is no explicit reference value for this benefit, so the average monthly amount paid by the company to provide this service to each worker is included in the analysis.</p>
	<p>Does your company donate packages of school supplies for the workers' children?</p> <ol style="list-style-type: none"> 1. Amount paid by the company for each package of school supplies. 2. Average amount of school packages donated to each worker. 3. List of job types that have access to this benefit. 	<p>If the amount paid by the company for the purchase of school supplies is less than the reference value according to the living wage benchmark report for the area, the actual amount paid by the company (divided by 12 months) is included in the analysis. If the amount paid by the company is greater than the reference value according to the living wage benchmark report, it should be noted that the purchased items are in accordance with the official lists recommended by the relevant authorities (e.g., ministries of education). If the items purchased by the company are compatible with the official recommended list, the actual amount paid by the company (divided by 12 months) is included in the calculations. If this is not the case and the company is donating more materials, the reference value is included according to the living wage benchmark report for the area.</p>
	<p>Does your company provide donated health care services to workers?</p> <p>Does the medical service provided by the company cover all medical consultation expenses not covered by public health entities?</p> <p>Do workers receive free medicines at the company avoiding purchases at private pharmacies?</p> <p>Does everyone in the worker's family receive this medical service?</p> <ol style="list-style-type: none"> 1. List of job types that have access to this benefit. 	<p>If the answer to all these questions is yes, then the reference amount associated with expenses for private medical services is factored into the calculations according to the living wage benchmark report for the area.</p>



POTENTIAL BENEFITS	NECESSARY DATA	OBSERVATIONS
	<p>Does your company provide family housing for its workers?</p> <p>Does the house meet the requirements for decent housing?</p> <p>Does the company pay for the maintenance costs of family homes?</p> <p>Does the company pay the costs of public services such as water, electricity, and gas for family housing?</p> <p>1. Number of workers in each type of position receiving a family home.</p>	<p>Single households or shared rooms between workers are not included in the analysis. For such cases, it is assumed that the worker must also pay for his/her family's home in another place (even if he/she receives his/her own accommodation). Therefore, only family homes provided by the company that comply with decent housing standards are included. The reference value for renting a decent home in the area is included in the Matrix. If the company covers the costs associated with maintenance and public services, then the reference values for maintenance and applicable public services must be added to the rental reference value.</p>

With this information at hand, users can enter the data in the corresponding cells in the Matrix to obtain their level of performance with respect to possible gaps between current salaries and the reference value for a living wage in the area where it operates. Annex A indicates the columns or cells where each value must be included according to the template of the Salary Matrix for a Living Wage Gap Analysis.

Results

The Salary Matrix for a Living Wage Gap Analysis helps identify the following results for their respective analysis and consequent plans of action that allow diminishing or eliminating possible gaps.

1. Average total remuneration (compensation) of workers.
2. Percentage difference between current salaries and the living wage reference value for each type of job, considering only total remuneration in cash (salary plus bonuses, if any).
3. Percentage difference between current salaries and the living wage reference value for each type of job, considering total cash remuneration plus the applicable in-kind benefits.
4. Check of the total in-kind benefits granted by type of position as a percentage of the average remuneration for that type of position (not to exceed 30%)
5. Weighted average of gaps according to the number of workers by type of position (only with cash income).
6. Weighted average of gaps considering in-kind benefits by the number of workers per type of position, including only in-kind benefits available to all workers.

Note that the weighted average is used because some job categories (e.g. field workers) are likely to be much more common than others (e.g. office workers). Based on the above, the Matrix includes the following table of results for all positions and for non-administrative/managerial positions only:

Company	Results
Range of gaps / surpluses (without in-kind benefits)	
Range of gaps / surpluses (with in-kind benefits)	
Total average of weighted gaps / surpluses (without in-kind benefits)	
Total average of weighted gaps / surpluses (with in-kind benefits)	
Number of job categories that show negative gaps (without in-kind benefits)	
Range of negative gaps (without in-kind benefits)	
Number of job categories that show negative gaps (with in-kind benefits)	
Range of negative gaps (with in-kind benefits)	



ANNEX A. GUIDE TO INSERT DATA IN THE SALARY MATRIX FOR A LIVING WAGE GAP ANALYSIS

Information on the nature of the business

- Determine if the business has a constant level of production or if production peaks exist over a year (high and low production seasons).
Columns G to N (with a green fill) are for data from the high production season.
Columns O to V (with a light blue fill) are for data from the low production season.
- If there are variations in production levels during the year, identify the number of months per year with average production, high peaks, and low peaks.
Insert the number of high production months in column N and the number of low season months in column V.
- Determine if the business has a structure of payments for piecework or periods of time worked, or a combination of both.
For positions with piece rates, the units against which payments are made are included in column F. For positions with monthly fixed salaries, the "month" unit is also included in column F.

Company data:

1. Name of the company or farm where the Matrix will be used.
Insert in cell A1.
1. Daily listing of all types/categories of jobs, including field, administrative, managerial, and miscellaneous positions.
Insert list in column A.
2. Total number of men and women who occupy each type of position (averaged throughout the year).
Insert in columns C and D, respectively.
3. Type of unit against which payments are made. For example, the units for positions with piece-rate payment schemes can be hectares, linear meters, production volume (e.g., boxes, kilograms), and others. For other positions, the unit of payment may be hour, day, week, or month.
Insert in column F.
4. Amount paid in local currency per unit worked for each type of position. The data must be values based on gross wages paid per unit.
Insert values for each job type in column E.
5. Average number of units worked in a day for each type of position.
Insert values in columns G and O for high and low production seasons, respectively.
6. Average hours per day worked for each type of position.
Insert values in columns H and P for high and low production seasons, respectively.
7. Average hours per week worked for each type of position.
Insert values in columns I and Q for high and low production seasons, respectively.
8. Average amount of monthly bonuses granted for each type of position if there are bonuses for performance or quality that depend directly on the worker.
Insert values for each job type in column AF.
9. Number of workers who receive (or have access to) bonuses and in-kind benefits.
If bonuses and in-kind benefits are not received by all workers in a specific job category, it is recommended to record the number of workers who receive them in the Observations column at the end of the Matrix for each type of bonus or benefit.

Data from the living wage benchmark report:

1. Value of the monthly gross minimum wage by law.
Insert in cell F41.
2. Reference value of the gross and net monthly living wage.
Insert in cells F43 and F44, respectively.



3. Reference value of the daily food cost per person.
[Insert in cell AL4.](#)
4. Reference value for the purchase of school supplies per month per person.
[Insert in cell AN4.](#)
5. Reference value for payment of private medical services per month per person.
[Insert in cell AO4.](#)
6. Reference value for the rental of decent family housing in the area, maintenance of this, and public services (e.g., water, electricity, gas) in the area.
[Insert in cell AU4 \(add to the reference value for house rental only those values for payment of public services that the company provides\).](#)



Translation Disclaimer

Translation accuracy of any Rainforest Alliance sustainable agriculture certification program document into languages other than English is not guaranteed nor implied. Any question related to the accuracy of the information contained in the translation, refer to the English official version. Any discrepancies or differences created in the translation are not binding and have no effect for auditing or certification purposes.

More information?

For more information about the Rainforest Alliance, visit www.rainforest-alliance.org or contact info@ra.org



Issue Date:	Binding date:	Expiration date:
Developed by:		Approved by:
Linked to (code and name of documents, if applicable):		
Replaces:		
Clause or criterion number and text (if applicable):		
Applicable to:		
Country/Regions:		
Crops:	Type of organizations:	



OBJECTIVE

This is a paragraph introduction text.

SCOPE

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

AUDIENCE

Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.

GUIDANCE

Sub headings

N.b Subheads: sentence case, include period if it's a complete sentence

Lorem ipsum dolor sit amet consectetur adipiscing elit. laculis aptent et at. Donec enim taciti imperdiet volutpat consectetur montes morbi est augue purus platea. Tortor netus in magnis massa aliquam nam hac mauris posuere cubilia. Nulla sollicitudin dictumst lorem tincidunt torquent ve magna mi. Vulputate fames ve nostra senectus. Mi hac odio pulvinar class iaculis lobortis conubia diam dui hymenaeos a erat habitasse. Aptent dis nunc a fames gravida. Dictumst sagittis ut fames in dictum dapibus facilisi ipsum curae auctor pharetra proin posuere curae bibendum nisi magnis.

Nec cubilia dolor enim porta phasellus felis cras fames class ante varius hymenaeos nunc integer eget. Vulputate justo dolor! Ve quis mollis euismod est convallis ut curabitur primis luctus tellus semper porta eu. Nunc taciti interdum feugiat adipiscing orci. Nascetur quisque fringilla varius. Augue sociis hymenaeos suscipit cubilia. Tempor dui laoreet curabitur nam tincidunt platea faucibus non. Velit gravida felis dolor blandit eni lacinia dolor pretium ad. Quisque. Phasellus egestas purus. Ve morbi taciti bibendum gravida laoreet ornare! Adipiscing donec fringilla quam hac ornare ridiculus suspendisse malesuada velit mus ante erat.

Sub headings

N.b Subheads: sentence case, include period if it's a complete sentence

Fusce hendrerit velit id metus litora scelerisque. Consectetur maecenas risus est cras. Facilisis venenatis. Fusce. Felis placerat platea ut lectus diam hac sed arcu vivamus ac nam id penatibus ridiculus. Morbi! Magna quisque etiam est nullam vestibulum cubilia pede ve tortor ultricies parturient nonummy. Elit interdum. Feugiat morbi ut metus et nec hendrerit? Cursus. Venenatis curae a metus fames et porta aenean. Mauris aliquet lobortis fringilla netus cubilia. Fringilla pulvinar porta cum morbi turpis. Sapien varius parturient sed senectus eget luctus ipsum mi curabitur massa ad semper suscipit.

Imperdiet auctor gravida habitasse dui feugiat luctus natoque vestibulum nunc inceptos parturient placerat platea eget mi! Ornare cum ornare semper metus posuere metus aliquam hymenaeos class consequat torquent. Lectus taciti. Adipiscing eros neque. Sociis. Et senectus arcu varius ve sociosqu sodales aliquet. Lectus est praesent orci orci hendrerit lacinia amet amet dapibus felis ut! Sociosqu felis tempus urna class. Ridiculus pellentesque adipiscing curae ligula. Mollis aenean sagittis urna potenti sit taciti. Duis risus adipiscing ultricies nisl sit nunc lectus ve euismod. Pellentesque molestie. Sociosqu rhoncus a massa



pretium faucibus. Pharetra at vitae id. Aptent rhoncus interdum vitae velit tortor nascetur class egestas dolor sociosqu duis sapien.

Sub headings

N.b Subheads: sentence case, include period if it's a complete sentence

Pellentesque cubilia urna a fames parturient aptent urna aliquet magna. Dictumst et libero dui morbi sed rhoncus. Conubia urna malesuada lorem felis iaculis fames adipiscing lobortis vitae. Blandit eu class nisl nec lacinia nec blandit quis id lobortis quisque. Sociis class vivamus quisque sem parturient class elit. A etiam. Felis justo montes proin libero cursus inceptos in tortor sociosqu est commodo iaculis sem. Placerat parturient rhoncus metus dui commodo praesent fusce feugiat mi lacus praesent dignissim netus in ligula pharetra integer.

1. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.
2. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum."

Header 3

N.b Subheads: sentence case, include period if it's a complete sentence

This is the body text.

Bullet points

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.
- Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.
- Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.
- Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum."