

Using the Anker Methodology for Living Income

PART I:
LIVING INCOME ESTIMATES TO DRIVE CHANGE

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Prepared for the Living Income Community of Practice

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Foreword

The guidance in this report is based upon experience managing and socializing Anker Methodology Living Wage studies, with the strong oversight of Richard and Martha Anker and the facilitation of the voluntary sustainability standards that form the Global Living Wage Coalition (GLWC). It focuses on later efforts by the Living Income Community of Practice (LI CoP) to use The Anker Methodology cost of living estimates for considering approaches to living income. Estimates created by the GLWC, and LI CoP present objective third party estimates based on a detailed and published methodology. This Anker Methodology is fully explained in detail in the manual *Living Wages Around the World*.¹ It includes explanations of the reasoning behind estimating cost of living for all stakeholders to review and has been published with free online access so that no interested party will be subject to costs in understanding the details behind the estimates. Using a published and freely available methodology and having studies conducted by a party absent of perceived bias allows a variety of stakeholders to confidently use the data when advancing living wages and living incomes for workers around the world.

The views expressed in this report are solely based on the author's experience, and do not necessarily represent the views of the organizations or individuals mentioned in this report.

¹ <https://www.elgaronline.com/view/9781786431455/9781786431455.xml>

Table of Contents

Acknowledgements	2
Foreword	3
Table of Contents	4
Section I. Driving Change with Living Income Benchmarks	5
1. Importance of Living Income Estimates to Drive Change	5
2. Benchmarks for Change	7
2.1 Necessity of Third-Party Estimates and Trusted Data	8
2.2 Enabling Sector and Industry Wide Partnership	9
2.3 Creating Measures for Impact – Corporate Social Responsibility	9
2.4 Preventing a Race to the Bottom	10
2.5 Driving Government Policy	11
2.5.1 Producing Country Policy	11
2.5.2 Importing Country Policy	11
2.6 Setting Standards for Certification	11
2.7 Deciding Fair Price for Different Commodities	12
Section II: Conclusion	13
Appendices	14
Appendix A	14
Case 1 - Banana Industry	14
Case 2 - Cocoa Industry	18
Case 3 - Tea Industry	20
Appendix B	21
Best Practice Approaches to Industry Engagement	21

Section I. Driving Change with Living Income Benchmarks

This introductory section describes the importance of understanding living income estimates in order to achieve decent livelihoods, how estimates may be used, and why it is important that research is accepted by a range of stakeholders throughout the process of estimating benchmarks.

Key Takeaways

1. Shared definitions, methodologies for estimation, and targets enable collaborative, multi-stakeholder work on living income.
2. Specific targets and relevant context are a powerful and concrete tool for many stakeholders to not only advance incomes, but measure and report progress.
3. Quality third party living income benchmarks can be used by a wide range of stakeholders to address income gaps from different angles.

1. Importance of Living Income Estimates to Drive Change

Living wage and living income have long been concepts discussed by philosophers, economists, world leaders, and religious heads. The idea that a worker should be afforded a decent life for themselves and their families in exchange for their toil has existed for ages. The Treaty of Versailles that established the International Labor Organization (ILO) specifically mentions provision of living wage as an essential element.² Yet, with the absence of any agreed upon measure of living wage and living income, the concept has remained intangible. Worldwide, workers still suffer from a lack of funds for essential elements of decency: adequate nutrition; housing; healthcare; and education to name a few. Small-holder farmers suffer a similar lack of funds for basic essentials even when all sources of income for a household are considered and compared to the overall cost of living in that household.

Global companies and supply chain players with good intentions find it difficult to implement a strategy toward living wage or living income without clearly defined targets. CSR professionals often struggle to communicate internally how farmers and workers are affected by current low agricultural prices or low wages, despite whether they follow international market swings or adhere to national minimum wage laws. Context is important. Understanding a living wage/income based on cost of living at a very basic level of decency, as well as understanding what lower wages and incomes mean for workers and farmers in terms of living standards, is a powerful tool for motivating companies and others to find ways to improve their social responsibility and the sustainability of supply chains. The founders of the Global Living Wage Coalition³ understood early on that consensus on the definition and methodology of estimating a living wage is an essential precondition to change.

² https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_557250.pdf

³ GLWC founding organizations: Fairtrade International, GoodWeave International, Social Accountability International, Richard Anker and Martha Anker

Living wage and living income benchmarks are a means to assess the impacts of price fluctuations on small-holder farmer incomes, ensure that workers and farmers can pay for their basic needs and to create a sustainable workforce for production. Benchmarks can facilitate policies on economic development and pro-active donor programs to expand opportunity for low income communities. Understanding wage and income targets enables supply chain actors to formulate strategies for sustainable production and fair distribution of value across the supply chain. Living wage/income benchmarks provide a common target for negotiations with unions. And living wage/income research that is transparent, defensible, and internationally normative can be a rallying point among all interested stakeholders to catalyze action.

When workers or farmers in a commercial supply chain fall below poverty lines, or generally cannot earn sufficient incomes to afford the basic needs of a human rights framework, companies should not need a living wage/living income figure to understand that pay, or the current situation for smallholder purchasing, results in an income that is too low. Yet experience shows that setting a target that is more than just a number, but also a transparent explanation of what that figure means in the lives of workers and farmers motivates companies, governments, and other concerned stakeholders to move forward on the issue of improving wages and incomes in a way that is concrete and can produce measurable results. Richard Anker and Martha Anker have been visionaries in understanding the need to produce more than just figures in reports on living wage, and that vision has been tremendously impactful.

The key is that research cannot exist in a bubble. It must be tied to action and understanding among those that are likely to use it if expected to have the highest level of positive impact. What is described here is the author's experience in managing over 30 living wage and living income benchmark studies and the lessons learned about how to properly oversee that work, where and which stakeholders to involve, and how to ensure that research on living wages and incomes drives action.

To get to the point where stakeholders work together to ensure labor is rewarded fairly, we must first have a shared understanding of the definition of living wage and living income and the similarities and differences between the two concepts. A 2011 International Labour Organization (ILO) review by Richard Anker, the co-creator of the Anker Methodology used for estimating living wage/income revealed that there is a general consensus on the definition of living wage⁴. Drawing on this report and in consultation with experts, the Global Living Wage Coalition (GLWC) has adopted a common definition for living wage. The Global Living Wage Coalition brings together Fairtrade International, the Forest Stewardship Council (FSC), GoodWeave International, Rainforest Alliance joining forces with UTZ, and Social Accountability International (SAI), in partnership with the ISEAL Alliance and international living wage experts Dr. Richard Anker and Ms. Martha Anker.

The Living Income Community Practice (LI CoP) has subsequently built upon that common living wage definition to define the concept of living income. "The Living Income Community of Practice is an alliance of partners dedicated to the vision of thriving, economically stable, rural communities linked to global food and agricultural supply chains. The goal of this community is to support activities focused on improving smallholder incomes towards living incomes, aiming to enable smallholder farmers to achieve a decent standard of living. This community is a result of a partnership between the Sustainable Food Lab, GIZ and the ISEAL Alliance."⁵

Listed below are these two definitions of living wage and living income. Both align with one methodology designed to estimate a living wage, the Anker Methodology, and therefore create a first step in

⁴ R. Anker, Estimating a Living Wage: A Methodological Review, ILO 2011

⁵ <https://www.living-income.com/>

establishing the consensus around these concepts that will help interested stakeholders advance toward obtaining decent livelihoods for all workers.

Living Wage as defined by the GLWC

“The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”⁶

Living Income as Defined by the Living Income Community of Practice

“The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.”

“Elements of a decent standard of living include: food, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.”⁷

Further exploration of cost of living, its components and the suggestions and difficulties expected when applying the Anker Methodology designed for the living wage context to living income can be found in the report *From Living Wage to Living Income* by Jessi Grillo, published on the website of the Living Income Community of Practice.⁸

To achieve a decent livelihood, whatever income remains from wages or other incomes for a family, after costs such as taxes or production expenses for small-holder farmers are deducted, must cover the cost of living for a family at a basic standard of decency. Thus, achieving a living wage or living income. This is the common thread between the two concepts. The critical difference between the two concepts is that while wages are paid to an employee and governed by national wage legislation and industry standards, farmer incomes are earned by independent business owners and governed by a combination of exogenous factors such as farm size, diversity of income sources, productivity levels, and the fluctuations of agricultural markets.

2. Benchmarks for Change

Once a clear understanding of living wage and living income has been established through the definitions above, we can examine how identifying decent livelihood levels is essential in driving change. There are a variety of reasons to start work on living wage and living income issues, not least of which is stakeholder interest, number of lives that can be potentially positively affected, potential for overcoming key issues to create a case for scalable action, etc. Experience has proven that some key elements existing in a given geography or industry are essential to ensuring that work on a living income benchmark, inclusive of broad stakeholder engagement, has the optimum likelihood of achieving impact on worker wages and

⁶ <https://www.globallivingwage.org/>

⁷ <https://www.living-income.com/the-concept>

⁸ https://docs.wixstatic.com/ugd/0c5ab3_2bbad4d58d48d7acc03a2d54fbd6f8.pdf

farmer incomes. This section will explore those conditions that should guide an organization on where it is likely most impactful to focus efforts.

Using direct feedback from a variety of stakeholders at events held on living income in Cote d'Ivoire and Ghana as well as a large number of industry⁹ and country specific engagements¹⁰, we have identified the following primary uses for cost of living estimates in driving change.

2.1 Necessity of Third-Party Estimates and Trusted Data

There are forward thinking companies that understand the benefits of sustainable business and ensuring that suppliers and employees are able to afford the necessities of basic decency in life is key to sustainable business. Those companies are often looking to understand how pay or purchasing practices in complex supply chains measure up against the local costs of living. They want to benchmark their own pay and pricing systems, in order to make decisions about how to progress even when others in their industry are not headed in the same direction. Governments from both consuming and producing countries are keenly aware of poverty levels and interested in how both industry and government policy can contribute to economic development and poverty alleviation.

In this case we understand fairly universally that companies and government actors value third party defensible estimates of cost of living. Companies recognize that their own studies may introduce bias or can only be conducted from the lens in which they see the supply chain. Government level national data is critical but is often not customized enough to focus on a particular industry of workers or agricultural region of concern. The estimates of advocacy organizations are also difficult for companies to use. Internal corporate buy-in through every stage of the supply chain is very hard to obtain when there is a fundamental sense that the party conducting research may be biased, even if this is not the case in reality. A number of global efforts, including a world tour to explore living wages conducted by the UK Living Wage Foundation, have agreed to the principle that moving forward on decent livelihoods in relation to living wage/income should be guided by the core concept that estimates of living wage/income should be independent of interference from any one stakeholder or stakeholder group. Companies involved in studies have acknowledged that credible, third party benchmarks are essential to inform aspirational and realistic targets and to assess progress in their own value chain initiatives.

Estimates of cost of living conducted by a third party with wide reach globally and across industries can also maximize applicability of the work. Living wage/income benchmarks created using the Anker Methodology are geographic in nature. This is based on the understanding that if one person is living next to another, their cost for decent housing, proper nutrition, healthcare, education, and other essential expenses is the same, regardless of the industry in which they work. By using a third party to estimate and publish the cost of living estimates, a wider audience can be reached to take action on the research.

⁹ The World Banana Forum has provided a path to engaging on this issue and use estimates within their Working Group 2 and their international conference.

¹⁰ Meetings across Latin America, Asia, and Africa with multi-stakeholder groups to gain acceptance and understanding of living wage and living income benchmarks.

2.2 Enabling Sector and Industry Wide Partnership

Understanding the precise cost of living benchmark necessary to achieve a decent livelihood is essential to obtaining sustainable and scalable change. If across an industry, all supply chain actors and stakeholders concerned are able to accept the same target, it creates the space for an industry-wide effort that can achieve lasting impact for workers and farmers.

We explore here the key considerations and steps for engaging an industry before, during, and after conducting living income studies. Appendix A also sets forward three cases with additional detail on the strengths and challenges of sector wide engagement as well as how it has proven productive. The first involves a global industry-wide effort (banana case), the second a regional concentration across an industry (cocoa case), and the third gives an example of industry-wide collaboration on a country specific level (tea case). Each case has used a different model and responded to different approaches. The lessons learned from these and other industry engagement efforts have informed a best practice approach as listed in appendix C.

2.3 Creating Measures for Impact – Corporate Social Responsibility

Companies often set individual targets for sustainability inclusive of ensuring a decent livelihood for workers and producers. Living income benchmarks provide a path to analyze the gap from actual incomes to income goals and to measure and report progress. This understanding is helpful in contracting with producers and retailers to ensure fair distribution throughout the value chain and evaluating impact of sustainability investments. Benchmarks and proper research also allow companies to ensure that a commitment to living income is not a one-time endeavor, but provides progressive growth in incomes, enabling measurement of decent livelihoods year after year with changes in inflation.

In the case where a company controls its entire supply chain it is a much easier endeavor to build the cost of ensuring decent livelihoods for all workers directly into its business and pricing model. For these companies, it is very important to have accurate measures of cost of living for a specific time and location. Tiffany & Co. and its wholly owned subsidiary Laurelton Diamonds present one such example. Laurelton Diamonds worked with Richard Anker and Martha Anker for over a decade as they developed today's Anker Methodology. The company was committed to the concept of living wage for skilled workers that could contribute to a household living income, but with operations planned in Vietnam in 2005, they were uncertain as to what pay would be necessary to ensure this was achieved. Having reliable third-party benchmarks for Vietnam, and then Botswana, Mauritius, and Cambodia proved essential to moving forward on this goal. After experiencing the impact of implementation of this living wage program they were able to see how progressively working toward a living income contributes to the lives of "employees, their families and their communities through, for example, improved housing, nutrition and methods of transportation."¹¹ The company now seeks to extend these benefits to low-skilled workers and again adhere to Anker methodology estimates of living wage in the locations where they operate.

Ensuring a living income can be more complicated as costs of production vary by individual family based on factors like hectares of land, opportunities for the household to earn income from outside activities, and diversity of crops, among others. But these complexities should not prevent companies from understanding the cost of living in the area, assessing typical costs of production, and ensuring that they

¹¹ 2017 Tiffany Sustainability Report

are paying a price that would cover a living wage for workers to contribute to a living income for the family while taking into account typical costs of production.

In industries, such as garments and agriculture, there are clear examples of companies that wish to ensure living wages for workers and living incomes for families testing strategies that again, require defensible estimates. In many cases companies only source a portion of what producers grow or make and have less ability to unilaterally ensure each worker or farmer earns a living income. Benchmarks can provide a company with an understanding of their share of the income gap and provide space for companies to ensure that they are developing sustainable and decent procurement strategies and policies. Direct transfer of payments to workers to cover a buyers' proportionate gap to a living income for labor hours contributed is being tested now and should contribute to the various options available for those companies committed to social sustainability.

2.4 Preventing a Race to the Bottom

The idea of having a globally accepted methodology of estimating cost of living is essential in preventing confusing claims on payment or pricing and practices that enable living incomes for producers. But even more importantly, it prevents the concept of a race to the bottom from taking hold.

When the GLWC was originally formed, a number of VSS were adjusting to include the important issue of achieving a living wage within their standard systems. Without one globally accepted methodology of estimation for living wage, they acknowledged a risk associated with standard systems resolving to use different estimates. The standard with the lowest estimate of a living wage could be more desirable among producers and thus create a scenario wherein certification schemes and companies look to the lowest estimate available, racing to the bottom. Clearly, this scenario does not serve the best interest of the worker and should be avoided.

The founding members of the GLWC recognized this risk and agreed to all adhere to one definition and methodology of estimating living wage. Similarly, once the gold standard of the Anker Methodology was established, others working on living income issues or living wage issues in new industries adopted use of the same methodology. For living income, a buyer must understand the cost of living accurately, with a reliable benchmark to assess whether the price paid to a small-holder farmer or other producer could even cover typical costs of production including the necessary income to achieve a decent standard of living. By accounting for the typical labor hours needed to produce the quantity of a product purchased, a buyer can see whether the price they pay would even make it possible to achieve a living income. If lower, less accurate estimates of the cost of living are used, the same race to the bottom is likely to ensue for payments to smallholders.

This agreement on one gold standard methodology for estimating living wages/incomes, that is then widely adopted in implementation efforts, prevents the risk of race to the bottom and assures that should a living wage/income be achieved and maintained, the basic needs of a family may be met, or at a minimum, a buyer is understanding their responsibility for contributing to an overall living income for small-holders.

2.5 Driving Government Policy

High quality Anker Methodology estimates of living income can also be used in government policy setting that is beneficial to workers and small-holders around the world. This may be either at the producing country level, or in government policy for a country that is purchasing and importing goods.

2.5.1 Producing Country Policy

In the context of living income, government engagement takes a different form. For example, in some producing countries there are suggestions that cost of living studies be used to guide investments. In Cote d'Ivoire for example, where the LI CoP study considered living income rather than living wage, Dr. Mamadou Gbongue, Conseil du Café-Cacao had the following to say about how Anker Methodology estimates could help in shaping government policies to improve lives.

“This living income benchmark, and its comparison with the current situation for cocoa farmers...will allow us to really understand, and account for, the realities of these households. The Conseil du Café-Cacao is expecting to use the outcomes to fine-tune the interventions currently being implemented by the Ivorian Government”

And most significantly, work on living incomes in Ghana and Cote d'Ivoire for the cocoa industry spurred a decision by both governments to set a floor price for cocoa and a minimum guaranteed price for farmers. These types of policy decisions can dramatically improve the lives of those struggling to earn a living income for their families.

2.5.2 Importing Country Policy

Engaging governments of countries that are at the top of the value chain is also a strong use of Anker Methodology cost of living estimates. For example, the Dutch Ministry of Foreign Affairs has made significant effort to encourage Dutch textile/garment, electronics, and agri-food supply chains to ensure a living wage for workers from whom they source. They continue to support living wage estimation work and to advance covenants with Dutch companies inclusive of provision for ensuring living wage for workers throughout the supply chain.

In Germany, GIZ has focused on encouraging German businesses to look at living incomes and has been a driving force behind the adaptation of the Anker Methodology for living wage to the context of living income. The result of this government involvement is a drive for retailers and buyers in receiving countries to start focusing on the issue of living wage/incomes as one of primary importance, and not something to be simply delegated to producers abroad.

2.6 Setting Standards for Certification

VSS have played a major role in advancing the Anker Methodology for living wages by establishing the Global Living Wage Coalition. Fairtrade International, Forest Stewardship Council, GoodWeave International, Rainforest Alliance joining forces with UTZ, and Social Accountability International have all included reference to living wage and the Anker Methodology in their standards and guidance. But

several other standards systems have joined suit or are currently examining similar moves. For example, the World Fairtrade Organization and the Roundtable on Sustainable Palm Oil.

Reaching living income targets is more complex but is still an area where VSS can incorporate strong research on cost of living to make an impact. For example, Fairtrade International has created a first ever “Living Income Reference Price” that sets a minimum price to help ensure that a decent livelihood is possible.¹²

As the issue of living income continues to expand there is opportunity for additional sustainability standards to align with one global definition and methodology of estimating living income while incorporating provisions for pricing or investments to deliver living income within their standards directly. This will better enable awareness and action in a range of industries where workers are in need of a living income globally.

2.7 Deciding Fair Price for Different Commodities

Understanding wage or income gaps to cover basic decency is an essential step in analyzing where the value chain can support wage levels and prices that would allow for all workers and farmers to receive a living income. Where a subsequent value chain analysis shows that sufficient funds are not available at current levels to allow workers to earn a living income, it is essential that key players in the supply chain analyze pricing practices to determine fair prices for the products they source. In agricultural supply chains with independent smallholders it is critical to look at both price and minimum conditions of land size and productivity to earn a living income under fair pricing scenarios.

Fairtrade International already uses this practice alongside the relevant Anker Methodology benchmarks in their own analyses to determine a minimum price under the Fairtrade International standard¹³; they also have begun a process of determining a ‘living income reference price’ for smallholder farmers¹⁴. The World Banana Forum working group 02: Distribution of Value has formed a subgroup on Covering Costs of Sustainable Production that also examines how value chain costs can be covered with specific consideration to respecting anti-trust laws.¹⁵

¹² <https://www.globenewswire.com/news-release/2019/01/18/1702117/0/en/Fairtrade-Announces-New-Minimum-Price-for-Cocoa-Establishes-Living-Income-Benchmarks.html>

¹³ <http://cftn.ca/content/understanding-living-wage-and-living-income-fairtrade-system>

¹⁴ https://docs.wixstatic.com/ugd/0c5ab3_96ae8e48e7a745bea74e4e9982a7cc3e.pdf

¹⁵ <http://www.fao.org/world-banana-forum/working-groups/economic/en/>

Section II: Conclusion

Striving toward a living wage for workers and living incomes for farmers are highly desirable pursuits. But the space is complicated and involves a range of players. This paper endeavors to connect the purpose of living income activities to the actions that can work together to ensure a living income for workers around the world. It contextualizes the tool of a living income study into the levers for action that actually impact the lives of the working poor. Living income estimates are just that, a tool in the toolbox of those seeking to meet the sustainable development goals and address issues of poverty, education, and hunger among others. It is the hope of the author that readers will understand from this work how living wage estimates are useful and can be employed for positive change.

Appendices

Appendix A

Industry engagement cases for living wage and living income.

Case 1 - Banana Industry

In some cases, understanding the cost of living for decent livelihoods in all major export countries within a particular industry is necessary to address the source causes for worker incomes that remain below a sufficient level for decency. This may be due to a situation where global supply chains are fluid enough to move sourcing to different countries should one specific producing country be deemed too expensive to support. In this situation it can be detrimental to efforts to move toward a decent livelihood for workers if only a small number of producing countries are held to achievement of a living income. An approach of singling out specific countries for cost of living estimates can have negative impacts on producing countries, inclusive of loss of essential incomes for workers. This can occur when local producers are held to a standard that is not equally shared for competitive producing countries. Those producers that wish to afford a decent livelihood for themselves and their workers might suffer if buyers decide to source from other producing countries where living wage/income estimates have not yet been introduced.

In these instances, for multi-stakeholder movement that is essential to sustainable change across a global industry to be successful, it is key to create a series of applicable cost of living benchmarks with which to work on a close timeline, to engage with an ideally pre-existing global industry body, and to create a safe forum for dialogue that is open and non-accusatory. The banana industry offers just such a case. With living wage inclusive of cost of living benchmarks currently released, in process, or planned with the GLWC for Dominican Republic, Costa Rica, Belize, Ecuador, Colombia, Nicaragua, Guatemala, Cameroun, Ghana, and Vietnam¹⁶, accounting for roughly 80% of all global banana exports.¹⁷

As in all such global industry engagements, it is valuable to first identify the pre-existing global body that could bring to the table a proper multi-stakeholder forum for discussion of decent livelihoods. The World Banana Forum (WBF) under the umbrella of the Food and Agriculture Organization of the United Nations (FAO), fills that role across the banana industry and is essential to discussions about real change that could bring about sustainable impact for workers without unfairly penalizing, and thus causing harm to any one particular link in the supply chain. When working on decent livelihoods, it is important to engage similar global bodies early, ideally before Anker Methodology studies for cost of living are completed and published.

Next, it is essential that the industry body involved share the goal of promoting sustainable production. If not, working with industry bodies to achieve this understanding is the very early level of advocacy that is necessary to move in the direction of sustainable production and sustainable supply chains within the industry. Voluntary sustainability standards (VSS) have a role to play here as they promote sustainable business and decent livelihoods, and, by adopting provisions for living wage and living income, can raise this issue in the mind of the industry. For banana, three key sustainability standards systems certifying

¹⁶ www.globallivingwage.org

¹⁷ http://www.fao.org/fileadmin/templates/est/COMM_MARKETS_MONITORING/Bananas/Documents/Banana_Statistical_Compendium_2017.pdf

banana production (Fairtrade International, Rainforest Alliance, Social Accountability International) agreed to incorporate living wage in their standards and to adhere to one consistent definition and methodology of calculation for living wage, the Anker Methodology. This was instrumental in ensuring that the World Banana Forum was also able to accept the GLWC Anker Methodology estimates.

Others in the industry such as Banana Link, have also promoted living wage and decent livelihoods in the banana industry and paved the way for the creation of the World Banana Forum in a mindset that prepared the industry for collaborative work on decent livelihoods. Partnering with those that are building momentum is essential to successfully engaging an industry group more broadly. According to the World Banana Forum website, the WBF is formed for the following purpose:

The World Banana Forum (WBF) is a space where the main stakeholders of the global banana supply-chain work together to achieve consensus on best practices for sustainable production and trade. We believe collaboration is the key for progress.

*The WBF brings together retailers, importers, producers, exporters, consumer associations, governments, research institutions, trade unions, and civil society organizations.*¹⁸

This description of the World Banana Forum creates an ideal environment for addressing issues such as living wage and living income, and acceptance of similar aims should be at the route of engagement with industry organizations.

The next step, once there is an industry body sufficiently clear on the need for meeting the cost of living for basic decency, is to ensure that the diverse stakeholders involved are accepting of one methodology for estimation. Without this, there is a risk of fracturing efforts within the industry, where some stakeholders choose to adhere to the lowest existing estimates, regardless of whether they use the most rigorous methodology, and others chase estimates with high values that were originally created as advocacy tools. This makes it extremely difficult for the industry to work together toward one goal. It was helpful in the banana case to create a working group to address the issue of analyzing and adopting a methodology for estimating cost of living. The WBF proactively completed this work before engaging with the GLWC for estimates and established a working group to analyze methodologies (Working Group 2 on Distribution of Value).

The Anker Methodology has proven effective for adoption in multiple industries, including banana, uniting stakeholders toward a common goal. It claims this success due to the fact that the detailed methodology is transparent and produces a gold standard in terms of accurately estimating cost of living for a decent livelihood, while studies retain a low enough cost to prove feasible.

The World Banana Forum did not begin its living wage work with the Anker Methodology in mind. In fact, it first started to examine living wage issues and methodologies of estimation well before the Global Living Wage Coalition was formed and the Anker Methodology published. An October 2010 report¹⁹ from WBF WG02 explored the principles that would drive living wage work and chose a methodology that was later abandoned in favor of the more rigorous and transparent Anker Methodology. But this practice of exploring options available and setting guiding principles is important for any industry effort to help workers achieve a decent standard of living as it lays the groundwork for acceptance of later specifics and estimates. VSS have conducted similar research of calculation methodologies and the Roundtable on

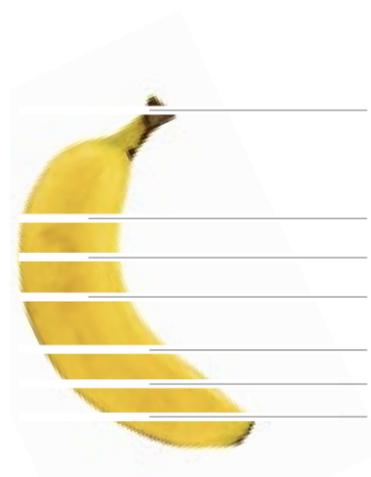
¹⁸ <http://www.fao.org/world-banana-forum/about-the-forum/en/>

¹⁹ <http://www.fao.org/3/a-bt431e.pdf>

Sustainable Palm Oil announced in October 2018, that it too would include living wage in its standard and align with the Anker Methodology and GLWC estimates.²⁰

Once a forum for work on decent livelihoods is firmly established, a multi-stakeholder working group has been assembled, and work on estimates has begun, it becomes imperative to use that forum for broad-based conversation on the implications of implementing a living wage or living income and for participants to have a willingness to share strategies and successes in a pre-competitive environment. In the case of banana, this means ensuring the involvement of more retailers, as the industry already operates on very slim margins and there is a risk of having producers that are ill-equipped to pay a living wage bear the brunt of the cost. Further complication comes as producers are often squeezed on this issue by buyers and VSS that prioritize payment of a living wage. These same producers may lack the resources to increase pay significantly under current contracts and agreements. This need to involve the entire supply chain is equally pressing when considering living income as the effort is geared toward small-holder producers themselves who often have little if any control over the price that their toil demands. Below is information from a 2015 study on the distribution of value within the banana supply chain that illustrates how engaging without the involvement of retailers in an effort to ensure living wage or living income would be ill-informed and miss much of the supply chain value that would need to be redistributed for a successful effort.

On average, workers only earn between 5 % and 9 % of the total value of bananas while retailers manage to capture between 36 % and 43 %.



Stage	Ecuador	Columbia	Costa Rica	Dominican Republic	Cameroon
Retail	42.4%	36.8%	40.7%	43.4%	41.6%
Ripening	10.6%	10.6%	10.6%	10.6%	10.6%
Tariffs	8.6%	8.6%	8.6%		
Shipping & Import	20.4%	20.2%	18.3%	18.1%	17.1%
Export	4.3%	4.3%	4.3%	4.3%	4.3%
Production	6.8%	10.5%	10.5%	16.5%	21.2%
Worker's wages	6.9%	9.0%	7.0%	7.1%	5.2%

Banana value breakdown between main supplying countries and the EU

Source: BASIC based on data from Eurostat, CIRAD, Comtrade, Sopisco and literature review

Finally, once living wage/income benchmark studies are completed, it is imperative to answer questions and concerns of the working group and multi-stakeholder forum tasked with implementation of the work. It is not enough to have buy-in to the methodology theoretically. One must also ensure that the methodology is correctly carried out and be prepared to defend that execution with detailed knowledge of the work. In some cases, it may be necessary to alter estimates when information from stakeholders comes to light that suggests pathways to a stronger implementation of the Anker Methodology. However,

²⁰ <https://www.linkedin.com/pulse/setting-new-standard-human-rights-palm-oil-industry-daryll-delgado/>

it is imperative that any alteration is not of the methodology itself in order to maintain international comparability and consistency, but rather considers facts that the researchers may have missed in the process of executing the study. In this way, there should remain a connection between a body that is conducting the research, and a programmatic lead that is thoroughly versed in the work and has a deep understanding of the methodology.

In work with the WBF many working group members struggled to accept gaps to a living wage apparent in some of the studies. Taking the time to meet with these stakeholders, understand their concerns, and adjust where appropriate was essential in getting the broad acceptance necessary to mobilize the industry.

Ensuring a decent livelihood for all workers in the banana industry is still on the horizon, but the elements for success as described in this case, are in place. Still, ongoing expertise from the parties leading research efforts is necessary to maintain a robust understanding of the estimates themselves as avenues of implementation are explored.

Case 2 - Cocoa Industry

The cocoa industry engagement on living income presents an alternative regional approach to the global model explored in the banana industry case. This is highly productive when, as in this case, there are adaptations to explore for the specific context where estimates will be applied.

For cocoa, regional work and pilots proved helpful in testing the applicability of the Anker Methodology, designed for estimating a living wage, to the concept of living income for small farmers. Here, two benchmark studies, both in West Africa (Ghana and Cote d'Ivoire) were conducted simultaneously. The cases revealed some key adaptations and challenges and created a body of learning that will allow future living income studies using the Anker Methodology to account for necessary adjustments in planning stages of a study. Launching either a global industry-wide approach in this situation (benchmarking in a large number of cocoa producing locations around the world at once), or a country specific approach (benchmarking the cocoa growing area of only on country), would be ill-advised as a first step. The global approach would risk moving too quickly before a thorough understanding of the challenges in using the Anker Methodology for living income could be gained. A country specific strategy would not provide sufficient information to assess the transition of the methodology from living wage to living income as it would only present challenges that could be country specific, and not provide sufficient information on which issues should be more systematically tackled. Having conducted this regional work across two West African countries and analyzed the challenges, moving to a global initiative is now much more plausible.

As in the case of the banana industry, the cocoa industry was already mobilized behind the concept of living income before studies were conducted. Corporate members of the World Cocoa Foundation and German Initiative on Sustainable Cocoa came together with GIZ and the standards of Rainforest Alliance and Fairtrade to support the process of two pre-competitive living income benchmarks. The collaboration was organized and coordinated by the LI CoP. As such, the LI CoP took on many of the roles identified in the banana case as being held by the WBF, while simultaneously linking to industry organizations for greater uptake and impact. This has proven to be a strong approach, specifically where industry representatives come together in a variety of forums, and if, as in this case, those relevant industry associations are included in the work from the very first stages. The result is a second model of engaging research for action.

In the cocoa case two living income benchmarks were conducted in cocoa growing areas of Cote d'Ivoire and Ghana. The LI CoP reached out early to national staff of the World Cocoa Foundation to ensure that they were involved and tapping their connections for outreach for the launch and validation stages of each study. The World Cocoa Foundation was able to further enhance the work by providing introductions to the key regulatory bodies of COCOBOD in Ghana and Le Conseil du Cacao e Café in Cote d'Ivoire. These introductions resulted in further contacts necessary to driving research to action. Researchers themselves also benefit from the diverse contacts which inform a more robust study. These contacts in this case included cocoa producer groups, cocoa companies, sustainability standards, NGO's and regional research teams. This industry-wide engagement facilitated stakeholder mapping that would lay the groundwork for further action on implementation.

Aside from these notable exceptions for the cocoa case, industry-wide engagement followed many of the steps detailed in the banana case. The work itself tracked very closely with the guidelines laid out throughout this document, maximizing the potential use of the work and leading to implementation efforts that are moving forward even before the completion and publication of both living income studies. In fact, recent reports show that Fairtrade has used the estimates to raise the minimum pricing

for cocoa farmers in Ghana and Cote d'Ivoire, and globally, as well as developing a living income reference price.²¹ Those essential steps taken to drive action from research for West African cocoa are outlined here:

1. Engaged a wide range of stakeholders interested in improving incomes for cocoa farmers, utilizing the living income community of practice to advance various aspects of research necessary to create a sustainable industry.
2. Created a Steering Committee of diverse partners to consult on the objectives, process and stakeholder outreach for the studies.
3. Introduced stakeholders to the Anker Methodology and other possibilities for estimating living income benchmarks before choosing to move forward with an Anker Methodology study.
4. Assembled research plans and teams, being sure to carefully vet prospective national research teams well and selecting organizations with strong reputations for quality and credible research. Securing technical backstopping assistance from a range of players familiar with the Anker Methodology and establishing clear governance for the work.
5. Established the terms for measuring the gap in current incomes to benchmark income levels. Relying on an existing, open source baseline study by KIT to compare actual incomes to the benchmark. Understanding the measurement for current incomes before conducting the living income study allowed researchers to understand additional data that might need to be collected to produce the most accurate picture of income gaps. For example, the KIT study examines household size rather than family size. Researchers could adjust by collecting information for both family and household sizes in the country so that data could be accurately compared.
6. Conducted scoping studies in both Ghana and Cote d'Ivoire that provided guidance on key elements to consider in the living income studies, locations of focus, and the stakeholders unique to each country that should be involved with the work.
7. Conducted in-country launch workshops bringing together key local and international stakeholders before research began.
8. Closely managed benchmark and income gap studies with backstopping offered throughout. This included experts in the Anker Methodology for living wage, a researcher who had worked to adapt the Anker Methodology to the living income context, and in the Ghana case, the creators of the methodology, Richard Anker and Martha Anker.
9. Conducted in country multi-stakeholder validation events for each living income benchmark and income gap analysis produced.
10. Planned follow-up activities and is working with stakeholders to create a roadmap to ensuring a living income for farmers.

²¹ <https://www.fairtrade.org.uk/Media-Centre/News/December-2018/Cocoa-farmers-to-earn-more-through-a-higher-Fairtrade-Minimum-Price>

Case 3 - Tea Industry

A third example of where industry wide action was assisted by Anker Methodology living wage and income estimates is apparent in Malawi. Here the GLWC living wage study showed conditions for tea workers that were far from sustainable, with problems and needed solutions that are not necessarily applicable to other global tea producers. Further work on living incomes by Levison Chiwauala alongside Richard Anker and Martha Anker.²² As such, a country specific and industry wide approach for action was taken to advance incomes toward decent livelihoods.

This effort, named Malawi Tea 2020, has had considerable success and presents a clear case of the challenges and successes possible with country specific industry wide collaboration. Rather than detail the case here, the author would like to refer to a [short case published by the GLWC](#)²³ as well as the [Malawi Tea 2020 website](#)²⁴ where full details of the work can be explored.

Again, many of the elements of driving action through living wage/income research detailed in this paper have been used in the work in Malawi, and continued action is progressing to work toward the goal of achieving a living wage for Malawi tea workers by 2020.

²² <https://www.malawitea2020.com/>

²³ <https://www.globallivingwage.org/case-studies/rural-malawi/>

²⁴ <https://www.malawitea2020.com/>

Appendix B

Best Practice Approaches to Industry Engagement

1. Identify and engage a global body with convening power to enable multi-stakeholder collaboration on decent livelihoods and establish a sufficient stakeholder map for the industry.
2. Assess whether a country, regional, or global strategy is best to engage an industry and drive research to action.
3. Raise the appropriate resources for living wage/income studies and industry-wide engagement, ensuring that funding is balanced and does not inject a sense of bias into the study (e.g., corporate funding exclusively).
4. Map stakeholders essential to movement, inclusive of representatives from all portions of the value chain, and other interested stakeholders. A brief list is included below of key stakeholders to inform and incorporate in industry engagement efforts.
 - a. Voluntary Sustainability Standards (VSS)
 - b. Producers
 - c. Buyers
 - d. Retailers
 - e. Unions and Labor Organizations
 - f. Farmer Organizations
 - g. Producer Country Governments
 - h. Consumption Country Governments
 - i. Civil Society
 - j. Academia
5. Ensure that a coalition, industry group, or global forum which can lead ongoing implementation work for decent livelihoods issues has a thorough understanding and acceptance of the value of living wage or living income. Ideally this group is self-motivated and is concentrating on research not only about cost of living levels, but also about strategies to overcome low wages and incomes.
6. Facilitate a working group, or work within a sector led initiative to build a working group, that can specifically address concerns over the cost of living studies from a multi-stakeholder standpoint, exploring the avenues of implementing a living wage or living income.
7. Launch benchmark studies, ensuring that your industry working group understands the process of the research, its independent nature, that the methodology is solidified but that feedback will be well received about its implementation, and the points of engagement for that feedback as listed below:
 - a. Stakeholder mapping and identification
 - b. Launch meeting participation
 - c. Engagement with researchers in-country where appropriate
 - d. Provision of written comments during two-week review period for draft study

- e. Validation meeting participation
- f. Participation in producing a plan of action to address income or wage gaps
- g. Carrying out that plan of action to address income or wage gaps
- h. Assessing progress against the plan of action for closing income/wage gaps and enabling decent livelihoods (measurement and evaluation)

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