



Dispositions towards a proposition

Baseline Report of the RA2020 Living Wage Strategy Evaluation

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ACRONYMS

GLWC	Global Living Wage Coalition
ILO	International Labour Organization
KPAWU	Kenya Plantation and Agricultural Workers' Union
KTGA	Kenya Tea Growers Association
PEDRO	Proposition, encounters, dispositions, responses, outcomes
RA2020	Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm Requirements, Version 1.2
SPBUN	Plantation Workers Union (Indonesia)
SPPP-SPSI	Indonesian Federation of Plantation and Agriculture Trade Unions
ToR	Terms of reference

EXECUTIVE SUMMARY

Background

Private standards and certification schemes emerged in the 1990s to raise the quality of the product for a specific target group of consumers. The quality attributes are often unobservable by the buyer and often relate to the social and environmental conditions of production in contexts where public regulation is absent or deficient. Private governance through certification induces farm-level changes that improve production practices and create niche market access. The theory of change of the Rainforest Alliance living wage strategy is an example of this farm-level approach to improving the wages of workers on estates. It implies that, when successful, certified producers would be paying substantially higher wages than their uncertified neighbours in response to the incentives that are inherent to the certification. These incentives are (generally) a higher price than for uncertified products and (an opportunity to receive) an additional contribution from the downstream supply chain partner.

The new Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm Requirements, Version 1.2 (RA2020) requires that all workers receive at least the minimum wage in their country and are afforded all protections under International Labour Organization (ILO) conventions and recommendations. Moreover, farms must assess prevailing wages for their workers yearly against the applicable living wage benchmark and, if there is a gap, develop a wage improvement plan (ideally involving worker representatives) with a specific timeline and targets to reach (at a minimum) the level of a living wage.¹ The downstream supply chain actors are expected to co-fund the wage improvement plans of the producers they purchase from.

The RA2020 requires that the wages of all categories of workers are registered in an online application called the Salary Matrix Tool. This data is meant to facilitate coordinated action across the supply chain. However, they create a 'chicken and egg' problem, where the certificate holders, the farmers or estate owners, will only develop a wage improvement plan when they are guaranteed to receive the supply chain actors' financial contribution, but that support might only materialise when the wage improvement plan has been developed. Communicating a living wage gap may trigger wage demands to the certificate holder before the supply chain actors have yet committed to their contributions to cover the additional costs incurred by the certificate holder as a result.

The research is a baseline study to assess the outcomes and effectiveness of the new RA2020 requirements related to the living wage. This study primarily interviewed certificate holders, workers and primary buyers, and analysed the institutional context for wage setting and negotiation. The Rainforest Alliance had identified three so-called 'causal hotspots' in the theory of change as the most important and challenging issues to gain insights into:

¹ The living wage requirements are outlined in RA2020 Section 5.4 (Rainforest Alliance, 2022).

- Causal hotspot 1: Does the RA2020 requirement to use a Salary Matrix Tool improve wage transparency in the supply chain?
- Causal hotspot 2: Does RA2020 motivate the certificate holder to develop a wage improvement plan that involves worker representatives?
- Causal hotspot 3: Does the living wage strategy lead to changed purchasing practices and wage increases?

Research approach

The Rainforest Alliance asked us to look into the development that take place in the coffee, tea and banana sector, where implementation of the living wage strategy is most advanced. We gathered evidence through interviews, reviewing documents and communications, and observing activities (such as implementing the Salary Matrix Tool) in four countries. In each country and sector, we conducted a context analysis and carried out in-depth research in 11 large estates (farms):

- Brazil – coffee sector, context analysis and three case study farms
- Colombia – banana sector, context analysis and four case study farms
- Indonesia – tea sector, context analysis only due to lack of access to farms
- Kenya – tea and coffee sector, context analysis and four case study farms

In the analysis, we conceptualised the implementation of the RA2020 living wage approach as a process of socio-technological change, which involves a social and technical transition from one set of institutional practices to another. We aimed to understand how the Rainforest Alliance’s proposition – using the Salary Matrix Tool, applying the living wage benchmark, and developing a wage improvement plan – was communicated to actors and stakeholders in the respective value chains in their encounters with the new RA2020 requirements. The value chain actors and stakeholders will have different dispositions to act on these requirements; the value chain actors’ responses to the proposition, in turn, are expected to contribute to the outcomes, principally the reduction of living wage gaps in RA2020-certified farms.

Findings

We found that, especially in the countries where living wage pilot projects had taken place (Colombia and Kenya), the sector organisations and certificate holders we interviewed were well-informed about the new living wage requirements. But workers on the farms were not. The desired responses by certificate holders and supply chain actors towards addressing living wage gaps by effectively modifying salary structures or changing procurement practices are incipient and restricted to the banana sector in Colombia. However, this is to be expected for a baseline evaluation of an intervention that has only been rolled out in the past two years.

The RA2020 living wage strategy is easier to implement in certain contexts: when there is a relatively short value chain between the supply chain actors and the certificate holder (that is, not too many intermediaries); when there are multi-year sourcing agreements; and when the production requires relatively specialist workers

and these are working full-time on the farm. When these three conditions are absent, certificate holders will be more reluctant to raise workers' wages on their farms. These conditions also partly explain why most living wage pilot projects occur in the banana and tea sectors and not in coffee. Workers in banana and tea are often employed full-time and year-round, and these value chains have relatively few downstream buyers (brands) with a short chain of intermediation.

In our sample of farms (11 estates), we found that the certificate holders were reluctant to develop a wage improvement plan without a strong commitment from supply chain actors to guarantee financial contributions. Certificate holders fear that once they raise wages, they can never lower them again (for example, should there be an economic crisis or other shock, such as crop loss due to an extreme weather event). Therefore, in the absence of multi-year sourcing contracts, the certificate holders consider that the living wage gap can best be addressed through non-permanent productivity premiums or non-salary benefits.

We found no evidence that the Salary Matrix Tool had triggered farm-level negotiation processes between certificate holders and worker representatives around a wage improvement plan. The latter had not yet been involved in drawing up any of the wage improvement plans in the farms studied. Moreover, in 2022, the requirement to involve worker representatives in elaborating a wage improvement plan at the farm level was modified by the Rainforest Alliance from a compulsory measure to a voluntary one. Our research also found that the mandatory involvement of worker representatives in the prevailing context of uncertainty about a supply chain actor's contribution would create too much tension. Wage negotiations are power-laden, and worker representatives on farms need some external institutional support to ensure that these negotiations do not negatively affect their relationship with the management or indeed the job security of the workers they represent.

We found that certificate holders fear the financial consequences of raising wages and try to demonstrate through the Salary Matrix Tool that any living wage gap is minimal. In many countries, on-farm wages are set according to wage negotiations that take place outside the farm between sector organisations of producers and worker unions, or they follow the increases of the minimum wages set by the government in relation to inflation. The availability of ring-fenced funds from supply chain actors for raising wages seems to be a necessary condition for certificate holders to develop a wage improvement plan and to involve worker representatives.

Apart from reducing the living wage gap, many certificate holders also expected supply chain actors' contributions to cope with the increasing cost of production. They might be unwilling to use a price premium, such as the Sustainability Differential,² for wage increases only. We see a need for modalities that ring-fence (part of) the supply chain actors' contributions for wage improvements. Leaving the decision on how to use that contribution to the certificate holder carries a risk. We note that the new RA2020 Version 1.3 (valid from July 2023) places additional requirements on certificate holders that want to use part of the Sustainability

² The Sustainability Differential is an additional payment for certified products. The requirements are outlined in RA2020 Section 3.2

Differential for workers' benefit. This makes it more onerous for a certificate holder to allocate a supply chain actor contribution to wage improvement. Instead, we argue for supply chain actor contribution modalities that reduce the transactions and decision-making processes between the supply chain actors and the workers, such as the use of mobile phone banking for direct cash transfers. For example, the final buyers could contribute this living wage premium and pay it into a country-level, multi-stakeholder-managed fund, which could pay a cash transfer to all workers on the certified farms according to their certified volume.

We argue that linking supply chain actor contributions directly to the living wage gap (as measured by the Salary Matrix Tool) could induce a shift in sourcing from countries with a large gap (such as in Africa) to countries with a smaller gap (such as in Latin America). This could divert living wage support from the workers that need it most to those that need it less. We argue that a global and uniform premium on top of the actual purchasing price would mitigate this risk.

In most countries, the minimum wage adjustments in response to inflation and the existing sector-based collective bargaining agreements are the reference point for certificate holders when they raise on-farm wages. The RA2020 proposition – of farm-level wage improvements through the Salary Matrix Tool, a comparison with the living wage benchmark, and the development of a wage improvement plan – is particularly suited to areas where unions and collective bargaining agreements do not exist or are weak, and where minimum wages are low or not respected. We found that in contexts where employers recognise unions and support unionisation and where the unions effectively assert workers' interests, certificate holders prefer that wages are negotiated in a collective bargaining agreement at the sectoral level rather than on individual farms.

However, our analysis also suggests that in these contexts, in order to be effective, the RA2020 proposition needs a fourth element: the presence of a defined supply chain actor contribution modality (or suite of modalities) with funds that can be used for the wage improvement plan. This addition to the current proposition would make the development of a wage improvement plan more feasible and attractive to certificate holders because it would provide a clear mechanism to cover (part of) the additional cost of paying higher wages to workers.

We found that certificate holders only became aware of the living wage gap during an audit process. This setting of compliance-checking gives certificate holders a strong incentive to show a small or absent living wage gap. Certificate holders can influence the measured living wage gap to some extent by including or overvaluing non-salary benefits in the Salary Matrix Tool. Auditors face challenges in verifying the included non-salary components. The incentive to reduce the measured living wage gap of their farm is further reinforced by certificate holders' fears that supply chain actors buying Rainforest Alliance-certified products might be motivated to shift sourcing away from farms that report large gaps towards farms that report smaller gaps (as already noted). This mechanism works in two ways. On the one hand, when farmers are located close to each other, competing to have the specific supply chain actor as the buyer may incentivise the certificate holder to improve wages compared to their nearby competitors. On the other hand, the tendency to report a

living wage gap that is as small as possible may reduce the motivation of supply chain actors to make substantial living wage contributions.

Continuing to engage with platforms of supply chain actors that together have a large share of the consumer market – as in the case of bananas – is a promising way to develop feasible and resilient supply chain actor contribution modalities that certificate holders can trust to help them raise wages above the legal or sectoral increments to reduce the living wage gap. For example, supply chain actors could agree to pay a fixed premium per unit sourced. However, when this payment is combined with the Sustainability Differential, proper safeguards must be developed, ensuring that (at least a good part of) these funds effectively improve workers' wages. We argue that direct transfers from supply chain actors to workers using mobile phone banking may offer the best safeguards and would reduce the transaction and coordination costs for certificate holders. Universal cash transfers – paid to all workers, not only those below the living wage benchmark – could also respond to the concerns of several certificate holders and workers who argued that a living wage bonus system should cover not only those with the lowest wages but also reward high-performing workers.

Besides the farm-level audits, a more proactive discussion is needed about the prevailing situation of low wages in the production of certified agricultural commodities. This requires complementary encounters between the Rainforest Alliance and other stakeholders at the sector level. Estimates of average wage levels, at the sector level or aggregated per sourcing area within a country, might be more useful to inform such discussions than precise reporting of living wage gaps at the level of individual certificate holders. Sector-level deliberations such as these could focus more on the aims of the living wage strategy and less on the prevailing discussions about the inclusion (or exclusion) of specific non-wage components in the Salary Matrix Tool or the appropriateness of the specific living wage benchmark used. By taking a more sectoral approach and by setting out clear modalities for a living wage premium that would flow down the value chain to producers, the requirement to develop a wage improvement plan would be matched by a more positively structured context with the institutional arrangements that allow them to do so. Instead of being perceived as an imposition by the Rainforest Alliance and a compliance risk, efforts to close living wage gaps might be seen more positively, and certainly less threateningly by certificate holders, and supported by a collective, shared strategy to improve wage levels across the sector.

Recommendations

Based on our findings from case studies in Brazil, Colombia, Kenya and Indonesia, the following recommendations aim to help the Rainforest Alliance as it continues to implement and adapt its approach to raising workers' wages in commodity value chains.

- The implementation of the RA2020 needs stronger relationship-building with sector organisations of farmers and workers in each country.
- The Rainforest Alliance should focus on securing commitments from supply chain actors to contribute financially to wage improvement.

- The Rainforest Alliance could use the Salary Matrix Tool only to register the wages paid without comparing directly with the living wage benchmark, calculating the average sector-level living wage gap separately and only using aggregated data.
- Because certificate holders often sell to various traders, the Rainforest Alliance should communicate to the supply chain actors (brands, traders) that their living wage contribution would almost always result only in a partial reduction of the living wage gap.
- The Rainforest Alliance should help to reframe the expectations of supply chain actors, from 'we are paying at least a living wage in the supply chain' to 'we are paying a premium to improve workers' wages'.
- The Rainforest Alliance should raise awareness of the RA2020 living wage strategy among unions and sectoral organisations that promote fair pay and decent employment conditions.
- The Rainforest Alliance should consider working with organisations that can support worker representatives in their involvement with the wage improvement plan.
- The Rainforest Alliance should develop context-specific arrangements to distribute supply chain actor living wage contributions, including varying percentages for wages, non-wage benefits, and support for or membership fees of sectoral organisations.
- A feasible option to avoid shifts in sourcing from areas with a high living wage gap to those with a lower gap might be to define a fixed living wage premium per unit sourced by the supply chain actor, independent of the sourcing country.

INTRODUCTION

The new Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm Requirements, Version 1.2 (RA2020) requires that all workers receive at least the minimum wage in their country and are afforded all protections under International Labour Organization (ILO) conventions and recommendations. Moreover, farms must assess prevailing wages for their workers yearly against the applicable living wage benchmark and, if there is a gap, develop a wage improvement plan with a specific timeline and targets to reach (at the very least) the level of a living wage. Through this process, supply chain actors can gain insights into the living wage gap and can consider the wage improvement plans of the producers they purchase from. This is expected to incentivise the supply chain actors to make a financial contribution to these wage improvement plans.

Certificate holders are required to use the Salary Matrix Tool to measure the wage gap compared to the living wage benchmark for their area (usually their country). The Salary Matrix Tool requires farms to track the total payment (wages plus cash and in-kind benefits) made to various types of workers yearly, and compare these payments to the applicable living wage benchmark.

The RA2020 requirements for wage transparency are meant to facilitate coordinated action in the supply chain. However, they create a 'chicken and egg' problem, whereby the certificate holders will develop a wage improvement plan only when they are guaranteed a contribution from the supply chain actor, but that support might only materialise when the certificate holder has developed the wage improvement plan. Publicising a living wage gap may trigger wage demands to the certificate holder before the supply chain actor has committed to making any contributions to cover the additional costs to the certificate holder. Where this salary increase is relatively large, it may undercut the certificate holder's profitability and induce them to refrain from Rainforest Alliance certification. Moreover, bridging the living wage gap can be very costly, especially in estates with multiple buyers where not all require Rainforest Alliance certification. The salary increase related to the certified products will influence the estate's wage structure and require the raising of all workers' wages, including those not involved (or only partially involved) in the certified production.

The theory of change underlying the RA2020 (see Figure 1) is that a form of premium price payment would be agreed that would improve farm workers' wages. When we started this research, the RA2020 stated that the wage improvement plan had to be developed in consultation with worker representatives. Initially, this was a mandatory requirement, but in late 2022, the Rainforest Alliance changed it to a voluntary requirement instead. Several factors led to this modification. Over recent years, the certificate holders had faced increased production costs that were not reflected in the prices paid for their products. Moreover, they were afraid of potentially frustrating worker expectations when the supply chain partners would not contribute to bridging the living wage gap through improved prices. This shows the influence of social and political economy factors in shaping both the Salary Matrix Tool and the wage improvement plan. Both are so-called 'boundary objects' (Star and Griesemer 1989) that result from an (ongoing) process of coordination and

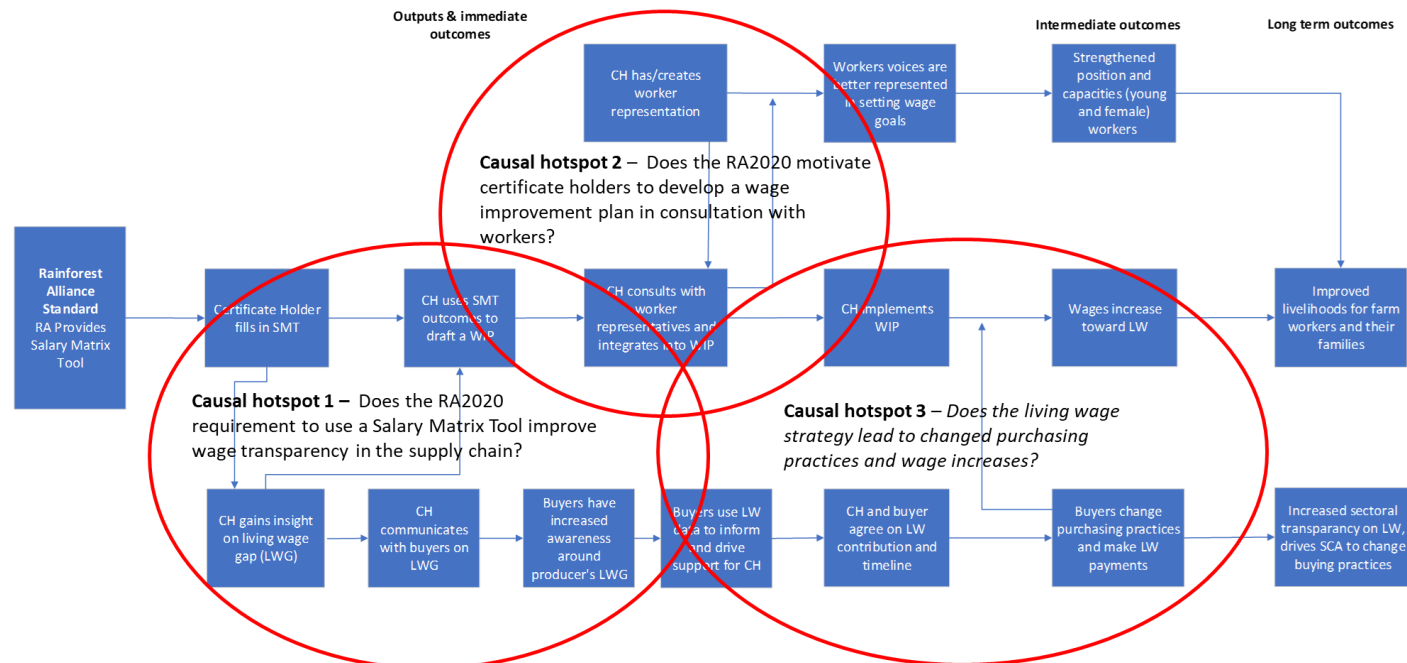
negotiation between different stakeholders and are 'plastic' enough to adapt to local needs and the constraints of the brands, non-governmental organisations (NGOs), retailers, traders and producers that use them. Our research is designed to contribute to the discussions among these stakeholders as they reflect on and refine these boundary objects in order to make them an effective coordination mechanism.

There is renewed interest in the concept of a 'living wage'. Global brands make new commitments to pay a living wage in their supply chains, and a living wage is becoming an important guiding principle and indicator of intent for any good business (Barford *et al.* 2022). Low wages are one of the root causes of forced labour in tea and cocoa production, providing workers with only 25 per cent to 30 per cent of the income needed to live above the poverty line. Low wages leave workers highly vulnerable to shocks such as illness or crop failure, which may create debt bondage (LeBaron 2021).

LeBaron (2021) found very little difference between labour practices on certified and non-certified plantations. The meta-analysis by Oya *et al.* (2017) showed that wages paid to workers in certified production were not higher than wages paid to workers in uncertified production. In half of the studies considered in the review, the wages had actually decreased compared with those in uncertified production. Consumers who buy certified products expect that these are sourced from areas where better social and environmental conditions prevail. Information that shows structurally low workers' wages may erode consumer trust in these certificates. The publicity about the low wages in plantations served as a wake-up call for certification bodies and their associated global brands to address both prices and workers' wages. Also globally, pressure has been building up for companies. However, companies and certification systems struggle to find effective modalities of transferring the consumers' willingness to pay a higher price into wage increases.

RA2020 is an initiative to respond to these pressures and create momentum for developing price modalities that improve workers' wages. However, approaches to address wages by calculating the living wage level and requiring improvement in the wages paid by their suppliers have been contested as unsustainable and ineffective, and are criticised by workers' unions as eroding collective action (Banalink, 2016). For example, in 2015, the Joint Ethical Trading Initiatives of Denmark, Norway and the United Kingdom (UK) presented a new agenda on supply chain wages, warning that 'efforts by individual companies to bring about wage improvements in individual supply chains – or in parts of them – have proven unlikely to be sustainable in the long run. It has become increasingly clear that the causes of low wages are systemic and therefore require systemic solutions' (Ergon Associates 2015: 4).

Figure 1: Theory of change of the Rainforest Alliance living wage strategy and the causal hotspots for this evaluation



Note: CH - certificate holder; LW - living wage; LWG - living wage gap; WIP - wage improvement plan
 Source: Rainforest Alliance.

RESEARCH QUESTIONS

This report documents the findings of the baseline phase of a multi-year research effort to capture the dynamics and intended and unintended consequences of the roll-out of the new requirements related to the Salary Matrix Tool and wage improvement plans. The study looks primarily at certificate holders with respect to wage setting and wage negotiation, and their relationship with primary buyers. As it is not feasible to study each causal assumption in the theory of change, the Rainforest Alliance has identified three elements as so-called 'causal hotspots' – pathways or assumptions in the theory of change that are deemed the most important and challenging to gain insights into. The original causal hotspots in the terms of reference have been reworded slightly in this report and are shown in Figure 1.

Causal hotspot 1: Does the RA2020 requirement to use a Salary Matrix Tool improve wage transparency in the supply chain?

The first causal hotspot of this study is to test the assumption in the theory of change that the Rainforest Alliance's approach to a living wage will result in credible data that increases transparency across the supply chain (see Table 1). An important assumption is that when the certificate holder uses the data to communicate with their buyers (supply chain actors), the latter will be induced to contribute financially to address the living wage gap. The willingness of the supply chain actors to invest in the wage improvement plan will differ according to the type of firm, the level of exposure to the Rainforest Alliance and/or consumer pressure, and the number of intermediaries in the upstream value chain (traders, processors, exporters, and importers). The more vertically integrated the value chain (such as bananas and tea), the easier it should be to transfer contributions to implement wage improvement plans.

Table 1: Evaluation questions for causal hotspot 1

Key assumptions identified by the Rainforest Alliance	Evaluation questions from terms of reference related to causal hotspot 1 (see Figure 1)
<ul style="list-style-type: none"> - Certificate holder sees value in Salary Matrix Tool - Certificate holder understands the tool - Certificate holder has accurate data 	To what extent does the Salary Matrix Tool provide new insights for the certificate holder and supply chain actors?
<ul style="list-style-type: none"> - Certificate holder and buyer(s) have good/trusting relationship 	To what extent, and how, are the results of the Salary Matrix Tool used by the certificate holder to communicate to buyers or other supply chain actors?

- Certificate holder motivated to share the gap - Strong social dialogue mechanisms in place	Which factors influence whether the certificate holder communicates the results to the supply chain actors?
- Buyers want to financially support certificate holders	What is the response of buyers when informed about the living wage gaps identified?
If buyers have more information/knowledge on the living wage gap, they will change practices	What other mechanisms need to be in place to facilitate supply chain actors making living wage contributions?
	Which information around the living wage gap is important and feasible to share between producers and buyers, when trying to change buying practices?
- Buyers want to commit long term - Some buyers actively request producers to use and share insights on the living wage gap	Which factors influence whether supply chain actors are willing to contribute to closing the living wage gap?
	How does the living wage gap information feature in commercial contracts? Are there best practices in countries for buyers who pay higher prices to allow producers to pay workers a living wage?
	What guarantees on the payment of a living wage do buyers expect from producers in return for higher prices/other benefits?

Causal hotspot 2: Does the RA2020 motivate certificate holders to develop a wage improvement plan in consultation with workers?

The study's second goal is to gain insights into the modalities and effectiveness of worker representation in developing a wage improvement plan (see Table 2). Forms of worker representation vary widely between different types of certificate holders: large and small schemes, cooperatives and for-profit firms, contract farming and plantations, etc. Social norms about appropriate forms of representation also vary by context. Worker representation modalities also differ according to the socio-political situation in the area or country. In some countries, worker organisations that support worker representatives might be relatively strong, while in others they are weak. In some sectors, there might be collective bargaining agreements that cover the Rainforest Alliance-certified farms.

Table 2: Evaluation questions for causal hotspot 2

Key assumptions identified by the Rainforest Alliance	Evaluation questions from terms of reference related to causal hotspot 2 (see Figure 1)
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- Communications between worker representatives and certificate holder are effective - Certificate holder respects worker representatives' wishes - Worker representatives hold formal power	How are worker representatives included in setting a wage improvement plan?
- Certificate holder is motivated to integrate the wishes of worker representatives	To what extent are certificate holders motivated or inclined to engage with workers about their wages and to set goals for increasing wages?
- Worker representatives represent workers in an equitable manner - Workers feel that their voices are heard	How are gender relations considered in the workers' representation?
	Do workers feel that their involvement in creating the wage improvement plan strengthens their (power) position?
- Collective bargaining agreement - Union	What does a wage improvement plan look like in practice?
	How does the involvement of worker representatives compare over different contexts (e.g. unionisation, collective bargaining, etc)?
	How does the wage improvement plan work for farms with a farm or sector collective bargaining agreement in place?

Causal hotspot 3: Does the living wage strategy lead to changed purchasing practices and wage increases?

In many countries and sectors, the process of wage transparency and development of wage improvement plans is only just starting. Although there are some pilots of new purchasing practices and living wage premiums, these are on a small scale and largely restricted to the banana sector. However, even when the wage improvement plan and living wage premiums are not yet implemented in practice, the research reflects the stakeholders' expectations about the feasibility of the various pilots. Various modalities to distribute a supply chain actor price premium to improve wages are discussed by stakeholders in international forums such as the Living Wage Conference in Brussels in December 2022.

Table 3: Evaluation questions for causal hotspot 3

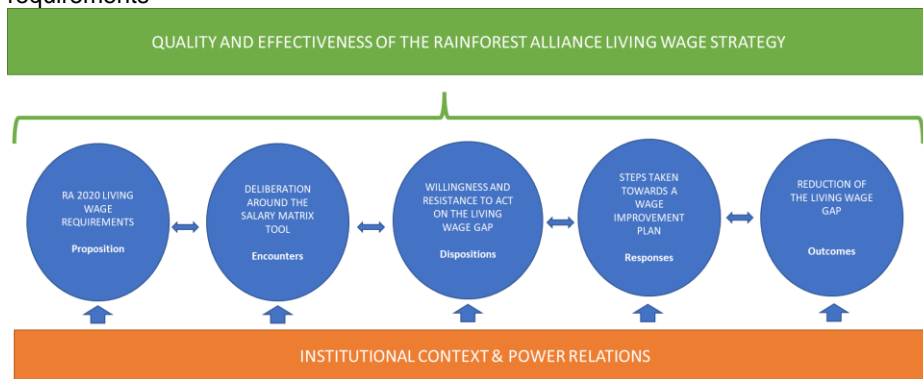
Key assumptions identified by the Rainforest Alliance	Evaluation questions from terms of reference related to causal hotspot 3 (see Figure 1)
	Are the proposed wage improvement plans feasible (e.g. financially, practically, long term)?

- No huge market disruptions (e.g. price, war, supply issues, etc.) - External support (e.g. from buyers)	Which challenges do certificate holders and other supply chain actors face in moving towards a living wage for farm workers (e.g. legal, financial, etc.)?
	What are the unintended effects for certified farmers and their workers of implementing the living wage criteria?

ANALYTICAL FRAMEWORK

In the following sections, we describe and analyse the current state of deliberation, negotiation and organisation around wages in response to the RA2020 requirements in four case study countries (Brazil, Colombia, Kenya, and Indonesia) and three sectors (coffee, tea, and bananas). We conceptualise the implementation of the RA2020 living wage approach as a process of socio-technological change, which involves a transition from one set of institutional practices to another. Building on an analytical framework developed by Glover *et al.* (2019), we focus on five interlinked aspects of the change process..

Figure 2: Analytical framework to study the adoption of the RA2020 living wage requirements



Source: Authors' own.

Figure 2 depicts the analytical framework used in this study. Glover *et al.* (2019) proposed that socio-technological change could be studied as a process involving four interconnected aspects: propositions, encounters, dispositions and responses, to which we have added 'outcomes'. The orange part of Figure 2 draws attention to the structures and relations of power that frame the context and condition the agency and constrain the room for manoeuvre of the respective stakeholders involved. The blue circles in Figure 2 indicate the analytical foci of the study, where the five aspects of the PEDRO framework are defined: proposition, encounters, dispositions, responses, and outcomes.

The proposition is considered the same across all cases; it comprises the RA2020 living wage requirements. Contextual differences in national political economy, legal frameworks, institutional structures, and value chain relationships contribute to differences in how the proposition is encountered and perceived and how different value chain actors are disposed in relation to it. Their responses are key empirical observations, which we use to understand the extent to which the Rainforest Alliance theory of change is manifesting itself. We introduced a fifth aspect, outcomes, because

our purpose in this analysis is evaluative; the goal is to find out whether the Rainforest Alliance living wage strategy is driving (or will drive) improvements in wages for workers on farms producing Rainforest Alliance-certified commodities. The upper part of Figure 2 (the green band) sums up the overarching aim of the analysis, which is to enhance the effectiveness of the RA2020 living wage strategy.

As already noted, we take the proposition as standard across countries, commodities, and value chains. In this case, the proposition comprises specific tools (the Salary Matrix Tool and living wage benchmark) along with methods, guidelines, and protocols for their use (e.g. processes to assess living wage benchmarks against relevant local and/or sectoral norms), and a proposed mode of engagement (i.e. to negotiate with worker representatives in the development and implementation of a wage improvement plan).

It is helpful to note that these components of the living wage proposition have been introduced within the framework of an existing proposition, which is that farms operate as Rainforest Alliance-certified producers, using tools and processes such as auditing, reporting requirements, traceability tools, and certificates and logos in order to access a high-value niche market for sustainably and ethically produced tea, coffee, and bananas. The new living wage proposition adds to the requirements of the Rainforest Alliance standard, where compliance is the condition for continuing to enjoy the expected benefits of certification.

Particularly at the baseline stage, we have focused on the value chain actors' encounters with the new proposition. For certificate holders, the key encounter occurs during (re-)certification, when they become aware of the details of the new living wage components of the RA2020 standard and start preparing themselves to be audited for compliance. For workers, the main encounter with the new living wage requirements will be during the development of the wage improvement plan. As for buyers, many of them are also Rainforest Alliance certificate holders but of a separate standard that applies to supply chain actors. This means they may be familiar with some aspects of the transition to new Rainforest Alliance standards after 2020 but not necessarily directly aware of the RA2020 farm requirements. Different (quality of) encounters could lead to differences in the respective stakeholders' awareness of the RA2020 living wage component and their appreciation of what it involves. The quality of these respective encounters is reflected in the perceptions of the internal deliberation processes between certificate holders, workers, and buyers.

Certificate holders, buyers, and workers are not homogenous groups, and contextual differences will influence these stakeholders' respective dispositions to engage in new practices and behaviours to support wage improvement. The dispositions of stakeholders involve both an agentic aspect (arising from personal or organisational characteristics, which shape how a given actor perceives the proposition and experiences the encounters) and a structural aspect (arising from how each actor is positioned in relation to the proposition) that reflects the power relations in the value

chain (e.g. by the ability to take or absorb risks, mobilise social networks, and/or access the resources needed to implement the required socio-technical changes).

We anticipate that dispositions towards the RA2020 living wage strategy will differ structurally between producers, workers, and buyers (supply chain actor). Producers have an intrinsic motivation to preserve their profit margins; this overlaps with buyers' motivations to keep their procurement costs down and to protect their profit margins, but the buyers are focused on their own compliance with the Rainforest Alliance standard for supply chain actors, which does not include a living wage component. Workers have an intrinsic motivation to earn higher wages, tempered by a desire to maintain good relations with employers and protect their employment opportunities within a stable or growing business. To some extent, the encounter itself differs between the three groups. The producer certificate holders encounter the RA2020 living wage requirements directly through their bilateral relationship with the Rainforest Alliance and through their experience of compliance and auditing. Workers and buyers may encounter the living wage requirement indirectly through their respective relationships with the producers. This is why we have selected producer certificate holder farms for the country case studies, and then explored the individual certificate holder's relations with their workers and buyers.

Our empirical focus is on the expressed attitudes, perceptions, and views of the respective stakeholders (certificate holders, workers, and buyers) and on their emergent responses to the RA2020 living wage proposition. This evidence is gathered via interviews, review of documents and communications, and observation of activities (such as the implementation of the Salary Matrix Tool).

At the baseline stage, it is too early to study outcomes directly. At subsequent stages of the evaluation, it will become possible to gather evidence about whether the Rainforest Alliance's theory of change, which underlies the living wage strategy, has unfolded as anticipated and led to measurable improvements in workers' wages.

FINDINGS

Insights from the coffee sector in Brazil

CONTEXT OF WAGE SETTING

The hiring of rural workers in Brazil's coffee sector is done in two forms: 'harvest' and 'short-term' contracts. For harvest contracts, the length is related to the planting or harvesting period, therefore dependent on seasonal variations in agricultural activity and with a fixed term until the end of the harvest. The contract is non-extendable, but there may be successive contracts. At the end of the harvest, the employer must pay the employee the balance of wages plus the benefits provided by law. For short-term contracts, the worker is hired to perform a temporary activity with a maximum extension of two months over the course of one year. If the limit stipulated by law is exceeded, the contract becomes a 'fixed-term' contract. This modality guarantees the same rights as other rural workers.

Despite this legal basis for contracts in the coffee sector, the rate of informality in Brazil has grown in recent years. According to the Brazilian Institute of Geography and Statistics (IBGE), the informality rate reached 40 per cent of the employed population in 2022. Specifically in the case of coffee in Minas Gerais state, an estimated 58.2 per cent of the employed population were informal workers (as at 2019). Informality and slave-like labour cases³ are more frequent in the harvest season (from April to September). According to the Rainforest Alliance's Risk Assessment Tool, Brazil is considered a high-risk country and requires stricter 'assess-and-address' procedures (RA2020 requirement 5.1). Several farms have been fined in recent years for keeping migrant workers in slave-like conditions (Repórter Brasil 2021).

Rural union activity, originating in the dictatorship of the 1960s and 1970s, did not oppose or try to change laws. Instead, a new *modus operandi* took shape by addressing problems through denunciation and demanding action to enforce rights already provided by law. In the context of re-democratisation, organised civil society (which includes social movements and unions) began to regain and expand the diversity of forms of political expression. During the governments of the Workers' Party (Partido dos Trabalhadores, or PT), after 2003, the number of labour unions in Brazil increased, generating fierce competition for representing workers.

What has been observed since then is a process of fragmentation of rural workers' union representation, scattered among a larger number of unions, federations, and confederations. From 2012 to 2019, unions in Brazil lost 3.8 million members. An immediate association can be established owing to the implementation of Law

³ Brazilian law makes it illegal to submit any worker to what it calls slave-like conditions, defined as including coercion through threats and violence, and extreme exploitation through degrading conditions or exhausting working hours, even where the worker's freedom is not restricted (Filgueiras 2013, 2021).

No. 13,467/2017 (aka Labour Reform Law), which abolished the mandatory annual union contribution (the main source of revenue for union entities). In addition, the emergence of the so-called 'new unionism' since the 1990s has led to rural unionism reflecting the demands of smallholder farmers rather than the needs and struggles of rural workers.

SELECTION OF CERTIFICATE HOLDERS FOR THE CASE STUDY

The selection was based on the list of certificate holders (90 in total), of which 57 were individual farms/estates, 27 were farmer groups, and 6 were companies that operate multiple farms in different locations. The majority of certificate holders were from Minas Gerais state (only 10 were from other states). Researchers from the Center for Sustainability Studies of Fundação Getulio Vargas (FGVces) and the Institute of Development Studies (IDS) agreed to select only certificate holders from Minas Gerais. FGVces presented a shortlist at a meeting on 4 November 2022, of eight certificate holders (four prioritised and four alternatives). Once the Rainforest Alliance and IDS had agreed on the shortlist, the Rainforest Alliance Brazil initiated contact with each certificate holder, presenting information on the study and introducing the FGVces team to schedule the visit. By December 2022, three of the four prioritised certificate holders had declined participation in the research, and beyond the initial sample of eight, one new certificate holder was added in January 2023. Eventually, the participation of three certificate holders was confirmed (see Table 4).

Table 4: Short description of cases

Certificate holders	Description
Case 1	A medium size farm that has one primary buyer, an agro-industrial cooperative considered the second largest coffee exporting cooperative in Brazil. It has 11 permanent and 50 seasonal workers, working on 82 has of coffee.
Case 2	A large farm with four production units (coffee and other crops) that sells to more than one buyer, but its main commercial partner is a coffee cooperative. It employs 100 permanent and 150 seasonal workers.
Case 3	A large farm that produces mainly coffee but also cattle and other crops. Sells directly to international buyers, exporting between 80% and 90% of its coffee production. It employs 360 permanent and 505 seasonal workers.

Many of the contacts provided were not directly of the certificate holder (the estate owner or certificate holder manager) but a representative of a second-tier cooperative or multi-site holding of which the farm is part and that acts as the primary buyer of the estate. It was clear that these institutions wanted some control over the research and a desire to know what was discussed during the interviews. Two of the interviews with buyers were with these primary buyers. The supply chain actor (international buyer) interviewed was not directly linked to any of the three cases but provided useful information as a key informant.

CASE STUDY FINDINGS

The status of implementation of the new RA2020 requirements in Brazil is summarised in Table 5. We then present more details on each aspect.

Table 5: Status of implementation of the new RA2020 requirements in Brazil

Proposition/practice	Status
Use of Salary Matrix Tool	<ul style="list-style-type: none"> All 3 certificate holders studied have completed the Salary Matrix Tool. 2 reported that they filled it out incorrectly the first time, but then corrected it.
Communication with buyers	<ul style="list-style-type: none"> None of the certificate holders has proactively communicated the results of their Salary Matrix Tool with their direct buyers or other downstream supply chain actors.
Development of wage improvement plan	<ul style="list-style-type: none"> None of the certificate holders has drawn up a wage improvement plan, although one described their own plan for improving workers' benefits.
Inclusion of worker representatives in developing wage improvement plan	<ul style="list-style-type: none"> The certificate holder that had produced its own plan did not include worker representatives in its development but consulted with workers on specific aspects of the plan (e.g. the desirability or nature of in-kind benefits).

Salary Matrix Tool

Interviewees highlighted some problems with filling out the information requested by the tool, such as a lack of parameters for the indicators for the non-financial benefits (e.g. each certificate holder established its own value for the rent of the house provided to employees), and adjustments in the formula to calculate the temporary workers' wage (they are paid by yield, but the formula of the tool is set to calculate the wage by month/day/hour).

All three certificate holders used the Salary Matrix Tool, but they have not yet shared the results with their workers. Our evidence suggests that workers are unaware of the new Rainforest Alliance criteria, including the Salary Matrix Tool.

Wage improvement plan

None of the interviewed certificate holders has yet developed a wage improvement plan as proposed by the Rainforest Alliance. One of the three has begun work on its own benefits improvement plan; however, it does not include wage increases, and was not elaborated with worker representatives' participation.

A key informant pointed out the lack of a deadline to elaborate and implement a wage improvement plan. If certificate holders are not paying the living wage, it is up to them to decide when to improve. The interviewee also stressed that certification in itself is not enough to raise workers' salaries:

Certification never resulted in salary improvements in the 20 years we have been working with it. Collective agreements can be a path, which leads to the importance of unions in this process, which today are weakened.

(Auditor)

Rainforest Alliance living wage approach

All three certificate holders (although to different degrees) were more reluctant to implement the wage improvement plan than the Salary Matrix Tool. They are very fearful of addressing the living wage gap by raising the workers' salaries. There was consensus that the issue is important and needs to be addressed, but a preference for doing so through non-permanent benefits. The certificate holders feared that once you raise wages, you cannot lower them (for example, should there be an economic crisis or other shocks such as crop losses due to an extreme weather event). Also, many certificate holders, buyers (cooperatives), and support organisations (consultancy and auditing companies) emphasised that the Rainforest Alliance should improve how it communicates with partners around the new RA2020 requirements.

Willingness of buyers to contribute financially

Interviewees from the cooperatives that purchased from the case study certificate holder farms shared similar perspectives as the certificate holders themselves. Both mentioned that it is getting harder and harder to meet Rainforest Alliance criteria, and referred to other cooperatives that were considering creating their own certification protocols, which would largely reflect the spirit of the Rainforest Alliance standard but be better tailored to Brazilian realities.

Although the new certification requirements are burdensome, not having international certification may backfire on international buyers' willingness to pay a premium for the coffee produced on the farm, including a potential living wage premium. According to the person responsible for an international buyer's sustainability programme in Brazilian coffee farms, more and more consumers are eager for information on the living wage:

We are moving beyond child labour and slavery-like work and looking at fair remuneration... To provide transparency to the consumer that producers and workers are getting a decent remuneration for their bag of coffee and their work. Transparency is one of the key words for any supply chain.

(International buyer)

SYNTHESIS

Proposition: status of implementation of the RA2020 requirements (Salary Matrix Tool and wage improvement plan)

The RA2020 asks for a Salary Matrix Tool to be completed that compares wages with the living wage, and the development of a wage improvement plan, ideally involving

worker representatives. However, the latter requirement is no longer mandatory (since 2022). There is an assumption that the certificate holders will communicate the results of the Salary Matrix Tool to supply chain actors and that the latter will contribute financially to the costs of the wage improvement plan.

Encounters: deliberations around the Salary Matrix Tool

One avenue through which the actors encounter the Salary Matrix Tool and wage improvement plan is directly through the Rainforest Alliance itself. Interviewees reported that communication with the Rainforest Alliance has been difficult and time-consuming, although this situation has improved since the organisation opened an office in the country. That said, the Rainforest Alliance is still seen as distant from Brazilian realities, 'importing' rules and standards that may work elsewhere but are not entirely suitable for Brazil.

The Salary Matrix Tool was reported to be complex to understand and difficult to fill in, with a lack of sufficient guidance. Even those certificate holders who were strongly supportive of certification and had invested in staff to be able to implement it well found that they could not understand the spreadsheet.

We took the base salary with the benefits, but we couldn't understand the spreadsheet well. The experience was not very good... We have a robust team here, we invest in this, but there are many producers that do not have this structure to be able to have it very well organised. We had difficulties here, with people dedicated to this, and we couldn't get there. Imagine an individual producer, his difficulty...
(Certificate holder)

One interviewee explicitly commented that broader communication is needed to create a vision of the changes that the Rainforest Alliance seeks to achieve:

There is still a lack of communication of the norm, producer awareness, and working together so that he understands... If he doesn't understand what's behind it, he will not do it the best way. Even to create this awareness of what a living wage is for the employee. Sometimes this is a difficulty – to care for the employee, this worker, on a daily basis. How he is going to measure this and have this awareness that we have to work on this employee's dignity, that he is also part of the chain? I felt that there was a lack of support in this sense, to build together, to make things a little easier.
(Certificate holder)

We found no evidence that workers are aware of the RA2020 or the Salary Matrix Tool and wage improvement plan. One certificate holder said that they tried explaining the living wage to some of their employees. However, they reported that 'they [rural workers] didn't understand', particularly regarding the calculation of in-kind benefits. This limited knowledge means there was little capacity or opportunity for workers to engage in a meaningful way with the living wage strategy or a wage improvement plan.

Dispositions: willingness and resistance to act on the living wage gap

Certificate holders' disposition towards the Rainforest Alliance's living wage strategy is linked to market dynamics (the cost of production, position in the value chain, ability to sell produce as certified), as well as accepted norms and practices in the coffee sector. For example, not all the product produced in accordance with certification standards is sold as certified, affecting the viability of the living wage strategy. One cooperative gave the example of bean size. In order to access premium markets, beans need to be large. The cooperative estimated that in 2022, although 50 per cent of members' coffee was compliant with certification standards, only about 28 per cent was purchased as certified due to the bean size; the rest was mixed with the non-certified product and sold domestically.

Certificate holders' disposition towards the living wage strategy is also affected by risks inherent to the sector (e.g. coffee price volatility, pests, and weather events). With these factors already outside their control, they are reluctant to lose control of their wage costs, now and in the future.

This upgrade plan [i.e., the wage improvement plan] has to be variable, and enter as a variable salary [component]. If it enters as a fixed cost, most people will not want to enter. If you absorb this in the fixed cost and have a downtime, you have to fire people. Otherwise, how are you going to reduce costs?
(Certificate holder)

Another issue is that certificate holders may depend on flexibly deploying their workforce across different farms and different crops. This creates problems because it might lead to certificate holders needing one (living) wage for certified coffee plantations and another wage for non-certified parts of the business. Alternatively, having a living wage across both would require them to recoup the costs from both certified and non-certified value chains.

Certificate holders felt that certain jobs (e.g. tractor drivers) are much closer to meeting a living wage than rural workers more generally, and that, in these cases, a living wage was attainable. However, it would be very difficult to attain this for some types of manual and casual labour.

One certificate holder also expressed the view that although raising wages to the level defined by the living wage was feasible, most of the sector saw the legal minimum as the legitimate threshold. Elements of the Rainforest Alliance standards, including the living wage proposition, were described as being outside of cultural norms and expectations for farmers:

For the farmer (not for me, who came from another environment), the issues of... the living wage, these are culturally difficult points to change.
(Certificate holder)

There is little evidence of certificate holders engaging worker representatives in decision-making. None of the certificate holders had a formalised worker representative role or process for engaging with workers. Although each certificate holder presented a 'worker representative' for us to interview, these individuals were invited by the management to liaise between management and workers. There was no systematic process for workers to select such representatives, although they all appeared to be individuals that had worked for the certificate holder for a long time and so were likely trusted by the management. In the one case where we were able to speak confidentially with the worker representative, we were told that they were not empowered:

Most of the time, I am not listened to. I am caught in the middle of a 'crossfire' [between field workers and office workers and managers].
(Worker representative)

These worker representatives were largely unaware of the Salary Matrix Tool or any wage improvement plan. They were primarily involved in ad hoc efforts to address issues that arise on the farm through one of two mechanisms:

- the 'suggestion committee', 'complaints committee' or 'suggestion box'
- an internal commission for the prevention of accidents, which focuses on safety but also acts as a broader space to discuss field issues.

Worker representatives were positively disposed towards certification, which they considered 'useful', noting that it 'brings improvements' and that it 'makes a difference to have it'. However, one certificate holder noted that not all workers want to work on certified farms, as it requires them to be registered, and some employees seemed to prefer an informal status. This view was also corroborated by one of the buyers:

At the harvest season, people earn by production, but what is registered in the contract is only the minimum wage, and the rest is paid aside. Sometimes, the worker also does not want the correct salary amount to be formalised in order not to have the social insurance rates deducted. In these past two years, the government aid [due to the pandemic] also influenced the workers to not want to be registered so as not to lose the aid. Therefore, there is a political-economic-social context that interferes with this issue.
(International buyer)

More generally, workers in the coffee sector in Minas Gerais are not organised. There is no collective bargaining agreement in place, with salaries generally negotiated individually.

With respect to engagement between certificate holders and buyers, we found a mixture of arrangements. At one extreme, one of the certificate holders sold all their produce to one marketing cooperative, and showed no interest in where the coffee went after that. We conclude that such certificate holders would not be motivated to engage with supply chain actors, although the cooperatives they sell to may do so.

At the other extreme, one certificate holder reported a close relationship with partners in consumer countries:

We work a little differently than the market, in which coffee is negotiated on the stock exchange [meaning the combined Brazilian Securities, Commodities and Futures Exchange]. We have a sales menu and sell our product to the customer at a fixed price. The market fell? Did it increase? We will keep the price. It's our business model. Most of the time, it's positive for us, but it's a model that's a little different from how the market works [normally] today.
(Certificate holder)

This certificate holder reported some engagement with buyers on sustainability issues and gave the example of buyers' support for part-financing a tree-planting project. However, the certificate holder was reluctant to ask the buyer to pay more to address the living wage gap, arguing that these costs are already 'priced in'.

The cooperatives that buy from and represent the certificate holders were disposed to support certification but lacked the motivation to drive progress on the living wage. They consider certification to be a matter of compliance – a response to demands in the European market. Thus, they will only support a living wage strategy if they see that international buyers are demanding it.

Response: steps taken towards a wage improvement plan

The initial response to the proposition by the three certificate holders and their primary buyers (cooperatives) was negative. Closing the living wage gap was described as 'impossible' by one farm owner, requiring an increase to their payroll of 20 per cent. Interviewees found it particularly difficult to imagine casual labour being paid at the living wage level. One cooperative questioned whether the financial sustainability of the producers was being adequately considered:

... it's valid to know if the producer is getting paid to be able to pass this on too. If not, the employee earns R\$2,800 [Brazilian reals], and the producer does not even earn R\$1,000. The truth is that when we talk about sustainability, we have three pillars: economic, environmental, and social. If the economy is not in balance, forget it. How is the producer going to pay a living wage of R\$ 2,800 if he is losing money in the operation?
(Cooperative)

The certificate holders and their cooperatives also noted a market trend towards the development of local protocols that follow similar standards as the Rainforest Alliance but which they consider to be better suited to domestic conditions, and demand less paperwork. They believe that some buyers will accept these alternative protocols, perhaps by sending their own auditors to verify compliance.

While these views were expressed strongly by representatives of two cooperatives and by one of the certificate holders, the other two certificate holders told a different story. One argued that change was needed over time: 'we have to build this path'. The other explicitly disagreed with other certificate holders over the living wage:

I'll tell you something, I want it to be recorded, [Rainforest Alliance] membership is falling because of some issues we've already discussed here... Farmers are leaving, and one of the points, I'm sure, is the products [referring to pesticides]. The other is the living wage. This [reason for leaving the Rainforest Alliance] I don't agree with. It's not difficult to get to the living wage, mainly because you can count the indirect benefits and there is the harvest period when employees earn more.
(Certificate holder)

Whatever their views on the feasibility of closing the living wage gap, both the certificate holders and the cooperatives interviewed found the Salary Matrix Tool process confusing and had concerns about the integrity of the data and calculations. For two of the three certificate holders, their initial attempts to calculate the living wage gap required revision or correction involving a technical expert. One of the cooperatives hired a legal consultancy to help define parameters for its certified members. In the other case, an auditor highlighted errors that led to corrections to the data that had been input. Interviewees particularly expressed concerns with how to value (monetise) in-kind benefits in the Salary Matrix Tool. There were also some questions of how to account for training and non-salary benefits that are only used by some (e.g. paying school costs for the children of the workers). There was a clear view that more guidance was needed.

When you have workers who live on the farm, everything the farm offers to them enters the matrix (house, water, light). This enters into the composition of the living wage. I think that the Rainforest Alliance needs to be able to parameterise to avoid the chance of having discrepancies in the values in the same region – for example, when a producer says that the assigned house has a 'rent' of R\$400 and the other, from the same region, says that it is R\$600. Auditors, as much as they realise this discrepancy, they cannot point out who is wrong. There would have to be guidance from the Rainforest Alliance about this.
(Cooperative)

This issue with monetising in-kind benefits is not only a technical question but affects perceptions of the proposition itself. If each certificate holder is seen to interpret the Salary Matrix Tool in its own way, the results lose credibility, and there is space to 'game' the system. Two interviewees also highlighted a difference between the *cost* of a benefit (e.g. the cost of running a service, or maintaining a bus for transport) and the *value* of a benefit for the employee (e.g. avoided transport costs). One expressed the issue as follows:

Today, many employees already understand these benefits as value. But it is a difficulty that we have: what to put there [in the Salary Matrix Tool]? To better understand what is expected. Is this really the living wage? Often our benefits have a high cost but how does the employee value that? I have a

doctor here three times a week who attends both for cases of internal demand, such as periodic examinations, but he also cares for someone who needs it and suddenly is feeling sick...
(Certificate holder)

Despite these problems and the hesitation of some interviewees, we noted that some steps had been taken towards changes, although all of these focused on the non-wage elements. The interviewees did not always attribute these measures to the RA2020, but nevertheless discussed them in the context of closing the living wage gap.

One certificate holder argued that they were already close to paying a living wage, once higher earnings during the harvest period as well as in-kind benefits were taken into account, and that the Salary Matrix Tool had helped them get an overview of the entirety of wage and non-wage benefits.

Another interviewee pointed to the engagement with workers on career development. Work in the coffee sector in Brazil has been increasingly mechanised, which means that workers need to learn new skills that could result in higher wages.

Finally, one certificate holder admitted that they had no plans yet related to increasing salaries. However, they had concrete plans to extend benefits like meals at work and a healthcare plan to those employees that were previously excluded from these benefits; they also had a plan to better organise benefits for tractor drivers. The certificate holder maintained that these changes were not primarily a response to the Rainforest Alliance standard but that the standard helped provide an impetus for improvements they already wanted to make.

These themes were old discomforts [to us]. We are [primarily] pushed by sustainable strategies from the company's management. Certification always comes in to accompany and validate [these]. But our governing body demands that we always stay ahead... In other words, the certification contributes, but is not the only reason.
(Certificate holder)

However, these insights also point to a potential unintended consequence of the living wage strategy: certificate holders focus on improving non-salary benefits rather than actually increasing wages for the lowest-paid rural workers. There may be a number of reasons for this. In-kind benefits may have a lower cost to farms than raising wages, especially as wages carry additional costs like taxes. Changes to benefits may also be less risky – for example, they allow the farm to reduce its costs in years when coffee prices are depressed, which it cannot easily do with wages. Finally, raising the wages of the lowest paid might push up wages across the entire workforce in order to maintain a fair salary structure (e.g. with more experienced or higher-skilled workers continuing to receive more than the lowest paid). Again, this problem does not arise with in-kind benefits.

Several certificate holders argued that while progress could be made, closing the living wage gap would be difficult or impossible, and that this should not be made compulsory. One interviewee was adamant that if they were required to close the gap in a defined time period, they would not be able to continue their certification. However, without the requirement to close the gap, the wage improvement plan is tokenistic. In the opinion of one of the cooperatives, farms that had managed to develop a wage improvement plan only did so to meet the RA2020 standard and had no intention of implementing it.

We found no evidence that the information generated through the Salary Matrix Tool or a wage improvement plan had been shared with supply chain actors to generate wage transparency and get financial support for closing the living wage gap. When asked about this transparency mechanism, one certificate holder expressed reluctance to share information on their problems (such as the living wage gap) with international buyers. Only once they had a feasible wage improvement plan in place would they be happy to share that externally.

Regarding the salary, I want [you] to get what I said here right: once I got it right, I wouldn't have any problems. When I have an improvement plan [ready], there's no problem sharing it.
(Certificate holder)

While the marketing cooperatives acknowledged that international buyers are interested in workers' conditions and wages, they also argued that buyers are not interested in getting involved in the details or in paying a premium to close the living wage gap:

I doubt whether the buyer himself will want to pay a higher premium. The buyer will want to have traceability. If it is certified, then it is already deduced that it has the [Rainforest Alliance] seal. He won't want to go into the detail of whether he's paying a living wage or not. He can't evaluate it. If you're going to buy a certified coffee, you don't go after knowing criterion by criterion if they're complying with that. What matters to us is whether it is certified or not. I think [the strategy of transparency on wages] is very complex.
(Cooperative)

However, in our key informant interview with an international buyer, we heard that more and more consumers are moving beyond issues like child labour and slavery-like work and are eager to know if producers and workers are getting decent remuneration. This interviewee felt that addressing the issue would be best managed through broader platforms and policies:

We can address this through multisectoral pre-competitive platforms, such as the global coffee platform, the Serra das Águas consortium. This has to come from above and below – an initiative that encompasses everyone to be able to scale. Also, it needs to involve public policies, as it will interfere with labour book-keeping and labour rights. It is complex, but it is one of the most important issues, especially in Brazil, Nicaragua, and India.
(International buyer)

That said, the interviewee also identified a role that buyers can play – for example, by guaranteeing a floor price for coffee that would be paid even if the market price dropped below that. Anything paid over and above the floor price or market rate could then be considered as a contribution to a living wage.

Outcome: reduction of the living wage gap

We found no evidence of implementation of a wage improvement plan among the case study farms. At this early stage, it is impossible to say something about the outcomes.

Insights from the banana sector in Colombia

CONTEXT OF WAGE SETTING

In Colombia, national regulations are the reference point for wage negotiation and some differences are observed between regions. Some of these benefits include: the payment of bonuses; severance pay; professional risk insurance; health; and the additional payment at contract termination. These benefits are all covered by employers.

Antioquia

Wages in Urabá (Antioquia department) are covered by a collective bargaining agreement. Negotiations between union members and organisations occur every two years; the most recent one took place in 2021, and the next will be in 2023. The collective bargaining agreement defines the agreed performance tasks per day, aiming to have workers gain a salary that can be twice the minimum wage. Crucially, the collective bargaining agreement guarantees that no worker who works ordinary working hours can earn less than the minimum established or the minimum by law (whichever is the most favourable for the worker), so if a producer does not meet the minimum productivity, the company must complete its salary to meet the minimum wage. As a result, households in the banana-producing municipalities where the collective bargaining agreement exists have a higher quality of life than those in non-banana-producing municipalities.

Magdalena

Wages around Santa Marta (Magdalena department) are not covered by a collective bargaining agreement. There are wage agreements (pacts) that cover all workers on the same farm, but these are not mandatory for other banana farms in the area. In the Santa Marta region, less than half of the workers are unionised, mainly because the employers in this region have a completely different attitude towards unionisation and sometimes actively discourage it. Moreover, this banana zone mostly has smaller plantations that are less likely to have unionised workers on their farms than larger ones.

SELECTION OF CERTIFICATE HOLDERS FOR THE CASE STUDY

The research team considered that it was good to include both areas of banana production in the sample to explore the dynamics and particularities of the banana sector and the living wage strategy in relation to the different institutional settings for wage negotiation. Ultimately, we took the list of all RA2020-certified banana farms meeting these criteria in Colombia (a total of 21 farms) and selected two cases in each of the two banana areas randomly, one that was relatively larger and one that was relatively smaller (see Table 6). We had to substitute some randomly selected cases with a replacement because the owners of the farms that were selected initially were not available for interviews during the fieldwork period.

Table 6: Short description of cases

Certificate holder	Description
Case 1	Small farm in Magdalena with 37.5 ha of bananas and 24 workers. No collective bargaining agreement.
Case 2	Medium-sized farm in Magdalena with 155 ha of bananas and 168 workers. Has a collective agreement (pact) for various farms owned by the same person.
Case 3	Small farm in Antioquia with 54 ha of bananas and 54 workers. Has a collective bargaining agreement.
Case 4	Medium-sized farm in Antioquia arm with 92 ha of bananas and 64 workers. Has a collective bargaining agreement.

CASE STUDY FINDINGS

The status of implementation of these propositions and practices in Colombia is summarised in Table 7. We then present more details on each aspect.

Table 7: Status of implementation of the new RA2020 requirements in Colombia

Proposition/practice	Status
Use of Salary Matrix Tool	<ul style="list-style-type: none"> All four certificate holders interviewed had completed the Salary Matrix Tool. All four certificate holders mentioned initial difficulties in filling in the Salary Matrix Tool, but that these were largely resolved with the updates of the IDH online tool. However, there is confusion about what non-salary benefits are to be included in the tool and, especially, how to do this for part-time workers. Given this confusion, some Salary Matrix Tool results are considered as preliminary by the certificate holders. Most certified farms in Colombia seem to have completed the Salary Matrix Tool.
Communication with buyers	<ul style="list-style-type: none"> The primary buyers of case 1 and case 2 had been involved in Salary Matrix Tool calculations. The primary buyer of case 2 had been involved with a supply chain actor that participated in the piloting of several modalities for supply chain actor contributions with a large retail company. The buyer of case 2 did see a role for the primary buyers in reducing the living wage gap but this support would be conditional on the financial support of downstream supply chain actors. The primary buyer preferred that living wage contributions would be negotiated at the sector level

	<p>through the sector organisations. The primary trader in case 3 referred to its international headquarters, which would need to make decisions about any supply chain actor contributions to bridge the living wage gap. The buyer in case 4 argued that there was no living wage gap to address.</p>
Development of wage improvement plan	<ul style="list-style-type: none"> • The certificate holders of case 1 and 2 (Magdalena) were developing a wage improvement plan, and both were in the process of adjusting the piece rates or wages for a small number of workers that had the largest gap according to the living wage benchmark. The farm in case 3 was waiting for the validation of the Salary Matrix Tool results and thinking about adjusting piecework targets for a small number of workers. Case 4 argued that the Salary Matrix Tool showed that the farm had no living wage gap, except for some workers and due to absenteeism. The interviewee argued that normally, workers were able to meet the performance targets that would result in at least a living wage. • Cases 3 and 4 (Antioquia) considered that wage negotiations needed to be channelled through the collective bargaining agreement process. They had not developed farm-level wage improvement plans.
Inclusion of worker representatives in developing a wage improvement plan	<ul style="list-style-type: none"> • Both case 1 and case 2 farms had worked on the wage improvement plan with their staff members responsible for certification but without involving worker representatives. Case 1 expressed a willingness to involve worker representatives in the future but only when they were sure that the commitments offered in the wage improvement plan were financially feasible. Case 2 did not involve worker representatives in the development of the wage improvement plan yet but regularly negotiated wage issues with workers in its multi-farm setting. Cases 3 and 4 preferred the negotiations of the collective bargaining agreement with the workers' union instead of farm-level negotiations of the wage improvement plan.

Salary Matrix Tool

In Colombia, the concept of a living wage is a recent one, and there is no agreed criteria yet on how to calculate it. Especially in Antioquia, but also in Magdalena, there is a perception that the banana sector is already complying with the living wage requirement due to the strength of the collective bargaining agreement. Most workers interviewed did not understand the living wage concept well. For example, some thought that they received a living wage 'because wages were annually adjusted with inflation'. In

general, the study results show a need for more clarity about the concept of a living wage among the different members of the production chain (producers, workers, traders, buyers) and certifying entities.

Certificate holders were very familiar with the living wage concept, but there was confusion about how it should be measured and applied in each context. Many stakeholders compared the wages paid to workers to the 'legal minimum', and noted that they followed the 'government increases'. The strong formalisation of minimum wages and wage negotiations in the banana sector could have influenced this situation; most actors believed that they were already meeting the living wage requirement because they were paying and receiving substantially more than the official minimum wage.

In particular, the certificate holder interviewees repeatedly mentioned the lack of unified criteria in the Salary Matrix Tool about what is included as part of the salary, also between the various certifications (Global G.A.P, Fairtrade, Rainforest), due to variations in legal and extra-legal benefits. In that sense, the certificate holders asked for a way to 'assess-and-address' the living wage gap that considers the characteristics of the two different banana sectors in Colombia. Living costs and production costs are different between these zones due to other legal, social, and economic conditions. Finally, it is important to mention that there was a common vision among all interviewees that the future strategy should include the concept of shared responsibility, and improve worker productivity and performance, in order to make it possible for certificate holders to raise wages.

Wage improvement plan

Only some certificate holders were aware that the Rainforest Alliance requires a wage improvement plan. Some think they must eliminate the gap drastically to avoid losing the certificate. The living wage gap seems to be more challenging in the Magdalena area than in Urabá, where workers receive more legal and extra-legal benefits. All of the above shows the need for workshops to support stakeholders involved in the sector to clarify doubts about the new RA2020 proposition, notably the functioning of the Salary Matrix Tool and the strategy for the wage improvement plans, in order to avoid the threat that some actors could disengage from the new standard. In terms of gender, women's participation in most tasks in the banana sector is low; they work mostly as packers. According to the interviewees, no wage differences exist between men and women when they do the same task.

Rainforest Alliance living wage approach

In the case of Magdalena, we observed a positive impact of the Rainforest Alliance certification on workers' conditions in terms of organisation, education, and payments. The early involvement of the banana sector in the living wage pilots helped the implementation of the new requirements in the RA2020 code of a Salary Matrix Tool and wage improvement plan. In the case of Urabá, the union and the sector

organisation have been closely involved in the discussions. In general, the interviews with workers on the farms did not reflect a strong need to address a living wage gap. When asked, they said that they felt comfortable with the wages paid by the certificate holder when comparing these with other farms in the area.

Workers were more knowledgeable and informed about wage issues in Antioquia. In Magdalena, without a strong union to assist them, workers lacked the agency to address salary issues directly with the farm owner. Wage adjustments are defined by management and in response to the local labour market and taking into account the minimum wage adjustments of the government. This situation has also been influenced by the fact that trade unions are not well perceived in the area and are seen as a threat to business, so some companies have opted for farm-level agreements (collective pacts) instead of a sector-wide collective bargaining agreement to be negotiated with unions. However, in Santa Marta, some interviewees mentioned benefits in working conditions and worker representation, coupled with improved communication with the farm administration, which had not existed previously, and which they considered to be a result of Rainforest Alliance certification.

Willingness of buyers to contribute financially

So far, and even though some buyers have shown a willingness, the concept of shared responsibility for a living wage is not perceived as real by the certificate holders. They perceive that the responsibility is being handed over to them without receiving a benefit or compensation for complying with these new requirements. A few certificate holders considered the RA2020 certification programme as a disincentive to remain Rainforest Alliance certified since it increased production costs but not revenues, and they mentioned that their buyers had started to look for alternative certifications.

Despite the benefits that certification can bring, it represents a high cost that is not necessarily reflected in better prices and revenues. In that sense, certification is considered more as a requirement than as a 'common vision' for supply chain actors on how a sustainable banana sector should look. The sector's challenges related to climate change and high input costs could represent an obstacle to implementing an eventual wage improvement plan. Among the challenges in applying this regulation, the economic component stands out, linked to the productivity component.

SYNTHESIS

Proposition: status of implementation of the RA2020 requirements (Salary Matrix Tool and wage improvement plan)

The RA2020 asks for a Salary Matrix Tool that compares wages with the living wage, and the development of a wage improvement plan, ideally involving worker representatives (though this is no longer a mandatory requirement). There is an assumption that the certificate holders will communicate the results of the Salary Matrix

Tool to supply chain actors and that the latter will be incentivised to contribute financially to the wage improvement plan.

In Colombia's banana sector, the proposition of the RA2020 standard to improve wages through transparency requirements and supply chain-coordinated wage improvement plans has been discussed and piloted more than in the other case study sectors and countries. Several interviewees, especially the producer association and a trader, had been involved in the discussion and development of the proposition even before it became part of the RA2020:

Everything starts in one way or another with a study that GIZ [the German development agency] did several years ago... and it is through Rainforest that we have done exercises with supermarkets. Some supermarkets have done exercises with Fairtrade... and they have [also] done exercises with customers. And when you start collecting the information, you realise that at the end of the exercise, everyone is thinking differently. Everyone looks at the exercise differently.

(Buyer 1)

Encounters: deliberations around the Salary Matrix Tool

Each stakeholder has had a specific encounter in which the proposition of the RA2020 living wage requirements was unveiled, resulting in different perceptions of the affordances related to the proposition and the challenges in adopting the process. In Colombia, all four cases used the online version of the Salary Matrix Tool developed by the Institute of Sustainable Trade (IDH), rather than the original Rainforest Alliance Excel spreadsheet. The interviewees indicated that there had been a lot of discussion about and refinement of the Tool, yet still, some confusion remains:

... the matrix has changed. It has changed, like, four times. I think we are in the second or third version of the matrix. The same IDH, the same client, has tried to make the matrix a little more understandable each time they try to improve it... So [we use] certain parameters under the conditionals that IDH gives us, but when the certifying body, the auditor or the client, arrives, it says, 'No, the IDH did not say this'. Then one gets into conflict. And it raises certain doubts.

(Case 2)

... in the last audit, we already had to present it [the Salary Matrix Tool] as something preliminary. We already had it complete, but with many gaps and with many things that we had to improve and adjust... The matrix of the living wage has been something new for us, but it also looks very interesting because we would really like to understand if it is a fair payment that is paid to the worker or not.

(Case 3)

Even in the banana sector, where most labour is full-time and on fixed contracts, the lowest-paid sections of the workforce are often the workers that only work part-time on

the farm and may work the rest of the week elsewhere. A further complication is that part-time workers receive some benefits that are not proportional to their part-time position, such as health expenses, clothing, boots, etc., which complicates filling in the Salary Matrix Tool:

You cannot measure with the same yardstick the casual worker who goes two, three times a week to the farm, to the worker who has a contract where he works every week. And look, I'm talking about bananas. I want to see [how they will do the exercise] in avocado, in coffee or other sectors of the country that export [where most workers don't work full-time]. They have no way to close those gaps. So, the stakes are high. Let's be real!
(Buyer 1)

Sometimes, due to the higher income, workers pass a threshold and may lose access to targeted services and government payouts. In Colombia's banana sector, most workers do not work with a fixed salary but are paid based on performance targets (piecework) that may well (for the average worker) lead to an income that is higher than specified as the 'normal' target income per day in the Salary Matrix Tool, whenever they overperform; but could also result in a lower wage, when the tasks demand more time than specified in the Salary Matrix Tool. The payment system based on piecework is even incorporated into the collective bargaining agreement, though with a very interesting clause that requires (in any case) at least the payment of the minimum wage:

... by the characteristics of the sector, by all the social aspects, by all the history that the sector has brought, it has been identified during all these years that the best way to work is piecework. Because piecework rewards the effort of the worker and the companies that have tried for some reason to establish fixed wages, even temporarily, they have had the bad experience that it does not perform.
(Case 4)

A person can perform several activities... But that person is not only going to pack because it is only three days that can be packed for export, but the other two days he goes and does another job. So, there we had a lot of confusion... [For example], one person executed this, plus this plus this, and then he has no gap, but if I put only one activity, surely it will be seen that it does not meet the amount. So, there we had a lot of confusion, and we still have a lot of confusion about how it should be addressed.
(Case 3)

Most banana producers get to know the living wage requirements when they prepare for the audit, using the Salary Matrix Tool, or after the audit when they need to act on the non-compliances raised by the audit. In medium-size plantations, the person responsible is generally not the owner but a specialist in the company or someone that helps the farm with certification issues. It is clear from the interviews that there has been some confusion in these encounters due to a lack of clarity, both from the auditors and the producers about the calculations in the Salary Matrix Tool, and its aims.

Dispositions: willingness and resistance to act on the living wage gap

Some certificate holders considered a living wage gap as being a non-conformity and took action to make the gap disappear by including other benefits or improving wages for the category of workers that had wages significantly under the living wage benchmark (according to the Salary Matrix Tool).

At first, yes, we did notice a very big gap. But it was because of that same misinformation that we did not know what criteria we should include. And then, considering a number of benefits agreed with the workers, this allowed us to reach, let's say, a little more than a living wage... There is also the issue of company policy. For the company, it would be easier for those who are close to complying: let's raise it. But not...those gaps that exist and are large...
(Case 2)

In one case, in Magdalena, where a wage improvement plan was in the process of being elaborated by management, the person that completed the Salary Matrix Tool data explained:

Yes, the matrix has helped us to determine this gap that was not so clear to us before. And this has helped us, and we find it quite useful, precisely because you have to know what to close... I showed him [the manager] the report of the entire payroll of the year 2022 and showed him an average of all the salaries of each [category]... and looked at the gap.
(Case 1)

Most workers have not yet been made aware of the living wage gaps on their farm, as calculated by the Salary Matrix Tool, though they are sometimes aware that there have been some changes in how the tasks are structured in response to the RA2020 requirements. Workers indicated that in response to Rainforest Alliance certification, worker representation is formalised, which they consider positive. However, even in the cases where a wage improvement plan is being developed, there is not yet a formal conversation about it with the workers. Certificate holders indicated that they did not yet involve the workers, as they feared raising expectations too much. The two farms in Antioquia covered by the collective bargaining agreement, and one farm in Magdalena, mentioned the farm-level agreement (pact) to discuss and adjust wages between the several farms that the certificate holder managed. The latter also worked with Fairtrade and mentioned the Fairtrade committee as an organisation that could be tasked with addressing the living wage gap when supply chain actor contributions would become effective:

We have already discussed it several times. Because he [the owner] is interested in it... Of course, the plan is to share it with the workers, [but] once we have it developed.
(Case 1)

In Antioquia, most interviewees questioned the aim of developing farm-level wage improvement plans. They all referred to the existing, effective coordination between

producers and workers in the collective bargaining agreement. In this banana region, due to the presence of guerrillas, wage negotiations have developed in a very structured way to avoid political and armed conflict, which has led to substantially higher incomes in the banana sector compared to others. The unionised workers, represented by SINTRAINAGRO (Sindicato Nacional de Trabajadores de la Industria Agropecuaria), work for producers that are associated with AUGURA (La Asociación de Bananeros de Colombia). SINTRAINAGRO and AUGURA negotiate a collective bargaining agreement every two years that specifies the salary increase and extra-salary benefits:

We cannot commit to making a plan to say that in 2023 everyone is going to be at least above the value that the methodology says. So, I think it has to have a lot of help from all sides. [For example,] when the union starts working with that methodology to suggest [salaries] in this year's negotiation.
(Case 3)

In Colombia, the aim for preciseness and perfection for farm-level estimates seems to have created lots of tensions in encounters with the Rainforest Alliance and the auditors, particularly around the inclusion (or exclusion) of certain in-kind wage components. The interviews with sector organisations suggest that this hindered a more reflective analysis of the sector-level living wage gap. Especially in Antioquia, a reflection on sector averages and the definition of the salary increase percentages is being negotiated in the framework of a new collective bargaining agreement. Instead of pointing to the living wage gap, with its negative connotation, the interviewees covered by the collective bargaining agreement preferred to highlight, in positive language, that the wages paid were significantly ('80 per cent') above the minimum wage.

When referring to additional payments to reduce the living wage gap, in all cases, certificate holders voiced concern about the current prices paid by the supply chain actors. They expect a price premium or other supply chain actor contribution system that would help them to both improve productivity on the farm and make it financially possible to raise wages substantially:

There is a very large commitment worldwide for the whole issue of living wage, for the social component of which we totally agree. But there is no unification of criteria between supermarkets and between the same certification schemes that at the end of the year, who thinks about the producer?
(Buyer 2)

The risk exists with the supplier, such as the fruit trader, [that] when we commit to [raise the wages]... When the client does not continue with the programme to increase the price per box, [this] can become an unsustainable commitment for us by becoming a legality... Yes, indisputably, the whole chain must be involved in this, in this process... And there are many customers who definitely, in view of this new concept, have decided to minimise fruit commissioned by the Rainforest Alliance. [They perceive that] they will suddenly need to make a significant contribution, right?... So I believe that the role of the certifiers right now consists, let's say, in expanding the

information well and proposing the correct, timely information so that the whole chain knows in detail these concepts.

(Case 2)

The certificate holders appeared to be on the defensive. In spite of the Rainforest Alliance's intentions, the certificate holders see the living wage gap as a potential non-conformity and are trying to show that any such gap is small or absent altogether, even when this is not what the RA2020 standard requires. In the audits, they tried to include various non-salary benefits in the living wage calculations, which showed that they were already (almost) paying a living wage on their farms:

If [the brands] are going to contribute a premium [price], that Sustainability Differential is possible. It is possible that people are encouraged, and that people implement it because they see that their effort is paid, but as long as that is not the case, it will be [considered as] a simple requirement, and if they [the producers] can avoid it, the better [for them]... because they are trying to show that they comply without even understanding the background... of the changes that Rainforest 2020 seeks. And the market is not recognising it either, so it is an issue that needs to be explained much more at the producer level, [and] at the level of buyers... [The producers] feel that they have to reach the living wage [benchmark]... It has not been clear to them that the Rainforest Alliance, for now, asks [only] for improvement, which is to go step-by-step.

(Auditor)

Response: steps taken towards a wage improvement plan

The interviews with the workers in the farms in Magdalena suggested that, as individuals, they have little power or agency to negotiate wage issues with their employers. When asked, they all considered their pay as 'fair' but, of course, would like to receive higher wages. The initiative to adjust wages on farms in the Magdalena area came from the certificate holder. The situation in Antioquia shows that a strong labour union is a key asset in wage negotiations. In general, workers may need external support to be able to effectively negotiate wages and wage improvement plans in the farms where they work.

The responses of the certificate holders to the proposition are defensive and focused on showing a living wage gap that is small or absent, instead of acknowledging that wages are still low in the sector and that this issue needs to be addressed as a priority for the sector to be sustainable:

In bananas, what I have seen is that they include many things that finally, as an auditor, you are left without knowing whether that, indeed, should be included within the calculation of the living wage or not. Because, in reality, in which I have had the opportunity to audit, well, the gap is zero at that time. That is, for them, there would be no gap. But then, if you look at the working conditions of those who provide their service on those farms, one will say, 'well, I don't know to what extent that is valid that they include so many

things'... At least for me, there is no clarity... Because sometimes they include things that, well, I don't know, they're kind of crazy, I'd say.
(Auditor)

The examples of farms that have begun to prepare a wage improvement plan show that it is the owner (or management staff) that develops the plans for wage increases, but without the participation of workers in this process:

In fact, we have already had discussions with senior management, and we are looking to see what they can do; what activities we can develop to close the gap... [For example] for productivity bonuses, you could look at each employee's productivity throughout the year and, according to this, give a proportional bonus... In the case of the temporary workers,... [we could] use them more... here so that they not only work those two days but also have the opportunity to work more days. And so, they can earn more and so we can work to close the gap... The new so-called socialist government is [expected to result in] a more significant wage increase than that of previous governments. So, as we were waiting for that, and after that, establish bonuses and so on to adjust that salary.
(Case 1)

However, the cases where wage improvement plans were being developed may not be representative of the mood in the banana sector as a whole in relation to the proposition. In most cases, the interests of the certificate holder seemed mainly to have been to have the required papers and licences to export to the European Union, and the requirement to act on wages was seen more as a nuisance than a vision for the future. An auditor with knowledge of multiple Rainforest Alliance-certified farms felt that the main challenge to the living wage strategy, in reality, was that the producers were defensive in not wanting to show a living wage gap. The sector organisation does not really see wages for workers as the priority area for improvement, and this defensive feeling is amplified because the brands do not reward the effort of Rainforest Alliance certification sufficiently in their pricing, even without this required upward adjustment for wages.

Outcome: reduction of the living wage gap

Due to the early pilots implemented in the banana sector, we see some incipient outcomes in Colombia of the RA2020 living wage proposition. However, the planned wage improvements are rather small and, at the time when the baseline research was conducted, had still not been implemented. The two farms in Magdalena that had started developing a wage improvement plan indicated that they were already near to paying a living wage, having just a small group of workers who earned below it. These farms might be exceptions because, in the non-conformity data provided to us, the living wage gap for the average worker was estimated in the range of 20 per cent to 25 per cent. Unfortunately, for this research, it was not possible for the evaluation team to get access to the individual audit reports and Salary Matrix Tool data to verify this claim.

As a result of including in the calculations the extra-legal benefits in the collective bargaining agreement and on-farm housing, transport, etc., the living wage gap of the four case study farms was small. Based on the information they provided, this suggests that there may be only a limited impact of the RA2020 on wage levels in the farm and the sector.

We loaded the information, and based on this, we generated a gap of 3 per cent. The salary improvement plan considers the salary increase of the government.

(Case 1)

The overall gap for 2022 is 4.2 per cent... Management then wanted to remove those gaps that were large... and gradually, in the medium and long term, all reach above [the living wage]... [Before] we did not see these figures, and we did not realise that the payments for [some] tasks were so low. So, in 2023 and 2024, it is a levelling issue, and from 2025 onwards, it is a matter of reaching fairtrade.

(Case 2)

We only developed [the Salary Matrix Tool] in August 2022... We found for each farm about five workers who presented the gap... But we are waiting to know if we need to complement information because we have almost the majority of workers who meet the gap.

(Case 3)

In general, all workers are practically above the living wage index... So the exception is those workers who, for different reasons, are absent from work, either due to illness or unjustified absence. Those people who do not comply with the workday or who do not attend work... But in general, the workers who fulfil their day, who are in normal conditions, who are healthy.

(Case 4)

The discussions in Colombia about what to include in the Salary Matrix Tool are part of a power-laden negotiation in which certificate holders are eager to show the Rainforest Alliance that they have little or no problems with low wages. Unintentionally, this may harm the prospects of significant supply chain actor contributions. Without producers acknowledging a significant living wage gap, there will be little impetus for downstream partners to develop mechanisms to channel significant price premiums through innovative purchasing agreements. A sector-wide discussion about the problem of low wages – perhaps based on average living wage gap calculations instead of precise calculations of the gap for each individual farm – could be one way to break this deadlock.

Insights from the tea sector in Indonesia

CONTEXT OF WAGE SETTING

Official government statistics show that there were 92,000 workers on tea plantations in Indonesia in 2021, although a tea research institute (PPTK) gives a substantially larger estimate of 360,000 workers, supporting more than 1 million lives (Suprihatini *et al.* 2021; DGEC 2021). According to several interviewees, the permanent employees of both state and private tea plantations are the management, office administration and factory workers in cases where there are tea processing facilities on site. Most tea pickers, tea planters, and tea plant maintenance workers are either casual daily workers without a contract, daily workers with a contract, or employed per season, although depending on the estate, some may be permanent. The vast majority of tea pickers are women. It has been reported in secondary research that female tea pickers tend to get lower wages than male tea pickers (Fa'izah 2012). One study of a state-owned plantation finds this discrimination formalised into a collective labour agreement, where the head of the family is entitled to higher wages, and women can only be classified as head of the family if they are a widow (Angin and Nasution 2019).

There are multiple minimum wage levels in the sector: provincial, district, and until very recently, sectoral. Provincial minimum wage levels are lower than district-level minimum wages. The higher district minimum wage is only set (and therefore applied) if the district's economic growth is higher than the province's growth over three years (Medina 2021). The law stipulates that minimum wage levels should only apply to workers with less than one year's work experience; they should not be seen as a benchmark.

In the past few years, laws and regulations have changed quickly and frequently, with several new overarching labour laws laying a new institutional structure for wage setting. Local tripartite wage councils inform regional governors of minimum wage levels annually. Still, unions and businesses in these councils may disagree about the methods used for determining the minimum wage levels, and the government has changed the methods to compute them multiple times. Moreover, there has been scope for exceptions over the past 20 years. For example, under some circumstances, governors may change the minimum wage levels and are subject to lobbying. Local considerations about the sector, such as labour intensiveness and contribution to the local economy, could be taken into account if unions agree. The sectoral minimum wage in tea was previously set at the provincial minimum wage plus 5 per cent. In effect, the biggest issues are the large role that regional governors now play in wage setting, as unions have been edged out by recent regulatory changes; and weak oversight of implementation.

The provincial minimum wage is the lowest of two possible levels. Both the senior plantation manager and the trade union official we interviewed said that picker wages are roughly equivalent to the provincial minimum wage but rise to around the (higher) district minimum wage level when other in-kind benefits are considered. However, some

secondary research has shown that the provincial minimum wage is not always reached on tea estates (Arifin, Martitah and Sumarto 2019; Nurjanah and Rahayuningsih 2018).

Workers' wages are the largest expense in tea production, accounting for between 60 per cent and 70 per cent of estate costs. A tea researcher interviewed for this baseline evaluation reported that in the view of tea plantation companies:

Certification is expensive, but from a cost-benefit point of view it is not attractive. In terms of tea prices, they have not increased... prices still follow global prices and tend to fall.

On tea estates, there are two main unions depending on whether the plantation is state-owned or privately owned. SPBUN (Stasiun Pengisian Bahan Bakar Umum Nelayan; Plantation Workers Union) is found on state plantations, SPPP-SPSI (Serikat Pekerja Pertanian dan Perkebunan Serikat Pekerja Seluruh Indonesia; Indonesian Federation of Plantation and Agriculture Trade Unions) on private plantations. Both have branches throughout Indonesia and are part of a federation. Plantation companies (private and state-owned) tend to only have one union on each plantation. In general, Indonesian unions are still weakly institutionalised after decades of direct political control.

SELECTION OF CERTIFICATE HOLDERS FOR THE CASE STUDY

Indonesia did not have a living wage benchmark, and the roll-out of the RA2020 living wage strategy was, therefore, more challenging than in the other three countries. Originally, the selection of cases was designed to have a mixture of plantations according to size, number of buyers, location, and ownership (state or private). However, none of the major certificate holders agreed to be interviewed for this research, despite attempts over a number of months. Field research was therefore limited to key informant interviews with people with generalised knowledge of the tea sector, those working in universities and for NGOs, and one certificate holder that covered a group of smallholders. However, three of the interviewees had first-hand experience with the conditions and processes on some Rainforest Alliance-certified estates, although none of them still worked for those estates.

CASE STUDY FINDINGS

Salary Matrix Tool

The benchmarks used in other countries come from the Global Living Wage Coalition (GLWC). As yet, the GLWC has not defined a living wage benchmark for Indonesia. The higher of the two minimum wage levels in Indonesia was identified by some Rainforest

Alliance Indonesia staff and some interviewees as an alternative *de facto* living wage level to aim towards.

Calculating wages for tea pickers is very complicated and may not easily fit into the Salary Matrix Tool format. Not only are workers paid per kilo, but a kilo of tea picked by one worker may be worth more than a kilo of tea picked by another because the picking method impacts the quality of the tea and, ultimately, its price. This means that two pickers may earn very different wages even though their work hours and weight picked are the same. The needs of the plantation can also change quickly, so wages may be erratic.

The Salary Matrix Tool may also struggle to represent the in-kind benefits that many tea workers and pickers receive, such as housing, subsidised electricity and rice. According to two interviewees, there is a wide variation in the level and quality of these benefits, and it was not clear from interviews or research how these in-kind benefits are allocated to workers. When negotiating local minimum wage levels with the local government, producers and unions sometimes present different estimations of the value of in-kind benefits, leaving the governor to decide between these different calculations. In other words, there is little transparency, even for established actors in the sector.

Another complication with using the Salary Matrix Tool is that it may sometimes be unclear who can be considered a plantation employee. There can be a grey area between tea pickers employed by estates, and smallholders who sell their harvest to the estates, who then sell on to buyers at auction or by direct contract. Pickers who are estate 'employees' are allowed to engage in additional vegetable and livestock activities on the estate. 'Smallholders' living on the outskirts of the estates gained their land as 'squatters' during the turbulent years of the national revolution. The income strategies of estate employee are similar to those of smallholders, a 'living income' approach may not only consider wages but also the net-income derived from household production.

Wage improvement plan

At the time of writing, the living wage criteria were still in a voluntary phase for the tea sector. According to Rainforest Alliance information, it will become mandatory in June 2023.

The one certificate holder who agreed to be interviewed for this research was a manager for a grouping of smallholders established in 2020. He had filled in the Salary Matrix Tool and produced a wage improvement plan, which he shared with the evaluation team. However, the document only states that there would be an annual discussion with worker representatives about why the farm did not use the higher minimum wage (district level), but with no further details.

One company is a major buyer in Indonesia, buying around 50 per cent of the tea produced. The employee interviewed (though not representing the official corporate

position) had not seen a wage improvement plan. He also said that he did not know the detail of the Rainforest Alliance's new standard:

The Rainforest Alliance usually invites [us] if there is a new standard. But for the new RA2020 standard, there has been no invitation from the Rainforest Alliance to explain it. There has also been no formal explanation from the Rainforest Alliance about the 'premium' (Sustainability Differential) that must be paid by buyers.

The tea trader who was interviewed also said that she did not fully understand the living wage programme, and that conversations with some managers of state-owned plantations also implied that they did not understand it.

It seems unlikely that worker representatives will have the leverage to contribute to the development of a wage improvement plan on their plantation. Unions will need to support them, but unions in Indonesia are weak. In West Java (where most Rainforest Alliance certificate holders are based), the different regional and company branches of the SPPP-SPSI and SPBUN formulate an annual agreement on wage levels for plantation workers, and then negotiate with the West Java Tea Employer Association and the West Java provincial government. A framework agreement is negotiated at the provincial level, which the company-level branches may use as a benchmark from which to negotiate further at company level. The method of negotiation about wages at the estate level is 'deliberation and consensus', a Javanese political concept promoted from the early days of independence to avoid tensions in a potentially extremely fragmented country (with more than 300 ethnic groups and 17,000 islands). This culture of negotiation may be an advantage for wage improvement plan negotiations, and/or may ensure that workers' interests are not adequately represented.

Tea pickers' day-to-day concerns are mediated by their foreman rather than worker representatives or unions, and it is unlikely that foremen would participate in a wage improvement plan negotiation. Many tea pickers are highly dependent on the tea estate, having lived there for generations. According to several interviewees, pickers are predominantly women and are subject to gender discrimination in wages and opportunities. This is backed up by secondary research (Fa'izah 2012; Angin and Nasution 2019; Sita and Herawati 2017). Administration or factory workers on estates tend to have more contact with unions. Strikes or demonstrations are unheard of in Indonesia's tea sector.

Rainforest Alliance living wage approach

State-owned plantations in particular were said to be unhappy with the benefits they get from Rainforest Alliance certification. However, because certificate holders declined to participate in the research, this information comes via the tea researcher and an Indonesian staff member of the Rainforest Alliance.

State-owned tea estates are less able to benefit from using Rainforest Alliance certification because there is uncertainty that their certified tea products will be purchased by buyers. They say that 'my tea products are certified, but the market for my tea products is still not open, and the price of my tea products is still cheap'.

European countries have also started implementing the Farm-to-Fork strategy. This is seen by Indonesian tea producers, as well as the government, as a non-tariff barrier for Indonesian agricultural exports, including tea commodities. In this context, Rainforest Alliance certification can basically also be seen as a non-tariff barrier in trading agricultural commodities. Therefore, currently, state tea producers are trying to focus on selling their tea products to other countries, including Asian countries, which do not demand Rainforest Alliance certification.

If the Salary Matrix Tool and wage improvement plan are seen as advocacy tools which help to start conversations among stakeholders about worker wages and conditions, then they have so far had some success. In fact, this research triggered some of those conversations, and the first contact between the Rainforest Alliance Indonesia and the Indonesia Tea Board on the issue.

The Rainforest Alliance has some leverage in the Indonesian tea sector. One dominant international buyer sources at least 50 per cent of the country's entire tea production and requires Rainforest Alliance certification. According to an interviewee, the three other largest foreign exporters also require Rainforest Alliance certification. The audit data related to non-conformities reported to the Rainforest Alliance suggest that the Salary Matrix Tool was not used when the firms were audited, but that they started to use it in response to the non-conformities. There is no mention of a wage improvement plan in these audit reports, most likely because there was no living wage benchmark yet in place for Indonesia. As already noted, the complexity of wage structures in the tea sector may require some adaptation of the Salary Matrix Tool for the Indonesian context.

Willingness of buyers to contribute financially

The interviewee who worked for a major international buyer said that the company was very interested in the conditions of workers and had its own social programmes providing training on tea quality and other issues such as women's empowerment. He said that in the past (2000 to 2010), sales at auction accounted for roughly 70 per cent of the company's total tea purchases. Since 2010, around 70 per cent of its purchases are direct from tea plantations (state-owned and private), and 30 per cent are from the auction via traders.

The company's dominant position in the tea sector and its use of direct contracts presents a strong opportunity for scalability if it decides to pay a living wage premium. However, the fact that the global company recently sold most of its tea production

activities outside Indonesia makes it less evident that it will spearhead wage improvements in the tea sector.

Moreover, those involved in the tea market say that the international market is 'unusually uncertain', with fluctuating pricing (Gro Intelligence 2018). Some analysts indicate that the Indonesian tea auctions are flawed as a price discovery platform, and biased in favour of the buyers, reflecting their colonial history (Samudera, Daryanto and Saptono 2017). Several interviewees suggested that the Jakarta Tea Auction structurally promotes low and malleable pricing. Under these circumstances, it is not clear how the collection and distribution of an additional living wage premium could be organised.

Fearful of the potential additional 'hassle' of a living wage premium mechanism, an employee of a tea trading company thought that if wages are to be increased for tea workers, it should be the estates that do that, and then simply recuperate the cost by selling to the traders at a higher price.

SYNTHESIS

Proposition: status of implementation of the RA2020 requirements (Salary Matrix Tool and wage improvement plan)

The RA2020 asks for a Salary Matrix Tool that compares wages with the living wage, and the development of a wage improvement plan, ideally involving worker representatives. There is an assumption that the certificate holders will communicate the results of the Salary Matrix Tool to supply chain actors, and that they will contribute financially to the wage improvement plan.

Encounters: deliberations around the Salary Matrix Tool

The refusal of any certificate holders to participate in this baseline study was not initially anticipated by Rainforest Alliance Indonesia. This could indicate that there is not yet a shared understanding between certificate holders and Rainforest Alliance Indonesia about the living wage programme, and that some certificate holders only encountered the detail of the programme when asked to participate in this research. The buyers were more informed and indicated that they had received some information about the living wage programme, but not enough. The major tea-buying brand showed some scepticism towards the idea that workers would always receive any full extra payments they would make to address the living wage gap. The trader seemed confused about what the RA2020 living wage approach entailed and felt that wages were not their concern. It seems that Indonesia had not yet fully rolled out the living wage approach. The 'light-touch' rolling out of the programme, without enough explanation or a credible supply chain actor contribution mechanism, may have produced more scepticism than if the relevant sector organisations and other stakeholders had fully understood the approach.

Dispositions: willingness and resistance to act on the living wage gap

There was clearly some defensiveness on the part of estate owners and managers about discussing workers' wages. Some declined to participate in this research and referred us instead to the National Tea Body (Dewan Teh Indonesia, DTI). This shows the sensitivity between producers and the government about working conditions and wages. Some empirical research has found that minimum wage levels are not reached on tea estates (Nurjanah and Rahayuningsih 2018; Arifin *et al.* 2019), although there is no evidence of this for Rainforest Alliance-certified plantations. Several interviewees said that tea pickers earned roughly the lower of the two minimum wage levels, noting that the ad hoc nature of employment and the complicated pay structures make it difficult to be certain. (As already noted, minimum wage regulations in Indonesia are complex, fast-changing and not uniformly enforced.) Keeping worker wages opaque is likely to be beneficial for both producers and the government under these circumstances. Producers and the government are aware that striving for better wages and working conditions and strict enforcement may push unprofitable estates into bankruptcy and have a harmful effect overall on workers and the environment. This means there is a structural disposition towards continued opacity around wages and working conditions, the opposite of wage transparency.

State plantations, in particular, have challenges due to several structural dispositions. They are less profitable than private plantations, and they tend to produce lower quality tea, which is not good for export to the major buyer, and so Rainforest Alliance certification is less motivating. They are also top-heavy administratively and may have less room for manoeuvre than private estates in terms of worker wages and conditions.

With a sharp decline in tea exports to Europe over the past 15 years (from 50 per cent to about 15 per cent), producers are concerned about the costs of Rainforest Alliance certification, considering the relatively limited benefits it generates for them. As noted earlier in one of the quotes used, a tea sector specialist reported that state tea producers are trying to focus on selling their products to other countries that do not demand Rainforest Alliance certification.

Response: steps taken towards a wage improvement plan

The one certificate holder who agreed to be interviewed (which groups together a number of smallholders) said they had completed a wage improvement plan, but it was little more than a statement that there would be a conversation about using the higher minimum wage instead of the lower one.

It appears that there have not been any conversations with workers about developing a wage improvement plan. In Indonesia, the relationship between estate owners and workers is structurally different from other sectors, such as manufacturing. The historical legacy of tea plantations means that workers depend on the estate for their housing and livelihoods, and so are less mobile; they therefore have little power or leverage with which to discuss wages with their employers:

Workers' unions definitely exist in every large-scale tea plantation because the law requires every company to have a union. But the unions in the plantations don't really function as real unions. In determining wages, there is no negotiation between workers and management. Basically, it is the management that determines wages in tea plantations. The unions and worker reps are not involved in wage negotiations... Plantation management always sees tea pickers' wages as a component of company expenses that must be reduced if tea prices are low in the market.
(Ex-administrator)

The tea brand employee that we interviewed was not enthusiastic about the mechanism of buyers paying producers. Although he said that wage transparency would be very useful for the company, he thought that the mechanism of buyers paying producers was unrealistic. He suggested that a better approach may be to support farms to produce better quality tea to get better prices, ultimately increasing tea picker wages (as pickers earn more when picking better quality tea). He also suggested that a living income approach is more suitable than a living wage approach for the tea sector in Indonesia, and that workers are not only interested in wages but also job security. He further indicated that the brand already has its own social programmes for the tea sector in Indonesia.

Outcome: reduction of the living wage gap

At this stage, and without the opportunity to interview the relevant certificate holders in Indonesia, we have no data on the implementation status of the Salary Matrix Tool and wage improvement plan. We do not know yet whether the RA2020 requirements related to the living wage will have any real effect on workers' wages in the tea plantations.

Insights from the coffee and tea sector in Kenya

CONTEXT OF WAGE SETTING

Many farm workers in the tea and coffee sectors in Kenya are covered by the collective bargaining agreement between producers and the KPAWU (Kenya Plantation and Agricultural Workers' Union). This includes permanent and seasonal (even casual) workers who are directly employed, though not necessarily those supplied by sub-contractors. The living wage benchmarks that have been assessed for both tea and coffee are very much higher than (even as much as twice the level of) the current wage agreed under the collective bargaining agreement. Certificate holders in both sectors are already aware that their workers' wages currently fall below assessed living wage benchmarks, but they are not motivated to do anything about this because they already pay above the national minimum wage for agricultural workers.

The collective bargaining agreement negotiation process provides an existing institutional mechanism that is regarded as the proper channel for addressing issues around wages and working conditions in the tea and coffee sectors. Certificate holders we interviewed seemed wary of destabilising this existing mechanism and expressed reluctance to circumvent it by implementing a separate wage improvement plan.

One interviewee argued that the living wage should be 'out of scope' for the Rainforest Alliance because it falls within the domain of KPAWU to negotiate for better wages through the established channels, while factoring in the prevailing economic context. One case study certificate holder said:

Wages is a non-issue because already through the CBA [collective bargaining agreement], they are paying more than double the recommended minimum wage, excluding in-kind contributions to workers. The Rainforest Alliance has lost track [with the new RA2020 living wage approach]. The pressure should be on buyers to pay better prices to producers.
(Certificate holder)

Workers and their representatives (including unions) may see the RA2020 living wage strategy as an opportunity to increase their bargaining leverage in negotiations on wages. However, they understand that producers need to cover their production costs, so they are also wary of making pay demands that are unaffordable for producers.

It is clear that certification is most important for certificate holders who sell directly to major buyers that want certified products. These direct sales often stand on strong and consistent relations between producers and buyers. In one case, the producer avowed that the Rainforest Alliance's certification was not really the driver of standards on their farms. Instead, standards and quality were underpinned by a strong relationship with a long-term buyer that wanted sustainable and ethically produced tea. But direct relations can be costly to establish and maintain. Some certified tea producers in Kenya do not make any direct sales but sell 100 per cent of their volumes via auctions.

For auction sales, marketing agents are responsible for assessing and defining the quality of lots and setting a reserve price. If this price is not met, a clearing process is available the next day, in which the marketing agent and potential buyers attempt to agree on a price and conclude the sale. Auction prices are supposed to establish a benchmark for direct sales prices. One informant from a coffee company implied that this clearing process could constitute a problem for fair and transparent price discovery and may mean that producers do not achieve the price they deserve for certified products. We were not sure what to make of this insight. Is there an allegation that marketing agents and buyers are colluding to avoid fair price discovery at auction? Suspicion of this kind of collusion has been reported in Kenya's tea sector (Elliott and Skrydstrup 2021). One informant from a coffee company explained that the key issue was that most buyers at the Kenyan auctions were 'speculators', simply buying and selling commodities to make a short-term profit, without a direct interest in the value chain, so the issue of certification was not their primary concern.

Stakeholders and key informants contended that the RA2020 standard is seeking unrealistic progress (too far and too fast) towards a living wage in the tea and coffee sectors in Kenya. The discontent of certificate holders is focused on the perception that more exacting standards are being imposed, yet the increased costs attendant on this are not being compensated for by a flow of additional funds to producers, which they could pass on to workers. Producers argue that paying a living wage depends on the farmers receiving an income that covers their production costs. Without the prospect of realising a price premium for their production, the use of the Salary Matrix Tool, wage gap analysis, and implementation of a wage improvement plan are perceived as detached from reality.

SELECTION OF CERTIFICATE HOLDERS FOR THE CASE STUDY

The selection of cases in Kenya blended purposive selection criteria with convenience sampling. The selection was carried out in close consultation with, and with the assistance of, Rainforest Alliance staff in Kenya and the Netherlands. The primary objective was to select two cases from the tea sector and two from the coffee sector. Cases were selected to reflect the regional distribution of tea and coffee production on large estates in Kenya, between zones on either side of the Rift Valley. The selection also hinged on the willingness of individual estates to cooperate with the study. For practical and logistical reasons, we also took into account the convenient accessibility of estates when travelling from Nairobi, bearing in mind the evaluation resource limits governing travel time and costs.

The four selected cases are described briefly in Table 8. For tea, the selection of cases reflected differences between rural and peri-urban locations, where local wage rates and the accessibility of alternative employment opportunities were expected to differ. For coffee, both estates were situated in peri-urban locations, within easy travel distance from Nairobi.

Table 8: Selected cases in Kenya, tea and coffee sectors

Certificate holder	Description
Case 1	The tea estate has 4 divisions, comprising 3 tea estates and 1 tea factory. The company has 1,471 permanent and seasonal workers across the 4 divisions, and grows tea on 1,060 ha.
Case 2	The tea estate has 2 divisions. One has 2 tea estates and a tea factory; the other comprises 1 tea estate and 1 tea factory. The company employs 727 permanent and 678 seasonal and casual workers across the 3 estates and 2 factories. The total area under tea cultivation is 1,731 ha
Case 3	This peri-urban coffee estate is one of 6 coffee estates making up the company's coffee operations. The firm has 262 permanent employees across the 6 estates, with about 417 seasonal and casual workers, and a total of 1,770 acres under coffee
Case 4	The peri-urban coffee estate is a 416 ha. coffee farm, one of 6 farms constituting the unit that also includes a coffee mill, which processes coffee from its own farms and from other growers. The unit has 83 permanent employees and a total workforce of about 1,200 workers at peak times. The unit produces coffee from a total of between 800 and 1,200 ha. annually.

Source: Authors' own.

CASE STUDY FINDINGS

The status of implementation of these propositions and practices in Kenya is described in Table 9. We then give further details on each aspect.

Table 9: Status of implementation of the new RA2020 requirements in Kenya

Proposition/practice	Status
Use of Salary Matrix Tool	<ul style="list-style-type: none"> Two out of four certificate holders studied (one each from the tea and coffee sectors) reported that they have started using the Salary Matrix Tool. One of these was involved in piloting the tool. One certificate holder reported that they had started to work with the tool but had encountered difficulties, which had yet to be overcome, and meanwhile had paused the implementation. One certificate holder reported that they had not yet implemented the tool because there was not yet a living wage benchmark applicable to their area. According to audit data compiled during the summer of 2022, seven certificate holders in Kenya had an unconformity related to the Salary Matrix Tool requirement

	at that time. Initially, there were 2 non-conformities due to the lack of a Salary Matrix Tool, and 4 non-conformities for having completed the tool but with errors or incomplete information. However, all of these were recorded as resolved by November 2022.
Communication with buyers	<ul style="list-style-type: none"> • None of the certificate holders have proactively communicated the results of their Salary Matrix Tool with their direct buyers, or other supply chain actors. • One coffee certificate holder had worked with a buyer and other partners on a pilot project to augment workers' wages. • However, this situation was unusual; the same certificate holder reported that the company's other buyers do not ask them about a living wage, and the other certificate holders interviewed also did not experience a specific demand from buyers to pay a living wage, although in general, direct buyers seeking certified products did demand compliance with Rainforest Alliance standards overall.
Development of a wage improvement plan	<ul style="list-style-type: none"> • None of the certificate holders interviewed has implemented a wage improvement plan. • In one case, the certificate holder reported that their wages were above the living wage benchmark used during a pilot of the Salary Matrix Tool. • All certificate holders questioned the feasibility of implementing a wage improvement plan at company level, while wages are collectively negotiated under a collective bargaining agreement that also establishes rules relating to working conditions overall.
Inclusion of worker representatives in developing a wage improvement plan	<ul style="list-style-type: none"> • Worker representatives were mostly unaware of the living wage/wage improvement plan requirements of the new RA2020 standard.

Salary Matrix Tool

Certificate holders noted that the Salary Matrix Tool enabled them to categorise workers according to wage levels and to recognise the monetary value of in-kind benefits. Worker representatives who were interviewed felt that it was helpful to recognise the value of in-kind payments and benefits in monetary terms, especially compared to the opacity of in-kind payments on non-certified farms.

Low pay is common on tea farms in Kenya, leading to large gaps with the living wage benchmark. The living wage obligation applies to large estates but not small producers. According to a recent field study (Ergon 2021b), collective bargaining agreements may not provide an effective wage floor in practice for various reasons that particularly affect

casual workers. Some producers are using outsourced workers with an explicit intent to cut labour costs and bypass collective bargaining agreements. Sub-contracted workers are not unionised and are less able to raise grievances and get them resolved.

The interviews in Kenya showed that to set living wage benchmarks that are accepted by stakeholders as legitimate and realistic, it is not sufficient that the living wage benchmark be scientifically robust; it also needs to be perceived as credible and achievable. As noted earlier, there are multiple and inconsistent living wage benchmarks that potentially apply to the tea sector in Kenya. Ergon (2021b) recommended that relevant living wage benchmarks be identified urgently and that these must be widely accepted as legitimate and appropriate for the sector and the locality. The current wage as per the most recent collective bargaining agreement (at the time of the interviews) was 13,000 Kenyan shillings (KES). The living wage rate assessed for the local area was KES 26,000 – twice the current wage.

In 2022, an assessment for rural Kericho, Kenya (in the West of the Rift Valley zone) concluded that the living wage benchmark for tea workers in that area should be KES 26,327 (US\$219) per month (Blackmore *et al.* 2022). This estimate was presented to tea stakeholders during a meeting held in Kericho in October 2022. Producers attending that meeting objected to the proposed living wage benchmark, claiming that it was unaffordable unless Sustainability Differential (SD) and Sustainability Investments (SI) payments would start to flow to producers to cover the additional costs. They asked for a pause in the implementation of the living wage requirements.

The recent study by Ergon Associates Ltd (2021b) investigated the status of implementation of the new RA2020 standard in Kenya's tea sector, including the new requirements for the use of the Salary Matrix Tool and living wage benchmark. It found weaknesses in implementation and shortcomings in compliance. No producer displayed a full understanding of how to comply with the new living wage requirements. The study identified problems around the implementation of the Salary Matrix Tool, and called for a revised, simplified version to be produced. It noted that most producers approached workers' rights 'from a reactive, compliance perspective, responding to issues which arise rather than instituting systems and practices designed to detect or prevent issues from arising' (Ergon Associates 2021b: 4). Few producers saw an intrinsic value in self-evaluation, proactive risk assessments, or internal inspections (*ibid.*).

Wage improvement plan

We found that none of the four certificate holders had begun developing a wage improvement plan. The producers want to see additional contributions begin to flow from buyers to farmers before they increase wages above the levels already agreed in the collective bargaining agreement.

In tea estates, wage bills as well as international competition (low global prices) and climate change all motivate producers to adopt machine harvesting, which initially may lead to enhanced worker productivity, but which eventually is very likely to reduce

demand for workers on tea estates. Upward pressure towards paying a living wage could contribute to a reduction of employment in the tea sector.

A manager at one of the tea estates complained that the Rainforest Alliance is seeking to impose living wage obligations on sub-contracted labour, yet sub-contracting is a legal practice in Kenya and, according to a 2007 reform of Kenya's labour laws, casual workers are protected. This informant argued that the Rainforest Alliance only needed to check compliance with labour laws and sensitise workers to their rights under existing regulations.

Worker representatives reported that Rainforest Alliance certification helped to ensure good working conditions, good housing, fair treatment, a reduction in harassment from seniors, and other benefits. Worker representatives on farms were generally unaware of the new living wage components introduced with the RA2020 standard, although the unions are aware of the living wage commitments and are beginning to organise around it. For obvious reasons, worker representatives were interested in raising wages, but they were also aware that increases in labour costs could undercut the employers' profit margins. This was a particularly sensitive issue in the tea sector, where mechanisation is more of a threat to jobs, but worker representatives in both tea and coffee sectors were concerned that the proposed living wage benchmark of KES 26,000 might be unrealistic for their industries.

There are existing arrangements for worker representation, and it appeared that both management and worker representatives would expect any wage improvement plan established under the Rainforest Alliance living wage mechanism to involve or overlap with existing representatives and forums rather than establishing separate representation specifically as part of a wage improvement plan.

Note that the Rainforest Alliance theory of change also assumes a relationship between workers and estates, but collective bargaining agreements mean that this relationship is mediated by a workers' union via an established institutional mechanism for negotiating wages and working conditions. In a country like Kenya, where workers are unionised, this places the union in a key role as an intermediary, communicator, mobiliser, and potential gatekeeper.

The KPAWU branch secretary for one of the tea estates appreciated the Rainforest Alliance standing with workers over many years, offering several examples of how they had done this. In one instance in 2012, the Rainforest Alliance had offered support in an alleged case of unfair dismissal affecting around 500 workers from two different estates. In another case, a certificate holder had accumulated unpaid overtime allowances to a value of approximately KES 3 million. The Rainforest Alliance learnt of this grievance and threatened to withdraw the company's certificate unless the money owed to workers was paid, which the certificate holder honoured shortly after. In one of the tea estates, the Rainforest Alliance was praised for supporting discussions with an out-grower that supplies tea to the estate, but who is paying wages (KES 12.21 per kg) that fall below the rate stipulated in the collective bargaining agreement (KES 15.32 per kg).

Rainforest Alliance living wage approach

Our research indicates that certification is most important for direct sales to major buyers that want certified products, as is the case for tea. These direct sales often stand on strong and consistent relations between producers and buyers. In one case, the producer avowed that the Rainforest Alliance's certification was not really the driver of standards on their farms. Instead, standards and quality were underpinned by a strong relationship with a long-term buyer that wanted sustainable and ethically produced tea. Rainforest Alliance certification was only required as a kind of verification so that the product could be badged with the Rainforest Alliance symbol that consumers recognise. But direct relations can be costly to establish and maintain. Some certified producers do not sell to any direct buyers but sell 100 per cent of their output via auctions.

Auction prices are supposed to establish the benchmark for direct sales prices. One informant explained that most buyers at the Kenyan auctions were 'speculators', simply buying and selling commodities to make a short-term profit, without a direct interest in the value chain, so the issue of certification was not their primary concern. Rainforest Alliance staff in Kenya told us that some parliamentarians have proposed legislation to discourage direct sales, so that everything must pass through an auction, at least to establish a benchmark price (which should serve as a floor price for direct sales contracts).

Value chain actors and other stakeholders, including regulators, point out that private standards such as RA2020 certification exist in an ecosystem of other private standards and public regulations. There is a market for alternative private standards (all of the certificate holders in Kenya interviewed for this study mentioned alternative standards schemes that they are connected to), and there is a framework of public regulation. Some informants expressed a frustration, implicitly or explicitly, that this can create regulatory overlaps, duplication of norms and auditing procedures, operational complexity, and confusion. Government regulators and some other stakeholders appeared to feel aggrieved that private standards organisations bypass official regulatory systems. Some stakeholders alleged that alternative private standards are less onerous and less costly than RA2020.

Willingness of buyers to contribute financially

Where producers sell at auction, it is an arm's length relationship (at best) between producer and buyer, mediated by a marketing agent. There are some auction buyers who want certified products, but we heard that most auction buyers are not looking for certified products. Where producers sell directly to buyers, certification seems to have more significance since the relationship is built upon it.

During our research, it was asserted repeatedly to us by different stakeholders, that the market for certified products constitutes a relatively small share of the total export potential for Kenyan coffee and tea. For example, Pakistan, Egypt, and Sudan were

mentioned as export markets for Kenyan tea that do not demand certification. Some producers and supply chain actors asserted that there is shrinking demand for certified coffee and tea compared to non-certified commodities, especially via auctions.

SYNTHESIS

Proposition: status of implementation of the RA2020 requirements (Salary Matrix Tool and wage improvement plan)

The RA2020 includes requirements for a Salary Matrix Tool that compares wages with the living wage, and the development of a wage improvement plan that ideally involves worker representatives. There is an assumption that certificate holders will communicate the results of the Salary Matrix Tool to supply chain actors, who will then contribute financially to the wage improvement plan.

Encounters: deliberations around the Salary Matrix Tool

It is important to observe that Kenyan certificate holders in both the tea and coffee sectors have encountered the new RA2020 living wage requirements within the context of existing relationships with the Rainforest Alliance. This history of interactions is an important factor because it shapes the quality of encounters, especially for the producers. It is also helpful to distinguish between producers' encounters and the encounters experienced by workers and worker representatives. Finally, it is useful to distinguish between encounters with the Salary Matrix Tool and with the living wage benchmark.

Kenyan producers have encountered the Rainforest Alliance's intervention as a number of new required practices and procedures. Some producers have encountered difficulties incorporating the Salary Matrix Tool into their existing practices, in at least two ways. First, some have found the tool (a spreadsheet) to be unclear or confusing. Second, some certificate holders have found that the tool helped them collate and monitor information that they had not been tracking previously. In particular, the tool requires certificate holders to report information on in-kind payments, and this has created a burden of effort to enumerate and quantify these in-kind payments. However, the certificate holders have also recognised an incentive to do this, because it enables them to receive recognition for non-cash payments as part of their contributions towards a living wage. Producers have encountered the proposed living wage benchmarks as figures that are much higher than existing wages, which generates a large wage gap and creates the prospect of very significant increases in wages to close that gap.

For the most part, worker representatives (let alone workers themselves) were not yet fully aware of the new living wage requirements established in the RA2020 standard and, therefore, were not aware of the potential implications for workers' earnings or the workforce's bargaining leverage in wage negotiations.

Dispositions: willingness and resistance to act on the living wage gap

The dispositions of Kenyan tea and coffee producers towards the Rainforest Alliance's living wage intervention are shaped by the relationship between the strength of their motivation to remain in the certification programme and their willingness to shoulder the costs involved in compliance and auditing. The attitudes of certificate holders towards the living wage strategy appear to be constrained by the condition that producers should not lose out financially from paying higher wages. They say that they are willing to pay workers more if they receive better prices from their buyers. In other words, their willingness to assume the costs of paying a living wage depends almost entirely on the supply chain actor contributions, which have not (as yet) been forthcoming.

Having noted that few worker representatives or workers were aware of the new living wage components of the RA2020 standard, it is important to note that any statement about these stakeholders' dispositions towards the living wage proposition must be provisional. On the one hand, worker representatives and workers would like to receive better pay; on the other hand, worker representatives are also aware that excessive wage demands could jeopardise the very businesses that provide jobs for the workers they represent. This dilemma is particularly acute in the tea sector, where mechanisation directly threatens jobs, but outsourcing is also a factor in both sectors. Here, it might be helpful to distinguish between the workers' agentic dispositions (in favour of higher wages) and their structured dispositions: they are cautious about seeking higher wages because this may put their jobs under threat.

Response: steps taken towards a wage improvement plan

At this baseline stage, it is necessary to note that the observed responses are initial and emergent. Here, we can only talk about the responses of certificate holders, since workers have not yet had opportunities to respond meaningfully to the living wage intervention. However, producers have already expressed initial responses. They have grappled with the Salary Matrix Tool but are largely complying with its requirements. However, they are reluctant to accept the assessed living wage benchmarks, and none of the certificate holders we interviewed had started work on a wage improvement plan. The certificate holders in the tea sector are vigorously contesting the new RA2020 standard and calling for a pause in implementation. The two coffee certificate holders we interviewed are not protesting so vocally but claim that they cannot work on a wage improvement plan at the enterprise level in a context where wages are set by a delicate collective bargaining agreement, which covers multiple aspects of working conditions, and which they do not want to destabilise. This could make progress on the living wage strategy a collective action problem. Some of the producers' claims and objections might be tactical. Subsequent phases of the evaluation will need to track how these responses develop and what happens next.

Outcome: reduction of the living wage gap

Again, this being a baseline study, we are not yet able to identify any final or definitive outcomes.

CONCLUSIONS

The conclusions summarise our findings against the three main research questions that guide this baseline study and are followed by nine recommendations to the Rainforest Alliance. Overall, our baseline research identified some effects of the Salary Matrix Tool and, in Colombia only, some emerging initiatives to develop a wage improvement plan. However, there are structural barriers to the full realisation of the Rainforest Alliance living wage strategy across the case study countries and sectors, albeit with contextual variations. These constraints suggest that it will not be feasible, in the foreseeable future, to fully close the living wage gap for all workers on a Rainforest Alliance-certified farm.

Globally, private standards and certification schemes emerged in the 1990s to raise the quality of the product for a specific target group of consumers. The quality attributes are often unobservable by the buyer and often relate to the social and environmental conditions of production in contexts and where public regulation is absent or deficient. This private type of governance through certification induces farm-level changes that improve production practices and create niche market access. The theory of change of the Rainforest Alliance living wage strategy is a good example of this farm-level approach to improving the wages of workers on estates. It implies that, when successful, certified producers would be paying substantially higher wages than their uncertified neighbours in response to the incentives that are inherent to the certification. These incentives are (generally) a higher price than for uncertified products and (an opportunity to receive) an additional contribution from the downstream supply chain partner.

We found that, especially in the countries where some living wage pilot projects had taken place (Colombia and Kenya), the sector organisations and certificate holders we interviewed were well informed about the new living wage requirements. The desired responses by certificate holders and supply chain actors towards addressing living wage gaps by effectively modifying salary structures or changing procurement practices were, however, largely still absent, and restricted to the banana sector in Colombia. This is, of course, to be expected for a baseline evaluation of an intervention that has only been rolled out in the past two years.

The RA2020 living wage strategy is easier to implement in certain contexts: when there is a relatively short value chain between the supply chain actor and the certificate holder (that is, not too many intermediaries); when there are multi-year sourcing agreements; and when the production requires relatively specialist workers who are working full-time on the farm. When these three conditions are absent, certificate holders will be more reluctant to raise their farm workers' wages. These conditions also partly explain why most living wage pilots take place in the banana and tea sectors and not in coffee. Workers in banana and tea are often employed full-time and year-round, and the value chains for those products have relatively few downstream buyers (brands) with a short chain of intermediation.

In our total sample of farms (11 estates), we found that the certificate holders were reluctant to develop a wage improvement plan without a strong commitment from supply chain actors to guarantee a financial contribution to it. Certificate holders fear that once they raise wages, they cannot ever lower them again should they need to (for example, in response to an economic crisis or other shock such as crop loss due to an extreme weather event). Therefore, in the absence of multi-year sourcing contracts, the certificate holders we interviewed suggested that the living wage gap could best be addressed through non-permanent productivity premiums or non-salary benefits.

We found no evidence that the Salary Matrix Tool triggered farm-level negotiation processes between the certificate holder and worker representatives around a wage improvement plan. Worker representatives had not yet been consulted in any of the wage improvement plans that were being developed in the farms. Without a credible and guaranteed financial contribution from supply chain actors, the mandatory involvement of worker representatives in discussions around a wage improvement plan would simply create too much tension. Wage negotiations are power-laden, and worker representatives at the farm level rely on external support to ensure that these negotiations do not negatively affect their relationship with the management, or indeed the job security of the workers they represent.⁴

We found that certificate holders feared the financial consequences (for them) of raising wages and therefore tried, by adding various non-salary benefits, to demonstrate that any wage gap on their farm was minimal. In many countries, on-farm wages are set according to wage negotiations that take place outside the farm between sector organisations of producers and worker unions, or they follow increases in the minimum wage set by the government in relation to inflation levels. The availability of ring-fenced funds from supply chain actors for raising wages seems a necessary condition for certificate holders to develop a wage improvement plan and to involve worker representatives.

Apart from reducing the living wage gap, many certificate holders are also expecting to receive supply chain actor contributions to cope with the increasing costs of production. For this reason, they might be unwilling to use a price premium, such as the Sustainability Differential, only for wage increases. We see a need for modalities that ring-fence (part of) the supply chain actors' financial contributions for wage improvements. Leaving the decision on how to use the financial contribution with the certificate holder carries a risk. We note that the new version of the RA2020 (Version 1.3), issued in 2023, places additional requirements on certificate holders that want to use part of the Sustainability Differential for workers' benefit. This makes it more onerous for a certificate holder to allocate a supply chain actor's financial contribution to wage improvement. Instead, we argue for supply chain actor contribution modalities that reduce the transactions and decision-making processes between the supply chain actor

⁴ In the code revision in 2022, the requirement to involve worker representatives in elaborating a wage improvement plan at farm level was modified by the Rainforest Alliance from being a compulsory measure to a voluntary one.

and the workers, such as the use of mobile phone banking for direct cash transfers. For example, the final buyers could contribute this living wage premium into a country-level multi-stakeholder-managed fund, and this fund could pay a cash transfer to all workers on the certified farms according to their certified volume.

The piloting of supply chain actor modalities in Colombia and Kenya proved useful input for reflection by certificate holders and sector organisations, and helped to identify some unintended outcomes of the RA2020 living wage approach. For example, some interviewees in Colombia – both certificate holders and worker representatives – expressed concern about the unintended negative consequences of asking supply chain actors for financial contributions to closing the living wage gap; they feared that their sector might be losing market share and associated employment when competing with other countries that have a lower living wage gap and would therefore require a lower financial contribution from the supply chain actor to help close it. We see this potential sourcing shift as a real and important unintended negative effect of living wage modalities that are directly linked to the gap as measured by the Salary Matrix Tool. Within the capitalist logic of cost reduction and profit maximisation, companies will inevitably include the country-specific supply chain actor's financial contribution in their sourcing decisions. If, due to the size of the required living wage premium, the supply chain actors are incentivised to shift their sourcing to other areas or countries that have smaller living wage gaps, this could divert efforts to secure a living wage from those areas where actions to improve wages are needed most. We argue that a global and uniform premium on top of the actual purchasing price would avoid this risk.

In most countries, the minimum wage adjustments in response to inflation and the existing sector collective bargaining agreements are the reference point for certificate holders to raise on-farm wages. We found that in contexts where employers recognise unions and support unionisation, where worker representation is already institutionalised, and where the unions are capable of asserting the interests of workers, certificate holders prefer that wages are negotiated through a collective bargaining agreement at the sectoral level rather than on individual farms. Certificate holders are reluctant to bypass or destabilise the collective bargaining agreement, not least because paying higher on-farm wages could set them at a competitive disadvantage compared to neighbouring farms. In such contexts, the approach adopted by the Rainforest Alliance in the RA2020 standard to improve wages at the individual farm level needs to be accompanied by a more strategic and sectoral approach, which goes beyond workers of certified farms only.

The RA2020 proposition – farm-level wage improvements through the Salary Matrix Tool, a comparison with the living wage benchmark, and the development of a wage improvement plan – is particularly suited to areas where unions and collective bargaining agreements do not exist or are weak, and where minimum wages are low or not respected. However, our analysis also suggests that in these contexts, in order to be effective, the proposition needs the addition of a fourth element: the presence of a defined supply chain actor financial contribution modality (or suite of modalities) with funds that can be used for the wage improvement plan. This amendment to the current

proposition would make the development of a wage improvement plan more feasible and attractive to certificate holders, because it would provide a clear mechanism to cover (part of) any additional cost of paying higher wages to farm workers.

We found that the main encounters through which the details of the RA2020 living wage requirements become known to certificate holders were the farm-level audits. Unfortunately, this gives the living wage requirements a slightly negative connotation as they are flagged as a 'potential non-conformity', rather than being presented as a common vision about long-term sustainable development. Unintentionally, using an audit setting for the process gives certificate holders a strong incentive to show they have only a small (if any) living wage gap. Certificate holders can influence the measured gap to some extent by including or overvaluing non-salary benefits in the Salary Matrix Tool. Auditors face challenges in verifying these data entries. This incentive for certificate holders to show a very small living wage gap for their farm is reinforced by their fear that supply chain actors sourcing Rainforest Alliance-certified products might choose to shift sourcing away from farms that report large living wage gaps and favour farms that report smaller gaps, as this would mean any financial contribution they were required to make would be smaller. This market mechanism of competition between certificate holders to access a market through the supply chain actor that makes the living wage contribution works in two ways. On the one hand, when farmers are located close to each other, this competition for having the specific supply chain actor as the buyer may provide an incentive to improve wages compared to their competing neighbours. On the other hand, the tendency to report as small a living wage gap as possible may reduce the motivation of supply chain actors to make substantial financial contributions to a living wage premium.

Continuing to engage with platforms of supply chain actors that together have a large share of the consumer market – as in the case of bananas – provides a promising way to develop feasible and resilient supply chain actor financial contribution modalities that certificate holders can trust to help them raise wages above the legal or sectoral increments and reduce the living wage gap. For example, supply chain actors could agree to pay a fixed premium per unit sourced to a dedicated, multi-stakeholder-managed fund to improve wages across the sector. However, when this payment is combined with the payment of the Sustainability Differential, proper safeguards must be developed, ensuring that (at least a good part of) these funds effectively improve workers' wages. We argue that direct transfers from the supply chain actor to the workers using mobile phone banking may offer the best safeguards, reducing the transaction and coordination costs for certificate holders. Universal cash transfers – to all workers, not only those below the living wage benchmark – could also respond to the feeling of several certificate holders and workers that, considering the reality of piecework rates instead of fixed salaries, a living wage bonus system needs to cover not only those with the lowest wages but also reward the highest-performing workers.

The resistance of some sector organisations to allow the researchers direct access to certified farms shows that communications about the living wage approach and theory of change need to be improved. Besides the farm-level audits, a more proactive

discussion is needed about the prevailing situation of low wages in the production of certified agricultural commodities. This requires complementary encounters between the Rainforest Alliance and other stakeholders at the sector level. Estimates of average wage levels – at the sector level or aggregated per sourcing area within a country – might be more useful to inform such discussions than precise reporting of living wage gaps at the level of individual certificate holders. Sector-level deliberations such as these could focus more on the aims of the living wage strategy in a given context and less on the specifics of whether to include certain non-wage or in-kind benefits in the Salary Matrix Tool, as well as discussing the appropriateness of the living wage benchmark being used.

A more intensive sectoral approach by the Rainforest Alliance could also help to change certificate holders' current negative dispositions towards the living wage strategy and turn it into a more positive direction. As documented in this baseline evaluation report, certificate holders often assert that they are willing to pay their farm workers better wages, but that their concerns about doing so must be addressed. First, they worry about where the funds will come from to cover in a sustainable way the additional costs of paying increased wages. This explains why certificate holders prefer to pay discretionary bonuses and in-kind benefits rather than permanently increasing workers' wages. If certificate holders' misgivings could be addressed – for example, by taking a more sectoral approach and by setting out clear modalities for a living wage premium that the sector could rely on – then the requirement for developing a wage improvement plan would be matched by a more positively structured context in which they could trust the institutional arrangements that allow them to do so. Instead of being perceived as an imposition by the Rainforest Alliance and a compliance risk, efforts to close living wage gaps might be seen more positively and less threateningly by certificate holders, and supported by a collective, shared strategy to improve wage levels across the sector. This approach would be similar to that used in the Malawi Tea 2020 process, where stakeholders assessed the prevailing wages every year in relation to the living wage benchmark, assessed the level of livelihood improvement for workers, discussed the modalities of supply chain actor financial contributions, and reflected on the competitiveness of the sector.

At present, the desired responses by certificate holders and supply chain actors towards addressing living wage gaps by effectively modifying salary structures or changing procurement practices are still largely absent. We observed some emergent responses, mainly in Colombia, as discussed earlier, but at the time when the baseline interviews were conducted, these had not yet crystallised into effective wage improvement plans and significant wage increases, mainly due to a lack of trust in the supply chain actor financial contributions that would be needed in order to raise workers' wages. In the absence of such contributions as a Sustainability Differential or a living wage premium, certificate holders and their sectoral organisations have a rather negative stance towards the new RA2020 living wage requirements.

In the absence of a credible flow of supply chain actor financial contributions to wage improvement plans, the Rainforest Alliance's desired outcomes to increase workers'

wages on certified farms are unlikely to be reached. However, a possible outcome to be explored in subsequent phases of the evaluation is that the living wage benchmarks may become more prominent within discussions and negotiations around collective bargaining agreements at the sector level. In countries with collective bargaining processes, this could contribute to a systemic change, resulting in regular above-inflation adjustment of wages on all farms in the affected sectors, not only on certified farms.

In the appendix, we summarise answers to the original research questions as set out in the terms of reference (ToR) for this baseline evaluation.

RECOMMENDATIONS

The recommendations that accompany this baseline study are intended to help the Rainforest Alliance reflect on the theory of change and ways that the living wage strategy could be refined so that it achieves its intended aims. We hope that these recommendations challenge current thinking, stir debate, and provide ideas for the Rainforest Alliance as it continues to implement and adapt its approach to raising workers' wages in commodity value chains.

1. Overall, the research shows a clear need to improve workers' low wages in certified production. However, some obstacles affect the adoption of the RA2020 proposition of voluntary farm-level wage improvements through the requirements of the Salary Matrix Tool and the wage improvement plan. These requirements alone seem insufficient to raise the wages of workers substantially. **The implementation of the RA2020 needs stronger relationship-building with sector organisations of farmers and workers in each country.**
2. The living wage strategy aims to share the responsibility for improving workers' wages with supply chain actors other than certificate holders. However, only the certificate holders feel the pressure to comply and fear the financial burden of doing so. **The Rainforest Alliance should focus on securing commitments from supply chain actors to contribute financially to living wage payments.**
3. Certificate holders showed a defensive attitude (negative disposition) towards the RA2020 living wage strategy. This led to strategic behaviour towards how the wages are computed in the Salary Matrix Tool, especially the inclusion of in-kind benefits. Instead of the current approach, which measures the living wage gap at the level of individual workers and regards a living wage gap in some of the job categories on an individual farm as a (future) non-conformity, **an alternative approach could be to use the Salary Matrix Tool only to register the wages paid, without comparing them directly with the living wage benchmark, and then computing the**

average sector-level living wage gap separately and only from aggregated data. This would allow the Salary Matrix Tool to remain simple and user-friendly while at the same time helping to spur sector-level discussions towards a structural solution to low wages through collective bargaining agreements.

4. Certificate holders might not sell all of their products to buyers (supply chain actors) that will pay a living wage contribution. This means that the supply chain actor contribution is distributed among a larger group of workers than only those directly associated with the volume for which the supply chain actor contribution is paid. Supply chain actor contributions – even when reflecting the ‘true price’ with a living wage paid to all workers involved in the Rainforest Alliance-certified production – will only translate into a partial closing of the total living wage gap for most workers. In most cases, supply chain actors will not be able to claim that they pay at least a living wage to all workers in their supply chain. **The Rainforest Alliance should communicate to the supply chain actors that whatever modality is found for the living wage contribution, the result will almost always be only a partial reduction of the living wage gap.**
5. Computing the income received by plantation workers is not always straightforward, and the word ‘wage’ may not always be appropriate. Moreover, the use of the words ‘wage increases’ makes some certificate holders nervous because it implies a permanent commitment that could not be reversed if buyers decided not to continue paying a living wage premium at some point in the future. In all four countries, non-permanent ‘bonuses’ are a common method of paying additional benefits to workers, and these depend on the harvest quality and prevailing market prices. **As an intermediate strategy towards achieving a living wage, it may be useful to reframe the expectations of supply chain actors from ‘paying at least a living wage in the supply chain’ to ‘paying living wage bonuses to improve wages’.**
6. Except for the banana workers' union in Colombia, most workers and worker representatives interviewed for this research were not yet well informed about the RA2020 living wage strategy, living wage benchmarks, or wage improvement plans. As a result, they were not able to use these requirements to bargain for better wages. **The Rainforest Alliance should raise awareness of the RA2020 living wage strategy among unions and sectoral organisations that promote fair pay and decent employment conditions.**
7. Worker representatives are only effective in wage negotiations when they have sufficient legal safeguards to protect them. Under the current power relations in a plantation, it is unrealistic to expect that workers will directly discuss contentious wage issues with their employer unless this is done via an external negotiating body, such as a union or sectoral organisation. **The Rainforest Alliance should consider**

working with organisations that can support worker representatives in their involvement in developing wage improvement plans.

8. Some workers and producers pointed to the difficulties posed by international competition. A living wage premium that operates within one country could induce supply chain actors to source from another country where such a premium is not applied. The Rainforest Alliance should consider this problem of competition between production areas. For example, **a feasible option to avoid supply chain actors sourcing shifts from areas with a high living wage gap might be to define a fixed living wage premium per unit sourced, independent of the sourcing country.**
9. Contextual differences between sectors and regions, even within the same country, demonstrate the need to find local solutions that ensure local ownership. Local governance structures might be needed in each area to discuss the best use of supply chain actor contributions. This requires **context-specific arrangements to distribute supply chain actor financial contributions to a living wage**, with varying percentages for wages, non-wage benefits, and support for or membership fees of organisations that negotiate wage improvements at the sector level, especially worker unions and producers' organisations.

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APPENDIX

In the appendix, we summarise answers to the original research questions as set out in the terms of reference (ToR) for this baseline evaluation.

Causal hotspot 1: Does the Salary Matrix Tool improve wage transparency in the supply chain?

Evaluation questions from ToR related to causal hotspot 1 (see Figure 1)	Answers at baseline
To what extent does the Salary Matrix Tool provide new insights to certificate holders and supply chain actors?	<p>The requirement for wage transparency using the Salary Matrix Tool has some support, including from certificate holders that were interviewed. The tool generated discussions about what non-salary aspects needed to be included as 'wage'. Therefore, it seems to be working as an educational tool.</p> <p>Some interviewees said that the tool had led to a better overview of the workforce and better job-role definitions.</p> <p>In some cases, discussion of the living wage gap seems to have induced workers and certificate holders to increase the working day or the possibility of overshooting standard production targets per day. This is, of course, only convenient for younger, healthy workers.</p> <p>It is not entirely clear what non-salary components or benefits should be included in the Salary Matrix Tool. This is problematic and undermines the credibility of the resulting living wage gap as measured by the tool. It generates controversies and becomes part of a power-laden negotiation process in which certificate holders are incentivised to show that the gap is small or even non-existent. For a sector-wide discussion, less precise and less localised living wage gap calculations could provide sufficient insight to agree on sectoral wage improvement measures, such as above-inflation wage increases.</p>
To what extent and how are the results of the Salary Matrix Tool used by certificate	Payment by retailers of a living wage premium only occurred in the particular contexts of pilot projects organised in Colombia and Kenya, which involved

holders to communicate to buyers or other supply chain actors?	partnerships with the Rainforest Alliance and various supply chain stakeholders.
Which factors influence whether certificate holders communicate the results of the Salary Matrix Tool to supply chain actors?	<p>Certificate holders are reluctant to recognise a living wage gap and will go to some lengths to include in-kind benefits as 'payments', which allow them to argue that the gap is small or non-existent. An auditor interviewed in Colombia indicated that they sometimes struggle to deal with valuing the non-salary benefits that are included by certificate holders in order to do so.</p> <p>It is unlikely that supply chain actors are motivated to critically scrutinise the inflated figures and lower computed living wage gap when the outcome of this calculation is directly linked to a premium that the supply chain actor may be required to pay (as this represents an added cost to them).</p> <p>Stakeholders in Colombia considered a fixed premium per volume unit (box of bananas), independent of the farm-level living wage gap, to be a good way forward. This premium can be negotiated at the international level and be uniform for all countries to prevent sourcing shifts by buyers from (poorer) countries with a high living wage gap to (richer) countries with a lower living wage gap.</p>
What is the response of buyers when informed about living wage gaps that have been identified?	Except in one case in Colombia (an export cooperative), primary buyers did not feel a responsibility to respond to living wage gaps identified on a farm. All expect a living wage premium to flow from the secondary buyers (retailers, processors, brands).
What other mechanisms need to be in place to facilitate supply chain actors making living wage contributions?	<p>The Rainforest Alliance certification implies traceability, which facilitates coordination on product qualities but does not guarantee long-term purchase commitment about quantities. In some countries, auctions are important price-setting mechanisms, and the supply chain involves several intermediate buyers. In the absence of longer-term supply chain actors that buy from them, it may be too much of a risk for certificate holders to commit to permanent wage increases.</p> <p>Most certificate holders expect a living wage premium from supply chain actors before starting to raise wages above the levels agreed through collective bargaining agreements or legal minimum wages.</p>

	<p>Some certificate holders suggested that a profit-sharing approach could be feasible, but they expected that workers would not agree to accept wage decreases when profits declined.</p> <p>Some certificate holders and buyers referred to the Fairtrade system of premium distribution by a local decision-making group (Fairtrade committee) as an existing and functioning form of channelling premiums to workers – partly because many farms are covered both by Fairtrade and Rainforest Alliance certification.</p>
<p>Which information around the living wage gap is important and feasible to share between producers and buyers, when trying to change buying practices?</p>	<p>More insights into wage levels in the supply chains of tropical commodities by using the Salary Matrix Tool was generally appreciated by most stakeholders, except in Indonesia where the state-owned tea plantations seemed to prefer keeping this opaque (but where we were unable to do proper interviews with certificate holders about the use of the Salary Matrix Tool and wage improvement plan).</p> <p>In contrast to the Rainforest Alliance’s expectations, the results of the Salary Matrix Tool are not being shared with others in the value chain, only with auditors and the Rainforest Alliance. Even as researchers, the Rainforest Alliance did not give us direct access to the results of the Salary Matrix Tool and audit reports for each of the farms that were selected for the country case studies. Mindful of privacy concerns, the Rainforest Alliance leaves it to each certificate holder to decide with whom they will share the information. Certificate holders will be more eager to share living wage gap information publicly when it shows that the living wage gap is very small or non-existent’.</p> <p>To change buying practices and create substantial supply chain actor contributions, the living wage gap needs to be large enough to function as a driver of change (e.g. creating reputational risk for global brands). Small deviations from the living wage (as computed in the case study farms in Colombia) may not be large enough to create this momentum for change, and in any case these low living wage gaps may result from certificate holders artificially ‘inflating’ the wages paid by including many non-salary components in the computation. They do so, because in spite of the Rainforest Alliance’s intentions, they fear future non-conformities in the audits, and obligations to pay higher wages without yet having supply</p>

	<p>chain actor financial contributions to support and sustain such increases. Communicating sector-level wage levels without the (contestable) inclusion of on-farm housing, transport, medical care, etc. would likely show a larger living wage gap but would be a better reflection of the reality of poverty (and lack of possibilities to escape poverty) for farm workers in rural areas.</p> <p>The discussions about whether to include certain benefits and the resulting (large) difference in the computed living wage gap is eroding the trust of buyers in the exact values produced by the measurement. This may diminish the willingness of buyers and brands to take this value as a reference point for their (potential) supply chain actor financial contribution.</p> <p>Because the living wage gap is computed per farm (and not as an average at the sector level), and may incorporate non-wage benefits in a non-standardised way, the exact size of the living wage gap varies per farm, which for many brands would be difficult to process and translate into relatively straightforward supply chain actor contributions.</p> <p>It may be easier to monitor and communicate a rough average sector-level wage gap and agree on a fixed premium on supply chain actor purchased volumes based on these average gaps, rather than trying to assess and address the living wage gap for each certified farm.</p> <p>The Rainforest Alliance certification of farms and the supply chain actor contributions to reduce the living wage gap could then be presented as system/sector innovations to address low wages across the sector, using bonuses, digital cash transfers, subsidised union membership, or targeted social protection interventions to workers on certified farms.</p> <p>Certificate holders often highlight that they already pay above national minimum wages and award wage increases above the rate of inflation. Both metrics could be used to communicate progress in reducing the living wage gap.</p>
Which factors influence whether supply chain actors are willing to contribute	There is a significant share of Rainforest Alliance-certified production that is not sold as such, and where the supply chain actor will not feel a responsibility to make a financial contribution to a wage improvement plan.

<p>financially to closing the living wage gap?</p>	<p>The RA2020 mentions a Sustainability Differential as a monetary payment on top of the market price, and as a contribution of the supply chain actor to raise wages towards the living wage through a financial investment or another type of investment. None of the supply chain actors linked to the farms studied were making a financial contribution or communicated an intention to effectively do so in the coming season.</p> <p>Certificate holders note that they might not typically realise a living wage premium on 100% of their produce. This means that any premium received has to be distributed among a group of workers larger than the number nominally involved in producing the particular amount of product for which the living wage has been paid. The implication is that living wage premiums in practice will only translate into a proportional reduction of the living wage gap.</p> <p>During the Living Wage Conference in Brussels in December 2022, some brands argued that they could pay a living wage premium only if they could valorise that commitment in the market, for which they would need to show that they paid the premium to every worker in their supply chain. This interpretation is a problem because it will only materialise in cases where the supply chain actor buys all production and with longer-term purchase commitments, which is unrealistic.</p>
<p>How does the living wage gap information feature in commercial contracts? Are there best practices in countries for buyers who pay higher prices to allow producers to pay a living wage?</p>	<p>We could not find any reference to a living wage gap in commercial contracts during the interviews. The Living Wage Conference in Brussels showed some experiences with mechanisms that would likely be part of the contracting, but we were not able to access that information in our research.</p> <p>We suggest that the communication to supply chain actors should be less directed to their motivation to get commercial contracts that prove they 'pay at least a living wage to all workers in our supply chains' and more directed to including a living wage price premium that is used 'to change the structural situation of low wages in the sector'.</p> <p>The institutional arrangement to manage these price premiums may vary from context to context (even within countries and sectors) and should build on existing local</p>

	institutions (e.g. existing social protection schemes, well-functioning Fairtrade committees) or use new technological opportunities (e.g. digital cash transfers).
What guarantees on the payment of a living wage do buyers expect from producers in return for higher prices/other benefits?	<p>We did not encounter this issue as a problem yet, likely because no premium payments had been made at the time of conducting our research.</p> <p>However, we know from experience that structures (such as Fairtrade committees) that decide on the use of price premiums need transparent financial management and decision-making over their premium allocation. This organisational social capital takes a long time to develop and can quickly disappear. These committees are unlikely to work in each farm without a central support structure that can monitor their organisational performance.</p>

Causal hotspot 2: Does the RA2020 motivate certificate holders to develop a wage improvement plan that involves worker representatives?

Evaluation questions from ToR related to causal hotspot 2 (see Figure 1)	Answers at baseline
How are worker representatives included in developing a wage improvement plan?	Among our case studies, we found no instance where worker representatives (non-staff) had been involved in developing a wage improvement plan.
To what extent are certificate holders motivated/inclined to engage with workers on their wages, and to set goals for increasing wages?	In the few cases where a wage improvement plan was under development, the workers had explicitly not been involved by the certificate holder in order to avoid raising expectations. The certificate holder wanted first to define a wage improvement plan and would communicate and discuss the proposals only when they would be feasible financially.
How are gender relations considered in the workers' representation?	<p>Worker representatives on farms tend to be men, as (in most sectors) most workers are also men. In Indonesia, where up to 90% of the workers are female tea pickers, we were informed that it is very uncommon to have female worker representatives.</p> <p>Where a collective bargaining agreement is in place, as in Colombia, there are extra-legal wage components that benefit women related to health and maternity leave and related health costs.</p> <p>In the context of the Salary Matrix Tool and wage improvement plan, gender issues seem to be of minor importance. However, no wage improvement plans have been developed yet, and in follow-up research, more attention needs to be given to gender issues once premiums will start to be defined and distributed.</p> <p>There are reports of gender-based violence during the contracting of workers on some banana and tea plantations, which is the reason for the detailed assess-and-address</p>

	procedures outlined in RA2020 section 5.1 in these high-risk sectors.
Do workers feel that their involvement in developing a wage improvement plan strengthens their (power) position?	This cannot be answered yet as only a few wage improvement plans are under development, and none had yet involved worker representatives in this process. However, we found that for worker representatives to play an effective role in wage negotiations, they required support from a union that had a collective bargaining agreement with sufficient legal safeguards for them to do so. Under the current system of power relations in a plantation, it seems unrealistic to expect workers to discuss contentious wage issues directly with their employer. Workers and certificate holders in Kenya and Colombia clearly preferred that this was done via an off-farm sectoral negotiating body.
What does a wage improvement plan look like in practice?	The incipient wage improvement plans under development addressed minor issues and affected only some small labour categories for which wage increases are considered. In none of the cases had piece rates or wages of field workers been improved as a direct result of the RA2020 requirements. We noted that certificate holders consider non-permanent, non-wage components and bonuses, rather than formal wages, as the focus of farm-level wage improvement plans that could have the backing of a specific supply chain actor to whom they sell their Rainforest Alliance-certified product.
How does the involvement of worker representatives compare over different contexts (e.g. unionisation, collective bargaining, etc.)?	In most of our case study countries (Colombia, Kenya, and Indonesia), external negotiating bodies exist in the form of sector organisations and worker unions that define collective bargaining agreements. Unionisation only seems feasible where there is support from the plantation owners to do so. In Antioquia (Colombia), this support for unionisation resulted from decades of conflicts and years of careful negotiation to prevent a return of violence in the area. In Brazil, the history of rural unionism, as well as recent legal developments, means there is little formal representation of workers and no collective bargaining agreements were identified. In Indonesia, unions are active in collective bargaining agreements at the regional level, but these unions do not have a strong presence and active membership at plantation level.
How does the wage improvement plan work for farms with a farm/ sector	There are no wage improvement plans yet. However, where collective bargaining agreements exist (Colombia, Kenya, and Indonesia), these seem to function well in negotiating wage increases and extra-legal non-wage benefits that are the

collective bargaining agreement in place?	reference point for certificate holders and worker representatives. In areas and sectors where there is low unionisation, these extra-legal benefits are not available.
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Causal hotspot 3: Does the living wage strategy lead to changed purchasing practices and wage increases?

Evaluation questions from ToR related to causal hotspot 3 (see Figure 1)	Answers at baseline
Is the proposed wage improvement plan feasible (e.g. financially, practically, over the long term)?	<p>In the current context, where certificate holders perceive no clear commitment from supply chain actors to pay a living wage premium, the feasibility of having wage improvement plans with substantial farm-level wage increases is slim.</p> <p>We consider that the proposition and strategy of the Rainforest Alliance to have farm-level wage adjustments based on wage transparency is not feasible without a defined supply chain actor financial contribution in relation to the volume of production sourced, and accompanied by (a suite of) well-defined modalities to distribute this premium to certificate holders and/or workers.</p> <p>We believe that clarity about the living wage contribution and the existing Sustainability Differential would also help to improve communication and encounters between the Rainforest Alliance and certificate holders. The difficulties experienced by the research teams in Indonesia and Kenya (and, to a lesser degree, in Brazil) in getting access to certificate holders for this baseline study illustrate the current defensive and rather negative mood among certificate holders and sector organisations towards the new RA2020 requirements.</p>
What challenges do certificate holders and other supply chain actors face in moving towards a living wage for farm workers (legal, financial, etc.)?	Certificate holders are worried that any salary increase is permanent and cannot be reversed if the supply chain actors discontinue payments or purchasing. As a result, the farm could end up with higher wage costs than their competitor farms. Therefore, there is a preference for using supply chain actor contributions for non-wage benefits instead of nominal salary increases.
What unintended effects can be identified for certified farmers and their workers of implementing the living wage criteria?	Some well-informed informants in Colombia (unions and sector organisations) pointed to the risk of countries with large living wage gaps being pushed out of the market when the supply chain actor contribution is directly linked to the living wage gap that is computed using the Salary Matrix Tool. A premium linked to a specific country with a large living wage gap could induce the

	<p>buyer, such as a European retail chain, to source from another country with a lower gap (or even no gap). This was seen as an unintended negative effect for countries where the living wage gap is large compared to competitor countries.</p>
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