



Project Description and Roadmap Towards Living Wages in the Banana Sector

A Project of the German Retailers Working Group
on Living Income and Living Wages



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Vision and Background

Farmers in global supply chains should be able to generate living wages and incomes. In order to achieve this goal, the German Retailers Working Group joined forces in 2019. By signing a joint voluntary commitment at the International Green Week 2020, representatives of the German retail sector have committed to actively engage in the development and implementation of responsible business practices in their global supply chains and to gradually work towards fair remuneration along global agricultural supply chains of their own brands.

The group members ALDI Nord, ALDI South Group, dm-drogerie markt, Kaufland, Lidl and REWE Group agreed on a first pilot project on living wages and decent work in the Ecuadorian banana sector, which is to be extended to other reference countries in the coming years. This first joint project serves as a pilot to understand, test and adjust viable approaches to promote living wages in banana supply chains and other commodities. It shall serve as a blueprint to adopt and expand good practices in further sourcing countries beyond Ecuador.

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

is coordinating this working group and its workstreams under the umbrella of its Initiative for Sustainable Agricultural Supply Chains (INA). GIZ offices in Germany and Ecuador jointly coordinate the project.

The banana sector was chosen by the Working Group because it has been a focus of public attention for years and shows the need and potential for a sector wide transformation. The large majority of bananas imported to Germany and sold through German retailers are certified through sustainability schemes. Several standard setting organizations are acknowledging the relevance of living wage and have started to explore mechanisms for working towards it. However, there is still a lack of scalable solutions and co-operation between market participants at the various stages of the value chain in order to achieve and sustain a lasting transformation towards securing living incomes and wages and decent working conditions for banana workers and smallholding farmers.

In addition, it has become apparent in the recent past that an industry wide engagement might be needed to overcome relevant obstacles such as the “first moving”-disadvantage. The joint vision and forces of the participating retailers for raising the bar towards living wages could maximize impact.



Project Objectives and Scope

The joint project of the German Retailers Working Group aims to promote living wages and decent working conditions in a holistic manner, establishing enabling conditions at production, supply chain, sector and policy level. The holistic approach aims for the following four strategic objectives:



I. Responsible procurement practices of the retail sector create framework conditions for living wages and incomes.



II. Strong and active workers' representatives are able to negotiate decent working conditions, including a living wage.



III. Use and development of monitoring procedures along a given banana supply chain, ensuring transparent wages and working conditions.



IV. Joint agenda setting of retailers with relevant stakeholders promotes the long-term establishment of adequate framework conditions for living wages and incomes in the banana industry.

The achievement of these objectives shall enable the participating retailers to purchase and sell bananas, which promote and sustain a living wage for workers in their banana supply chains. To achieve this goal specific living wage criteria will be developed and piloted in 2022 in the context of a participatory dialogue and consultation process with supply chain partners and other relevant actors (see "Our approach"). Definition and implementation of these criteria shall follow the principle of shared responsibility, shared reward and shared risk between the respective actors within individual banana supply chains. Core criteria will encompass responsible purchasing practices and the strengthening of workers' representation bodies.

Measures and criteria developed in 2022 will be integrated into the tendering process for the purchasing season in 2023 and shall be applied for a certain share of the retailers' banana sourcing volumes. Instead of marketing an additional banana product line, retailers are committed to integrate living wage criteria throughout their existing banana portfolio. To build on existing logistical structures and to channel resources to closing wage gaps retailers will apply a mass balance approach, where needed.

Banana sourcing volumes that comply with the living wage criteria are to be increased significantly over the next few years according to the following time-bound milestones:

- **By 2023, at least 7% of the member's total banana volumes** for the German market are sourced as Living Wage Banana from Ecuador; targeted volumes must include bananas in the entry-level price segment and may include other product lines;
- Targeted volumes follow an annual stepwise increase; from 2024 onwards, targeted volumes shall be sourced from Ecuador and additional sourcing countries;
- **By 2025 each member aims at sourcing at least 50% of each member's total banana volumes** for the German market as Living Wage Banana; those volumes shall be sourced from Ecuador and additional sourcing countries; while sourcing from other countries, members shall continue sourcing from Ecuador; of the volumes sourced **from Ecuador at least 90% shall be sourced as living wage banana by 2025;**
- Each member's intention shall be to fully anchor the living wage criteria throughout its whole banana portfolio in the long run, by scaling up effective solutions to all relevant sourcing countries.

The designated project scope encompasses each member's Cavendish banana portfolio sold to the German market, covering all respective product lines excluding explicitly branded bananas.¹ In order to maximize impact, each member will put a major focus on the entry level price segment where wage gaps are expected to be most prevalent.

For the long run, members also welcome a close collaboration with banana brand manufacturers and the inclusion of branded bananas into the scope of engagement in order to promote living wages for all workers in all their banana supply chains around the world.



¹ In the case of dm-drogerie markt – as a retailer without fresh bananas in its range – processed Cavendish bananas in own-brand products.

The Pilot Project

1. The country

Ecuador offers an ideal starting point for testing approaches to promote living wages and to monitor progress transparently. Firstly, Ecuador has strategic relevance in the banana purchasing of all member companies. Therefore, it creates the basis for a longer-term commitment, for a strong joint leverage effect and allows joint action on the ground in Ecuador. Secondly, Ecuador is the main banana exporting country and the most relevant supplier for the European market (33% of banana imports into the European Union as of 2019). And thirdly, while the existing wage gap is generally considered to be relatively small, information on the gap in the specific supply chains of the working group members was not yet available.

2. Our approach

This roadmap shall be perceived as a first proposal of milestones and possible activities, as well as a discussion basis for the envisioned dialogue process with suppliers and producers. Working group members consider it essential to jointly reflect this proposal together with their supply chain actors, to refine and adjust it based on their specific needs, perspectives and expectations

Setting the scene

In 2021, the goals of the Working Group were to gain a better understanding of the banana supply chain as well as involved actors, linkages and challenges. To achieve these goals, the Working Group:

- mapped the banana supply chains of the different retailers (Milestone 1),
- conducted in-depth interviews with eight banana suppliers and
- conducted 14 interviews with farmers, producers, exporters and other relevant stakeholders on the ground in Ecuador (Milestone 2).

The dialogue with both, suppliers and producers will be continued throughout the whole duration of the project to inform relevant actors on the project and receive feedback on the activities.

The members of the Working Group are currently applying the IDH Salary Matrix, to understand the wage situation on the farms and to be able to decide on measure to be taken. Within this process, the members, along their respective supply chains, want to analyse and validate



- the wage gaps on all Ecuadorian farms they are sourcing from and
- as many farms as possible in other sourcing countries to get a broader picture (Milestone 3).

In spring 2022, the Working Group will publish a first report on the results and learnings gained in the process until then. Meanwhile, the Working Group aims to analyse the wage gaps on all farms and in every country, they source from. These results shall be published in an overall report by the end of 2022.

Taking action



Objective I: Responsible procurement practices of the retail sector create framework conditions for living wages and incomes.



Objective III: Use and development of monitoring procedures along a given banana supply chain, ensuring transparent wages and working conditions.

Being informed on the wage gaps and working conditions on the farms the retailers will be able to take action and develop mechanisms for responsible purchasing and reduce prevailing living wage gaps. Since responsible pricing strategies and the transparency of costs are essential factors to improve the wage situation, the retailers will – after having created transparency on wages along their respective supply chains – make financial contributions to close prevailing gaps.

In order to estimate how much more must be paid to reduce and close wage gaps on the farms, a Living Wage Costing Tool developed by GIZ is being tested and applied. The tool calculates the extra costs incurred for closing the living wage gap on individual farms and translates the costs into additional price premiums to be paid per box. The results will aid in calculating wage gaps and corresponding price premiums in each member's individual supply chain. It is ensured that no company-specific information on costs or other strategic information of one member is disclosed to another member through the use of the Living Wage Costing Tool. **(Milestone 4)**

The members are convinced that higher purchasing prices need to be accompanied by other measures that can trigger long-term and sustainable change in the sector. Therefore, the Working Group will develop a responsible procurement toolbox in dialogue with suppliers and producers. The measures will be tested by the members and the learnings discussed in the group. Finally, each member should adopt selected measures for their own supply chains. Within the scope of a participatory and inclusive dialogue process, involving workers, producers, suppliers, retailers, standards and further relevant experts, the need for and specification of additional tools at producer and supply chain level shall be explored throughout the coming years. **(Milestone 5)**

The impact and successful implementation of the measures above shall be ensured through monitoring and verification mechanisms. The Working Group will test existing mechanisms, explore adjustments needed as well as new solutions to pilot them in the members' banana supply chains. The Working Group is working with relevant standard-setting organisations to jointly explore and test scalable solutions for monitoring, auditing and certifying engagement towards living wages and impact made on the ground. Close coordination with the standard-setting organisations is also key to reduce the risk of increased burden on producers due to different requirements and standards of different actors. **(Milestone 8)**



Objective II: Strong and active workers' representatives are able to negotiate decent working conditions, including living wages.

Parallel to the measures taken by the retailers in their procurement practices, workers and representation bodies in Ecuador are foreseen to be trained and strengthened on the farms that supply to working group members.

The first step is to analyse risks with regard to working conditions and carry out needs assessments on selected farms. The aim is to see how measures on decent work can be combined with measures on living wages. **(Milestone 6)**

After the analysis, training curricula will be developed and implemented according to the results of the needs assessment. Trainings will follow a gender-sensitive approach and cover the topics of workers' rights, decent working conditions and women empowerment.



Objective IV: Joint agenda setting of retailers with relevant stakeholders promotes the long-term establishment of adequate framework conditions for living wages and incomes in the banana industry.

All activities are to be accompanied by various measures that are essential to create the framework conditions for a successful implementation of the project and scaled impact in the long run.

Firstly, in order to establish a joint vision between producers and retailers of the whole project a dialogue structure with participating producers from Ecuador shall be set up. During the dialogue, progress of the project shall be reflected regularly, not only informing about the project's way forward but also highlighting possible adjustments. The format should also offer producers the opportunity to contribute their expectations and perspective on decisions to be taken, e.g. the specification of a Living Wage Banana. **(Milestone 9)**

Engaging local stakeholders in Ecuador, such as plantation workers, government, trade unions and local sector initiatives, within this project will not only provide short- and long-term benefits but are also key to success of the initiative.

Secondly, to create and deepen the understanding of consumers in Germany regarding Living Wages and Living Incomes as well as challenges in the banana sector, the Working Group will take various communications measures.

The project does not involve any price fixing or other anti-competitive restrictions. Nevertheless, the Working Group informed the German Federal Cartel Authority ("Bundeskartellamt") for transparency reasons. A successful implementation could showcase a practical example for the compatibility of such an industry initiative and antitrust law in the area of living wages and living incomes. **(Milestone 10)**

Cooperation and Partnerships

The group acknowledges existing efforts in Ecuador to promote decent wages and working conditions. The group aims to build on these national efforts as well as on measures put in place by producer entities and certification schemes. Possible remaining risks and shortcomings shall be identified, and effective mechanisms shall be implemented to continuously monitor the retailers' efforts to bring more value to producers and thereby to contribute to living wages and decent work in the long run.

On a global scale, the working group aims for regular exchange and alignment of agendas with the **World Banana Forum and the IDH Living Wage Roadmap**. This will ensure that the project will fit into a global strategy while implementing action on a local level at the same time. This project will strive towards integrating further retailers from European countries to increase the leverage within producing countries.

Close collaboration with GIZ Ecuador, will ensure the outreach to key stakeholders at local and national level as well as put in value already existing experiences in the banana sector in general. GIZ Ecuador and GIZ Germany will jointly plan and implement activities in coordination with the Working Group and stakeholders, the Ecuadorian banana sector and BMZ.



3. Outlook

Starting in 2023 and over the subsequent years, the project shall be scaled up within existing banana supply chains of the German retailers – also in countries beyond Ecuador: The learning experiences gained in Ecuador are to be gradually transferred to other countries.

Roadmap for Actions until 2023

Setting the scene



Milestone 1

Banana supply chain structures are analyzed

Timeframe: Jul 2020 – Nov 2020

- Activities:
- Conduct supplier survey to understand supply chain structures, production systems and prior engagement on living wage and decent work
 - Interview suppliers to understand and incorporate their perspective on living wage strategies into project design



Milestone 2

Dialogue and collaboration with relevant partners is initiated

Timeframe: Sept 2020 – Dec 2021

- Activities:
- Initiate dialogue with producers and other local stakeholders to incorporate perspective on living wage into project design
 - Select suppliers and banana farms as partners for project kick-off
 - Organize kick-off event with stakeholders in banana sector
 - Initiate cooperation with at least 2 standard setters



Milestone 3

Living wage gaps (and Living Income gaps) are analyzed and verified

Timeframe: starting Jun 2021, publish report for Ecuador in spring 2022

- Foreseen activities:
- Conduct and verify wage gap analysis for all farms in relevant banana supply chains originating from Ecuador and beyond
 - Publish aggregated wage gap report of working group for farms in Ecuador (spring 2022) and beyond (tbd)
 - Agree on approach for continued analysis and verification of wage gaps
 - If applicable, conduct analysis on income gap and influencing factors for smallholder farms (<10ha) in relevant supply chains originating from Ecuador

Objective I: Responsible procurement practices of the retail sector create framework conditions for living wages and incomes



Milestone 4

Living Wage purchasing tools are integrated into purchasing practices

Timeframe: first pilot phase Aug 2021 – Aug 2022

- Foreseen activities:
- Develop LW costing tool to translate LW gaps into purchasing strategies
 - Pilot LW costing tool with selected banana producers
 - Pilot the payment to close an identified living wage gap for a specified banana volume and verify payment on farm level
 - Incorporate results of living wage costing tool into individual purchasing criteria for 2022/2023 season



Milestone 5

Responsible procurement toolbox is developed and tested

Timeframe: starting spring 2022

- Foreseen activities:
- Agree on responsible procurement toolbox within working group and relevant supply chain actors
 - Retailers test selected measures and report learnings back to working group
 - Optional: Incorporate measures into contracting for 2022/2023 season and/or purchasing practices

Objective II: Strong and active workers' representatives are able to negotiate decent working conditions, including living wages.



Milestone 6

Strategies to strengthen decent work are explored

Timeframe: starting spring 2022

- Envisioned activities:
- Agree upon framework for analyzing risks related to working conditions
 - Conduct risk analysis on working conditions on selected farms
 - Explore strategies to crosslink promotion of decent work and living wages



Milestone 7

Workers representation and bargaining power are strengthened

Timeframe: starting spring 2022 – Oct 2023

- Envisioned activities:
- Develop training curricula and train-the-trainer curricula based on needs assessment of workers representation bodies and/or producer organizations
 - Conduct gender-sensitive training of trainers on workers' rights, decent working conditions and women empowerment
 - Strengthen workers representation bodies and/or producer organizations through capacity building measures

Objective III: Use and development of monitoring procedures along a given banana supply chain, ensuring transparent wages and working conditions.



Milestone 8

Mechanisms are piloted for monitoring & verifying progress as well as prevailing risks

Timeframe: first pilot phase in 2022

- Foreseen activities:
- Select at least 2 standard setters as partners to conduct piloting activities
 - Develop and pilot mechanisms for monitoring & verifying wage and working conditions as well as investments by supply chain actors
 - Incorporate mechanisms for monitoring and verification into purchasing requirements for tendering season 2022/2023
 - Identify and elaborate alignment options between standard setters

Objective IV: Joint agenda setting of retailers with relevant stakeholders promotes the long-term establishment of adequate framework conditions for living wages and incomes in the banana industry



Milestone 9

Dialogue with banana producers, suppliers and policy makers is deepened

Timeframe: starting Jan 2022, continued throughout the project

- Foreseen activities:
- Establish regular exchange formats between working group, banana producers and suppliers to review progress and inform strategy development
 - Establish exchange with Ecuadorian policy makers to explore enabling conditions for sustained promotion of decent work



Milestone 10

Showcase a practical example for the compatibility of sector initiatives and antitrust law in the area of living wages and living incomes

Timeframe: Jun 2021 – Feb 2022

- Foreseen activities:
- Inform the German Federal Cartel Authority (Bundeskartellamt) about the initiative
 - Present results and lessons learnt from this consultation process with the German Federal Cartel Authority to a wider audience



Milestone 11

Consumers are informed about the relevance of living income and living wages

Timeframe: : from July 2022 onwards

- Foreseen activities:
- Develop and launch campaigns to inform and sensitize consumers on the importance of living wages and incomes



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INA Initiative for Sustainable
Agricultural Supply Chains