

The Living Wage

A crucial building block for responsible palm oil growers

Photo credit: DAABON

Palm Oil **Innovation** Group



The Living Wage



Photo credit: Musim Mas

Launched in April 2014, The Palm Oil Innovation Group Indicators was the first palm oil verification standard requiring grower members to undertake a living wage assessment, as defined by the Global Living Wage Coalition's ANKER framework:

"Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events."

A journey towards **responsible** palm oil

A crucial building block for responsible palm oil growers

POIG's stated objective is to demonstrate that responsible practices can realistically be adopted and implemented in a wide range of grower contexts, and are included in other standards for sustainable palm oil – most importantly in the Roundtable on Sustainable Palm Oil certification systems. With the support of POIG members, it was therefore a welcome outcome when the RSPO 2018 P&C review included new indicator (6.2.6) requiring that a living wage is paid to all workers. Furthermore, the RSPO endorsed the Global Living Wage Coalition (GLWC) Framework as the standard for growers to apply.

However, the new indicator did not require all growers to undertake their own living wage assessment, but rather rely on GLWC benchmarks, on the National Interpretation Working Groups, and on future guidance by the RSPO. As a consequence, in the five years since the adoption, few grower members have implemented the indicator, blaming lack of relevant guidance, and there are now concerns that the living wage indicator may be watered down or abandoned in the ongoing 2023 P&C review.

From POIG's perspective, abandoning the living wage requirement would set back the Workers' Rights components of the P&C significantly, and undermine the reputation and robustness of the RSPO Standard in the eyes of commercial, regulatory and civil society stakeholders globally.

This publication is developed to showcase that the implementation of a living wage is feasible in a wide variety of national, local and cultural contexts. However, as demonstrated by POIG's grower members, it is critical that living wage assessments are undertaken locally, by the company itself with real-life local data and stakeholder participation. The three companies featured have all used the same methodology but have adapted it to align with different contexts. This publication does not seek to rubberstamp the various approaches and conclusions, but rather showcase how companies in different contexts can gain valuable insights and provide better economic conditions for workers and their families.





Photo credit: Agropalma

Methodologies

POIG indicator 2.5.2 requires that 'A living wage assessment for all workers, whether employed directly by the company or indirectly by a private employment agency, is conducted based on a credible methodology.' When this indicator was first adopted by POIG, there was no universally recognised methodology available, although former POIG member New Britain Palm Oil Limited developed a bespoke methodology for its Papua New Guinea operations based on the UN and World Bank concept of a local food basket, and on work undertaken by the Ethical Trading Initiative.

However, in recent years, the ANKER methodology first developed by Richard and Martha Anker in 2011, and reviewed and adopted by the GLWC in 2017, has become the gold standard for calculating the living wage. This is the standard adopted and applied by POIG's grower members.

The living wage methodology has two main components¹. The first component estimates cost of a basic but decent lifestyle for a worker and his/her family in a particular place. The second component determines if the estimated living wage is being paid to workers.

The methodology emphasises participation of local people and organisations in order to increase its credibility and acceptance by stakeholders. Housing costs are estimated using international and national standards for decent housing. By estimating the cost of decent housing, the methodology enables different living wage estimates within countries and helps ensure that workers can afford appropriate housing.

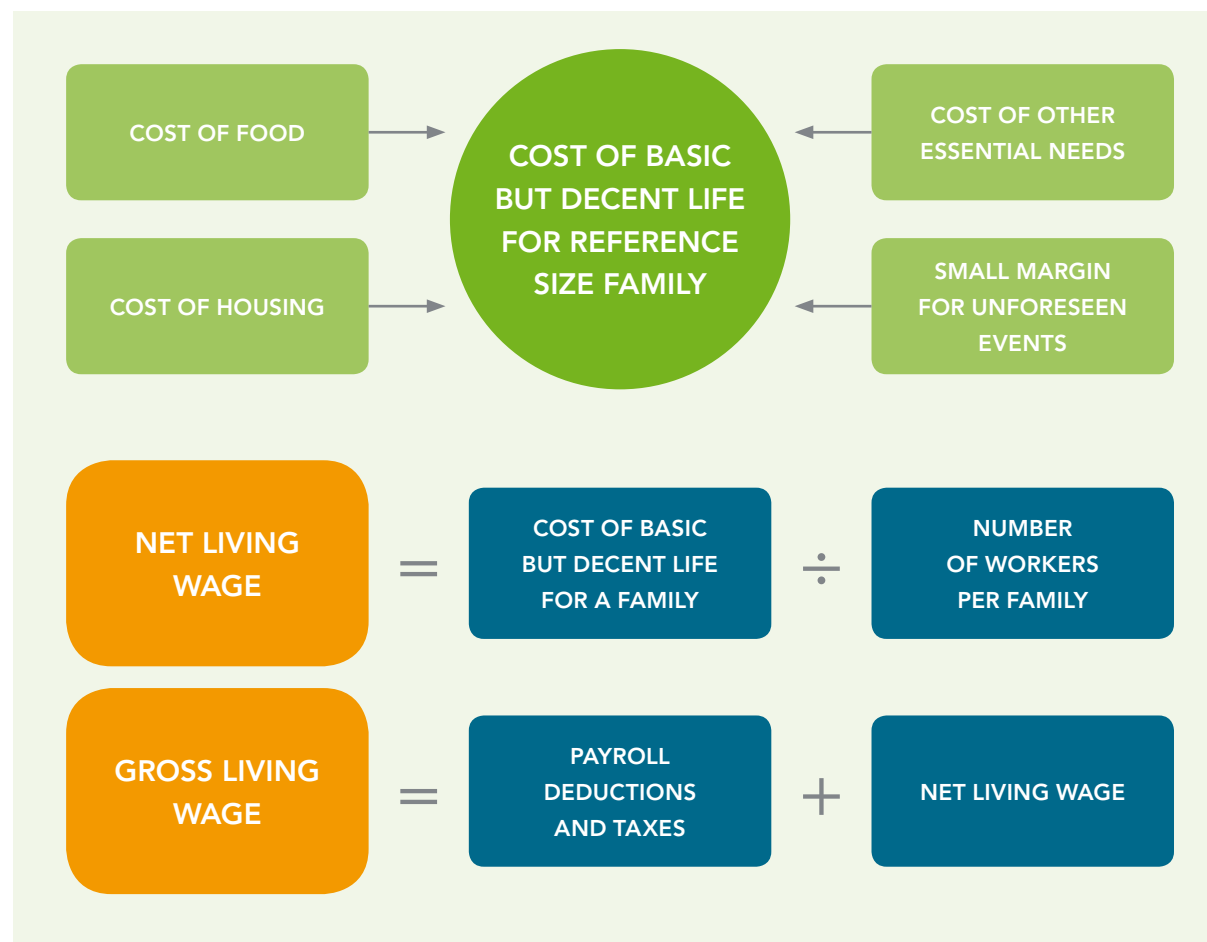
The methodology requires transparency and detailed documentation and analysis to ensure that the living wage estimate is solid and credible. This includes critical appraisal of available secondary data and adjustments to

¹ This description is drawn from [The Anker Methodology for Estimating a Living Wage - Global Living Wage Coalition](#)

these data when required. Next, a judicious combination of new local data collection and available secondary data is used to make the methodology simultaneously practical and credible. Thus, local food prices and housing costs are collected as are education, health care, and transportation costs to make sure that workers are paid enough to afford these necessities.

Finally, the estimation of living wage is explicitly separated from the determination of whether particular workers receive a living wage or particular employers pay a living wage. The evaluation of wage levels by certification bodies requires considering not only gross cash payment, but also deductions from pay, overtime pay, bonuses, and in-kind benefits.

Calculating the living wage



POIG Case studies

POIG's three grower members are based in vastly different landscapes and social contexts, and their work on living wages are therefore highly illuminating as a guide to how a living wage can be established, and how it can help guide wider social policies.



Photo credit: DAAABON



Agropalma

Para, Northern Brazil



Agropalma employs just over 6,000 people across 39,000 hectares of oil palm plantations, six mills and two refineries. All plantations and mills, as well as one of the refineries are based in the Para State in Northern Brazil. The company's largest refinery is based in the State of Sao Paulo in the Southern Part of Brazil.

As part of its commitment to the POIG Charter, Agropalma completed a detailed living wage review for its plantations operations in 2018. Using the ANKER living wage methodology, the wages of the lowest-paid direct employees and contractors' workers on the plantations were surveyed and compared to the cost of living in the areas surrounding the company's operations in Pará in Northern Brazil. This was one of the first and most detailed assessments in the industry. The methodology included collection of consumption data for a sample of 53 workers, selected from the 108 who earn up to 10% above the official Brazilian minimum wage.

Cost of food

To provide a realistic assessment of food costs specific to local conditions, Agropalma relied on the Anker Model Diet methodology, which assumes a daily calorie intake of 2,200.54 from a nutritionally balanced diet, as assessed by a clinical nutritionist. Food preferences of 53 employees were surveyed to ensure that the sample diet aligned with local food habits. 21 food items were chosen as the basic shopping basket, and included rice, pasta, beans, meat, fish, vegetables, acai, and coffee, with an extra 16% added to account for variety and waste. Prices were collected from five local food outlets across the two local villages to allow for differential pricing.

Cost of housing

To better understand housing costs, the Agropalma team surveyed employees living nearby and spoke to local real estate agents. A list of housing criteria was drawn up for a standard that was deemed satisfactory, including structure, roofing, access to essential utilities, bathroom facilities, and adequate space.

Agropalma

Para, Northern Brazil



Photo credit: Agropalma

Cost of other essentials

Agropalma used the official Brazilian Family Budget Survey with data from Pará to provide an estimate of non-food and non-housing costs, such as clothing, transportation, health, and personal care, healthcare, education, recreation and culture, and personal services. The data was adjusted for inflation, but excluded tobacco, as Agropalma deemed this does not constitute an essential item, particularly in Brazil, where smoking rates are less than ten percent².

² [Data and smoking numbers - Observatory of the National Policy on Tobacco Control | INCA - National Cancer Institute](#)

³ [Living Wage for Minas Gerais South/Southwestern Region, Brazil - Global Living Wage Coalition](#)

The margin for unforeseen events—sustainability margin

The Anker methodology recommends a 5% margin for savings and unforeseen events. However, based on other analyses³ undertaken in the Brazilian context, Agropalma chose to apply a 2.5% margin. This decision was made since Brazilian policies mandate access to free healthcare, education, minimum income for the poor (bolsa família) and unemployment insurance - all of which are accessible and applicable to palm oil agribusiness employees and their families. Agropalma workers are formal employees and are provided health insurance, 6 months paid maternity leave, 30 days' paid vacation plus one-third of their wage as holiday allowance, unemployment insurance, thirteenth month salary (an extra payment given to employees at the end of December), paid notice of contract termination, and 40% to the severance indemnity fund (FGTS) in case of dismissal.

2018 living wage calculated for a family of four in Tailândia, Pará, Brazil

Expenditure	BRL per month
Food	851.74
Housing (including rental, water, electricity and cooking gas)	589.57
Non-food: Clothing, transport, personal care, health care, education, recreation, personal services, other expenses	923.3
Sustainability margin (2.5%)	59.09
Total monthly cost for a basic and decent living standard for a family of reference	2,423.74

The methodology included the assumption that more than one adult in the household earns a wage. Using primary data, we found that 64% of all households have two income earners.

Average number of adults working in a household	1.64
Net living wage for one worker	589.57
INSS contributions ⁴	128.51
Trade union contributions	0
Gross living wage for one worker	1,605.83

⁴ Brazilian Social Security and Retirement Fund.



Calculating income for the lowest-paid workers

The lowest-paid workers in Agropalma form a very small group, making up 0.13% of total employees. This group receives the minimum wage for their job category, plus benefits. To illustrate this, the company used the example of a general services assistant:

Income/benefit	BRL per month
Wages	957.00
Life insurance	2.01
Food voucher*	200.00
Transport (Between home and work)	283.51
Health plan	74.41
Meals (breakfast and lunch)*	351.62
13 th salary + 1/3 vacation divided by 12	105.73
Service time guarantee fund ⁵	76.56
Total value of wages and benefits	2,050.84

*Employees can select their preferred company meals. Besides the meals, all company employees receive a food voucher for BRL 200.00, which they can spend in supermarkets or smaller shops to purchase food using a magnetic card.

Employee income in this initial pilot at Agropalma was found to be significantly above the living wage, even for those in entry-level positions. Field workers receive a much higher level as, on average, they are given additional productivity premiums above BRL 550.00. The survey did not include a detailed analysis of indirect workers in outsourced functions, as employees in this category were paid higher wages than those benchmarked.

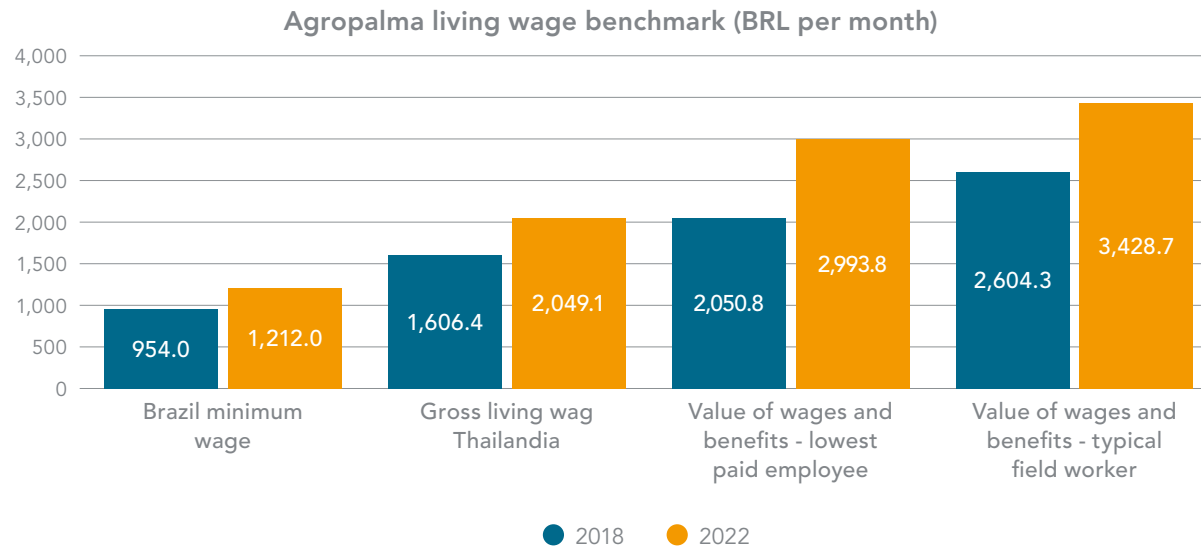
Agropalma living wage benchmark (BRL per month, 2018)



Ongoing updates and transparency

The original living wage calculation was completed and described in detail in the Agropalma sustainability report for 2018-19. However, the company also recognizes that there is a need for ongoing updates to the findings to account for the increased cost of living, and a desktop update was completed in 2022. Agropalma plans to carry out a desktop review every two years, and a detailed update is targeted for every five years. Agropalma aims to complete an assessment for workers in the Limeira refinery in the state of Sao Paolo in 2023.

⁵ Fund to be used for unemployment insurance, house purchase or prolonged illness.



Note: The gross living wage was updated in 2022 in line with inflation. Calculations were done using the Central Bank of Brazil calculator (an inflation rate of 27.56% for the period 8/18–6/22).



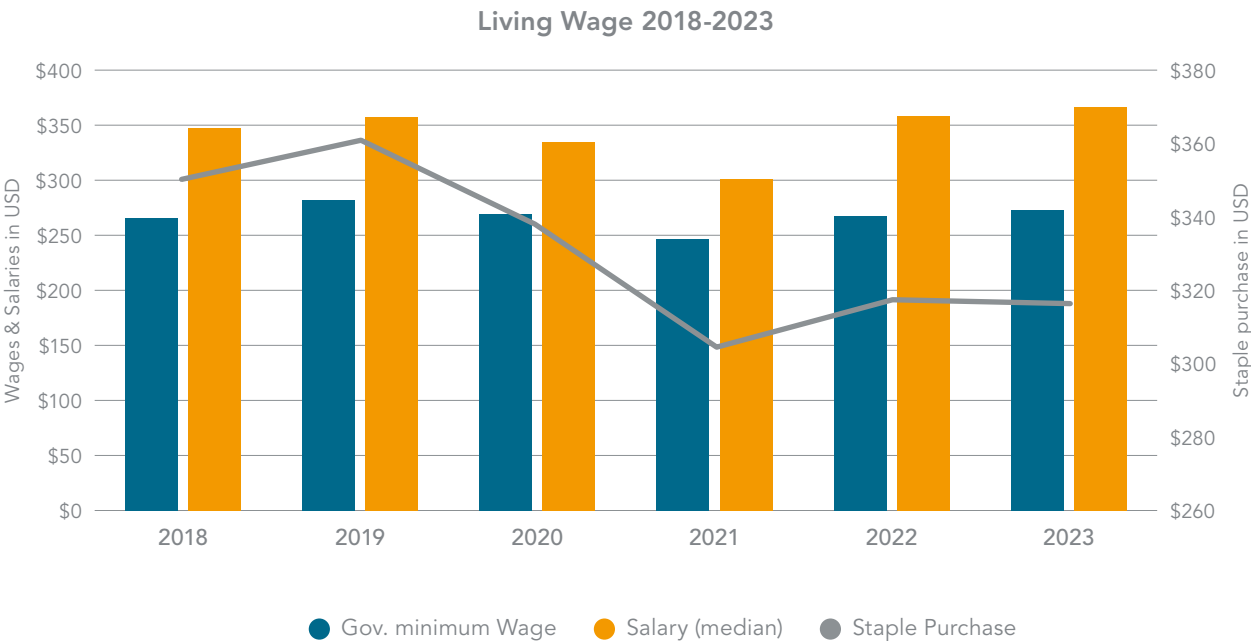
DAABON

Santa Marta Northern Colombia



DAABON is a vertically integrated palm oil producer with around 13,000 hectares of palm oil and 2,500 employees in the Caribbean region of Northern Colombia.

DAABON completed its first living wage assessment for its employees in 2018, based on the Anker Methodology. The company took a broad approach and surveyed 50% of households, from the lowest paid worker, up to the level of supervisor/foreman. In addition to verifying whether remuneration meets the living wage requirements, DAABON has used the data collected and the process to identify workers’ needs on nutrition, issues around debt and access to key resources such as potable water.



DAABON’s benchmark is devised by a regional academic institution in Bogotá and has been updated annually. The study compares the government-mandated minimum wages, which is used as a proxy for the lowest paid worker, as well as DAABON’s median wage, and compares it to the cost of a decent livelihood, calculated using the Anker methodology. Ongoing efforts to provide more affordable food, access to cheaper services and education and other initiatives has meant that the cost of living did in fact go down over the past five years.



Photo credit: DAABON

DAABON

Santa Marta Northern Colombia

Food and nutrition

The household survey mapped out food consumed at three daily meals, over a period of time, to allow for mapping of food items consumed both regularly, occasionally and on special occasions. This allowed a detailed mapping of cultural preferences and the nutritional characteristics of the local diet in the Colombian Caribbean.

In addition to mapping costs, this also allowed a greater understanding of nutritional deficiencies based on preference rather than availability and cost. It was clear that there was a tendency for below-ideal consumption of vegetables, and DAABON intends to use this data to provide advice and training around nutrition to women, who are the traditional home cooks, on how to prepare a more balanced diet at no greater cost.



Accommodation

Based on the Multidimensional Poverty Index (MPI) methodology for Colombia⁶, DAABON has taken a three-tiered approach to determining decent housing, which encompasses accommodation size, furnishing and equipment, as well as access to public services such as potable water and sewer systems.

The number of people living in a household was divided by the number of rooms to determine whether there is overcrowding. This is defined by the Colombian MPI as when more than three people occupy a bedroom.

Furthermore, households were surveyed as to the presence of basic furnishings and necessities required for comfortable living such as, beds, fans, stoves, refrigerators and blenders.

In relation to public services, although it involves an issue directly related to state management, DAABON believed that determining the precariousness in this aspect allows for the conception of alternative programs to the lack of drinking water or the absence of sewerage service. In DAABON's plantations, more than 90% of workers have access to drinking water in their homes. However, the survey identified issues of reliability of supply, as more than half of these households receive water only every other day, due to water shortages in the region. Water supply depends on the rivers that originate in the Sierra Nevada de Santa Marta, which has been significantly and negatively affected by deregulation.

⁶ [Colombia | Multidimensional Poverty Peer Network](#)



Health and education

DAABON offers all formal workers, children and spouses access to free healthcare and education, and 90% of children and young people of school age were found to be linked to an educational institution.

Alternative sources of income

The survey also sought to identify activities that generate economic income for the family in addition to the worker's wages. DAABON used this information to develop initiatives to support the purchasing power of these households, such as projects related to the promotion of entrepreneurship and linking women and older children to a productive sector. DAABON previously ran a microcredit fund which was founded as a tool to alleviate dependence on a single source of economic resources. However, the fund was closed due to changes in Colombia's economic policies in the area of micro-finance, but actions related to generating capacity through training, creating and managing small business units (fami-companies) are maintained.

Credit and debt

Understanding credit as a tool for managing expenses and levels of indebtedness was a critical aspect for DAABON to assess the state of workers' household finances. High levels of debt is not only an indicator of poverty, but also linked to cultural factors in Colombia. Through the household survey, it was concluded that 78% of the families have an acceptable level of indebtedness, which does not exceed 30% of their income. However, DAABON was able to get insights into motivations for obtaining credit, and develop training and awareness around financial literacy and prioritisation.



Musim Mas

Indonesia



Musim Mas is a vertically integrated palm oil producer with more than 37,000 employees which operates in 13 countries. Musim Mas does not use external agents or employment agencies even for temporary workers. The company's 200,000 hectares of plantations and 18 mills are on the islands of Sumatra and Kalimantan in Indonesia.

Following the introduction of indicator of 6.2.6 in the RSPO P&C 2018 as well as commitment to the POIG charter, Musim Mas completed its first round of living wage assessments in 2019 for all the company's plantation units across Sumatra and Kalimantan. In order to calculate the living wage, Musim Mas conducted a survey to assess the cost of a basic, but decent lifestyle for a worker and his/her family in the region where the companies operate. The survey identifies the cost of food, housing, clean water, accommodation, health, education, and other essential needs. The data was collected through a survey in the vicinity of the plantation operations. The results were then used to estimate and calculate the minimum income of a worker required to meet the living wage, which is in line with the provision of in-kind benefits by the company to the workers. This living wage

assessment is conducted annually in all Musim Mas' plantations units, to ensure and to monitor the implementation of living wage across all Musim Mas plantation operations. Prior to these assessments, Musim Mas has been working towards providing robust wages that befits the workforce across its operations.

Food

The survey was conducted by considering the basic nutritional intake based on the Indonesian Government's food program. Prices were collected from the nearby food markets in the vicinity of the company. The survey was conducted separately for each Musim Mas' operational unit, as each region has different price structures.

Monthly food subsidies are provided to all workers in plantation operations in the form of rice. We also have a food security program in place, which is centred around the principle of maximising access to food and increased economic opportunities. Employees receive seeds and land to grow vegetables for their own consumption or for sale to others.



A man wearing a cap and a face mask is standing in a lush, green forest. He is holding a notebook and a pen, appearing to be taking notes. In the foreground, there is a large pile of palm fruit, likely oil palm, which is reddish-brown. The background is filled with dense tropical foliage, including ferns and palm trees.

Musim Mas Indonesia

Housing

Adequate housing includes electricity, clean water, sanitation, bed/furniture, essential utensils, bathroom facilities, etc. Musim Mas provides appropriate housing to the workers who live in the plantation along with access to free clean water and 24 hours electricity. For employees not housed on the plantation, a survey was carried out to determine costs of housing in the vicinity.

Other essentials

The survey included non-food and non-housing expenditures, such as transportation, clothing, access to education and healthcare. All our operational sites are equipped with medical centres, providing free health care to all workers, their families and nearby communities. The medical centres offer services including medical check-ups and routine vaccinations for infants. Our medical centres are registered with the *Badan Penyelenggara Jaminan Sosial (BPJS) Kesehatan*, which is the Indonesian Social Insurance Administration Organisation that provides access to the national health insurance for all employees and community members. Furthermore, Musim Mas has built and funded schools and childcare facilities (cribs, kindergartens) that provide a basic education to children, which is included in the compensation package. Payment practices are in line with

legal requirements, and all legally mandated benefits are provided. Wage adjustments are periodically made to address inflation. In addition, Musim Mas considers workers' needs and convenience, and the company has adjusted payment practices to making two salary payments per month to help workers manage their finances better. Based on initial assessments, it was determined that the monetary value of these in-kind benefits provided by Musim Mas is equivalent to 90% or more of the minimum wage set by the Indonesian government for employees from surrounding communities across our upstream operations.

Margin for unforeseen events

The margin for unforeseen events is calculated at 5% following the recommendation of the Anker methodology. Furthermore, Musim Mas also provides paid maternity leave in line with Indonesian government regulations and maintains a breastfeeding program by providing time, access and facilities in the field.



Sample living wage calculations

The living wage calculation is based on the Anker Methodology, by taking into account the cost of food, housing, other essential needs and small margin to estimate the cost of basic but decent life for a family.

Sample living wage calculation for a family of four in Riau, Sumatra

Basic and decent living wage calculation	IDR per month
Food	2,622,780
Housing	499,758
Other essential needs (non-food, non-housing)	3,428,764
Margin for unforeseen events 5%	327,565
Total monthly cost for a basic and decent life for a family	6,878,867

As a next step, the gross and nett living wage must be calculated to obtain the living wage for one worker. This is calculated by dividing the cost of basic, but decent life by the number of Full Time Equivalent employees per household (on average 1.53 people within a household earn incomes).

Sample living wage calculation for a worker in one of Musim Mas' plantations in Riau, Sumatra

Gross and nett living wage calculation	IDR per month
Average number of adults working in a household (full time equivalent)	1.53
Nett living wage for one worker	4,481,931
Insurance contribution (as governed by Indonesian regulation)	120,800
Gross living wage for one worker	4,602,731

This calculation has taken into account the wage, plus in-kind benefits received by the average worker during normal season.

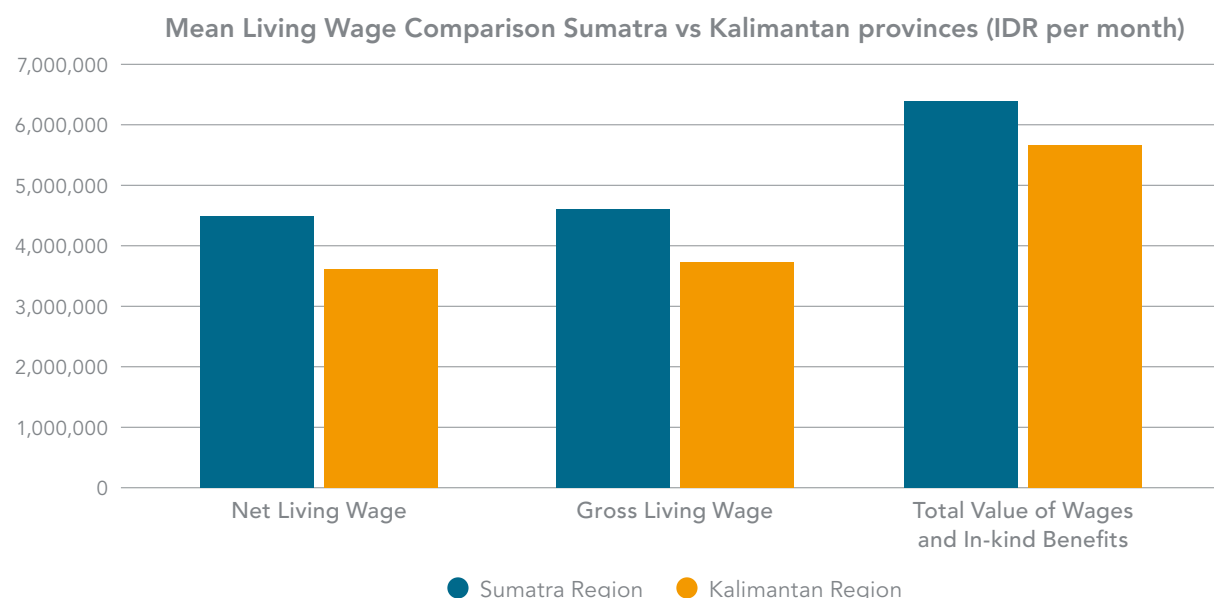
Sample income and in-kind benefits for a worker in one of Musim Mas' plantations in Riau, Sumatra

Income and In-Kind Benefits	IDR per month
Total value of wages and in-kind benefits	6,378,249

* During peak season, total wage and in-kind benefits of the harvester's job category can reach up to IDR 8 million per month. Wage adjustments are periodically made to address inflation.



The total value of wages and in-kind benefits is well above the living wage benchmark calculation for a worker in Riau, Sumatra (roughly IDR 1,700,000 or 29%). The living wage benchmark varies across the regions in Indonesia. Some factors affecting the differences in living wage include the location, infrastructure quality, the minimum wages in each region as set by the government, the average number of working adults, the availability of natural and human resources and the socio-economic status. Depicted below is a comparison of living wages for the two main regions where Musim Mas is operating. On average, costs and benefits tend to be higher in Sumatra.



The living wage assessment methodology has been rolled out and implemented company-wide. A market survey for all the units is continually updated to ensure accurate calculation of living wage in accordance with requirements, and all units are dynamically maintaining alignment with national minimum wage standards and living wage requirements. Musim Mas is aware that there is a need for continuous and intensive training to enhance the level of understanding and awareness of the living wage standard among key personnel as to ensure that it is implemented consistently across the different operational units.



Source material and further reading:

- **Musim Mas Sustainability Report 2021**
www.musimmas.com/wp-content/uploads/2022/10/Musim-Mas-SR2021.pdf
- **Musim Mas Social Impact Report**
www.musimmas.com/wp-content/uploads/2021/05/Musim-Mas-CSR-Social-Impact-Report_Final.pdf
- **Agropalma Sustainability Report 2018-19 and 2020-21**
www.agropalma.com.br/en/sustainability/#relatorios
- **POIG Indicators**
http://poig.org/wp-content/uploads/2019/11/Def_v2-POIG-Indicators_English_2019.pdf
- **RSPO P&C 2018**
<https://rspo.org/wp-content/uploads/rspo-principles-criteria-for-production-of-sustainable-palm-oil-2018revised-01-february-2020-with-updated-supply-chain-requirements-for-mills.pdf>
- **RSPO Living Wage Guidance**
https://rspo.org/wp-content/uploads/rspo-gui-t08-004_v1_eng_guide_on_living_wage.pdf
- **Living Wages Around the World - Manual for Measurement**
www.elgaronline.com/display/9781786431455/9781786431455.xml

Palm Oil Innovation Group



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