

Living wage

Draft indicators

ASC is proposing a set of indicators to cover wages of employees working at ASC certified farms. These indicators have been developed in collaboration with a Technical Working Group (TWG) of experts. A major addition is that the indicators now include the concept of Living Wage and require that ASC certified farms, also called Unit of Certification (UoC), monitor remuneration against living wage benchmarks. The indicators do not require payment of a living wage immediately, but rather to demonstrate incremental improvement towards payment of a living wage through a wage improvement plan. The indicator for maternity protection has also been modified.

This document first provides the revised indicators, and subsequently an appendix that sets out the methodology for wage measurement to be followed.

The draft indicators:

3.8.1: The UoC shall set wages (before overtime and bonuses) at or above the legal minimum wage; if a minimum wage has not been established by law, the UoC calculates wages in consultation with workers or their representative worker organisations.

3.8.2: The UoC shall monitor remuneration of all employees according to the methodology outlined in Appendix X.

3.8.3: The UoC shall assess remuneration against living wage benchmarks (according to the benchmark list on the ASC website) on at least an annual basis.

3.8.4: The UoC shall develop and implement a wage improvement plan, in cases where remuneration is below the living wage benchmark for any type of employee.

3.8.5: The UoC shall report annual employee wage data to ASC, in accordance with ASC data submission procedures.

3.8.6: The UoC shall pay wages directly to employees in legal tender at regular intervals but at a minimum monthly. Wages shall not be delayed, deferred or in any way withheld.

3.8.7: The UoC shall document wage payment and receipt by all employees, including information on pay, advances, loans, hours worked, and the calculation of any withholdings, and make this information available to employees.

3.8.8: The UoC shall ensure that employees are entitled to maternity leave of a minimum 14 weeks that includes a guarantee of return to the job. Payment during this period shall be a minimum of two thirds of previous earnings.

Appendix X Methodology for Wage Measurement

Background

ASC's wage measurement methodology follows the Anker Research Institute (ARI)'s methodology for measuring the prevailing wage (what is currently paid to the employees). The methodology can be read in full [here](#). The ASC Implementation Manual provides additional detail on factors to consider when completing the calculation, and ASC recommends the use of either the online ASC template or the [IDH Salary Matrix](#) as tools to complete the wage calculation.

Guiding principles for allowable remuneration in wage measurement calculation

ASC has established wage measurement requirements in order to determine progress towards the payment of a living wage. This methodology outlines which types of remuneration (cash wages and benefits) can be included when calculating total remuneration to compare to a living wage benchmark. Most wages can be included, however there are some such as overtime pay, incentive pay, and deferred benefits, that cannot be included. There are also a limited number of in-kind benefits that can be counted towards overall remuneration. The ARI has outlined four conditions that must be met for remuneration to count towards wage measurement for comparison to a living wage:

From Living Wages Around the World by Martha and Richard Anker, [Chapter 15 Measuring Prevailing Wages to Compare to a Living Wage](#), page 271.

- **Receipt assured:** Employees need to be able to count on receiving a wage, allowance, bonus, or benefit so that they are able to pay for ongoing expenses.
- **Received within one year:** Employees have limited capacity to smooth out their spending over time without having to borrow and run the considerable risk of getting into perpetual debt. We assume that employees are able to smooth out expenditures for up to one year.
- **Earned during standard working hours working at a normal pace:** The definition of a living wage indicates that it must be earned in standard working hours.
- **Received in cash (except for in kind benefits and medical insurance):** Remuneration needs to be available for ongoing expenses (i.e. paid in cash) or reduce such expenses (such as some in kind benefits).

Allowable Wages and Benefits

The table below outlines which specific wage benefits, bonuses and allowances can be used when calculating total remuneration to compare to a living wage. All wage data and benefit data should be annualised and then calculated as a monthly amount to be comparable to wage benchmark data.

| Wage/Benefit | Always include | Do not include | Rarely include | Rationale/Notes / Examples |
|--|----------------|----------------|----------------|--|
| Basic wage and any cost of living adjustment | ✓ | | | |
| Overtime pay and pay supplements for holidays, weekends, and night work | | ✓ | | Living wage should be achieved within normal working hours. |
| Cash allowances and benefits | ✓ | | | <ul style="list-style-type: none"> • 13th month pay. • Transportation cash allowance. • Housing cash allowance. • National holiday cash bonuses. • Birthday cash bonus. |
| Production incentive bonuses | | | ✓ | Production bonuses should only be included when received by the majority of employees, and not associated with an especially fast work pace or overtime. |
| Time off for holidays, annual leave, and sick leave | | ✓ | | Does not add to disposable income of employees. The exception to this is employees with short term contracts who are paid an extra daily rate for holidays/vacation, when it increases take-home pay. |
| Maternity and paternity leave | | ✓ | | Does not add to disposable income of employees. |
| Pension, provident fund, and severance payment | | ✓ | | Not received within one year. |
| Employer contributions required by law, such as for social security programs, unemployment insurance, and workers' compensation/injury insurance | | ✓ | | Does not add to disposable income of employees. |
| Employer payment of private medical insurance | ✓ | | | |

In-kind Benefits

In-kind benefits are considered in the calculation of living wages as they reduce the amount of cash wage that employees require to cover living expenses. In order to determine a fair and reasonable value for in-kind benefits, the Ankers have developed a three-step approach:

From Living Wages Around the World by Martha and Richard Anker, [Chapter 16 In kind benefits as partial payment of a living wage](#), page 294.

STEP 1: Determine allowable in-kind benefits

The Anker methodology includes the following lists of allowable benefits:

| In-Kind Benefits | Can include | Do not include | Rationale/Notes / Examples |
|--|-------------|----------------|--------------------------------------|
| Meals at work | ✓ | | Reduces food expense. |
| Food rations or food commodities given for free or sold at concession rates | ✓ | | Reduces food expense. |
| Housing (including electricity, water, and fuel) | ✓ | | Reduces housing expense. |
| Transport to and from work (and to town on weekends from agricultural estates) | ✓ | | Reduces transport expense. |
| Childcare | ✓ | | Reduces childcare expense. |
| School for children of employees | ✓ | | Reduces education expense. |
| Medical clinic and medical care not required by law and not for work-related matters | ✓ | | Reduces medical expense. |
| Medical insurance not required by law | ✓ | | Reduces insurance expense. |
| Employer payment of private medical insurance | ✓ | | Reduces insurance expense. |
| Visas or work permits for migrant workers | | ✓ | Employer obligation. |
| Clothing, equipment, and supplies for work | | ✓ | Employer obligation. |
| Dormitories or shared housing for seasonal employees | | ✓ | Does not reduce family housing cost. |
| Drinking water provided to employees at work | | ✓ | Employer obligation. |
| Land for kitchen garden | | ✓ | |
| Charitable contributions to the community that do not go exclusively to employees | | ✓ | |
| Employers' contributions to Social Security or National Health Service required by law | | ✓ | |
| Time off work for vacation, sick leave, maternity leave, or public holiday | | ✓ | |
| Any other benefit that does not reduce the cash Income necessary for employees to meet their needs | | ✓ | |

STEP 2: Value in-kind benefits

The total cost to the employer of in-kind benefits should be divided by the number of employees to get the cost per employee.

Anker guidelines state that:

- **The value of an in-kind benefit should not exceed its cost to employer:** This guideline is in line with the national laws of many countries and also in-line with ASC requirements around in-kind benefits, including food and housing. Employers can value an in-kind benefit by the cost they pay to a contractor to provide the service. They can also estimate the cost of providing the benefit themselves.
- The value of an in-kind benefit should not exceed its replacement cost to employees if they purchased it on the market.
- **The value of an in-kind benefit should not exceed the cost of replacing equivalent meal prepared at home:** The cost of preparing meals sold on the market is almost always higher than the cost of a meal prepared at home, as labour and overhead costs are not included in the cost of home meal preparation.
- **In-kind benefits cannot be lower than an alternative cash allowance option offered to employees:** If an employee is offered the choice, for example, of on-site housing or a housing allowance, the in-kind value attributed to the onsite housing should not be less than the cash housing allowance.
- When an in-kind benefit is not free, such as a subsidised lunch or medical-care or housing cost, for which employees have a co-pay, the cost to employees needs to be subtracted.

STEP 3: Confirm that the total estimated monetary value of all in-kind benefits is less than maximum limits allowed.

In order to ensure that employees have a sufficient amount of discretionary income (Income they can spend as they choose), and in line with legal requirements in many countries, the percentage of total income that is provided to employees in-kind should be limited. According to the Anker methodology, limits on total monetary value of in-kind benefits are as follows:

From Living Wages Around the World by Martha and Richard Anker, [Chapter 15 Measuring Prevailing Wages to Compare to a Living Wage](#), page 299

- Maximum value of 30% of wage for all acceptable in-kind benefits allowed.
- Maximum limit of 15% of wage allowed for housing and 10% for any other in-kind benefits such as food or transport.
- Maximum value for all in-kind benefits as partial payment of wage should not bring cash wage below minimum wage when this restriction is stipulated in law.
- In locations where laws do not allow in-kind benefits to reduce cash wage below minimum wage, this restriction should be honoured.
- Value of an in-kind benefit should not exceed amount allocated in living wage benchmark for the item.

Which employees to include in Living Wage calculation

The Anker methodology recommends collecting data on, at a minimum, the four largest job categories (the occupations or job grades with the largest number of employees) and the following principles apply:

- The ASC definition of employee applies when determining the pool of categories.
- Subcontractors and temporary employees must be included in calculations and should be included as a category.
- The lowest-paid employees must be included as a category.
- The majority of employees must be included within the selected categories.
- The total percentage of employees included in the calculation must be reported.
- Data should be gender segregated.
- Unless wage data has been collected from all employees, managers should not be included as a job category in the calculation.
- Apprentices should not be included in the calculation.
- The online ASC template and the IDH Salary Matrix provide further detail on determining job categories.