



Driving improvements in wages and working conditions in the banana sector



Foreword



This report was authored by NewForesight. NewForesight is a strategy consultancy specialized in sustainability and market transformation. NewForesight seeks to drive innovation in the field of sustainability. Over the past years we have worked with companies, sector initiatives and platforms, standards organizations, governments, donors, and investors to push the decent work agenda, through our work measuring wage gaps, developing wage improvement strategies to close the gaps, convening the stakeholders required, and developing practical tools for partners to make it actionable closing the wage gap.

At NewForesight we believe that today's deep-rooted sustainability issues can only be solved with market-driven solutions. To create change that lasts, sustainability needs to be an integrated part of sourcing and the entire supply chain. But for this to happen, one needs to thoroughly understand the business case for companies. At NewForesight we do precisely that: We understand not just the sustainability issues on the ground, but also how it impacts and is impacted by supply chains and markets. We understand the intricacies of supply chains and the inherent differences across market segments. We have a deep understanding of the market dynamics and develop solutions that fits within the economic reality and competitive nature of companies.

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1 Introduction

1.1 The context of this report

This report is one of three in a research series on the challenge of improving wages and working conditions in different sectors, including tea, coffee and banana. The reports seek to contribute to a better understanding of the state of work in these selected sectors and supply chains, identifying opportunities for social dialogue and stakeholder actions that offer a way forward for progress on decent work.

This research series is intended to advance understanding on the context of working conditions and wage improvements in selected supply chains to feed into the knowledge base for social dialogue and setting of adequate minimum wages, statutory or negotiated. The reports are undertaken as part of an ILO project on Indicators and methodologies for wage setting supported by the Ministry of Foreign Affairs of the Netherlands – and Rainforest Alliance is one of its collaborating as partners.¹ The aim of the project is to support the capacity of government and social partners to negotiate and set adequate wages and to enable committed industry-wide initiatives or enterprises to leverage better wages for the lowest-paid workers.

1.2 The purpose of this report

The purpose of this report is to examine how market dynamics affect working conditions in the banana sector with a focus on wages, and to formulate suggestions on which wage improvements are needed, who should drive them, and how. This report provides an overview of the working conditions of banana workers with a focus on how systems dynamics affect the payment of better wages and improved working conditions. A set of leverage points and recommendations are identified to trigger wage improvements in the sector. Just as there is no single issue or actor responsible for the issues facing banana workers, the solution requires similarly broad involvement and buy-in of the entire sector. These can be used by committed sector-wide stakeholders as a launchpad for discussion and action.

¹ ILO. (2020). Indicators and Methodologies for Wage Setting. Available online at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/project_documentation/wcms_736786.pdf

1.3 The methodology of this report

Figure 1 The four forces driving sector sustainability²



Source: NewForesight (2018)

The drivers shaping prevailing working conditions of the banana workers cannot be understood by focusing on isolated causes or a single set of actors. Prevailing wages and working conditions in the banana sector are driven by systems dynamics which together shape and reinforce wages and working conditions for banana workers.

There are four main forces that determine root causes for labour conditions in banana supply chains. These also can be used to identify the leverage points for change. These are:

Production: Production forces refer to the conditions for being a successful producer including the barriers to entry and market success. These conditions influence how producers organise operations (including the workers they hire, level of mechanisation, etc), the producer business case, and the capacity to pay for the costs associated with wages and working conditions. Key dimensions of production include the organisation of the production base, factors affecting the producer business case, and the implications for workers and productivity.

Labour market: Labour market forces refer to the dynamics and workforce characteristics which influence outcomes related to wages and working conditions. Key dimensions of labour market include the types of jobs available for workers, characteristics of the labour force including gender, informality, age and education levels, prevailing contract and wage structures, and the structure of the labour market including opportunities for alternative livelihoods.

Enabling environment: Enabling environment forces refer to the actors, institutions, laws, policies, regulations and infrastructure which shape the mandatory and voluntary conditions under which producers and workers operate. Key dimensions of enabling environment include the influence on workers of the national institutional and regulatory environment including the national minimum wage, the quality of social dialogue, and voluntary initiatives including certification and industry-wide activities.

Markets: Market forces are shaped by supply and demand. Consumer product preferences and market demand for sustainability shape the incentive structure for producers about which markets to target and whether to pursue quality and sustainability. Key dimensions of market dynamics includes value chain pricing, consumer demand preferences, sourcing archetypes, and the connection to worker conditions.

² NewForesight (2018). "The Secret Ingredients of Effective Sector Strategies: How to Leverage a Sector's Shape and Market Forces". *NewForesight Insight Series*. [Accessed at <https://www.newforesight.com/wp-content/uploads/2018/04/NFC-Insight-Shapes-and-Forces-The-secret-ingre.pdf>]

1.4 The structure of this report

The structure of this report is as follows:

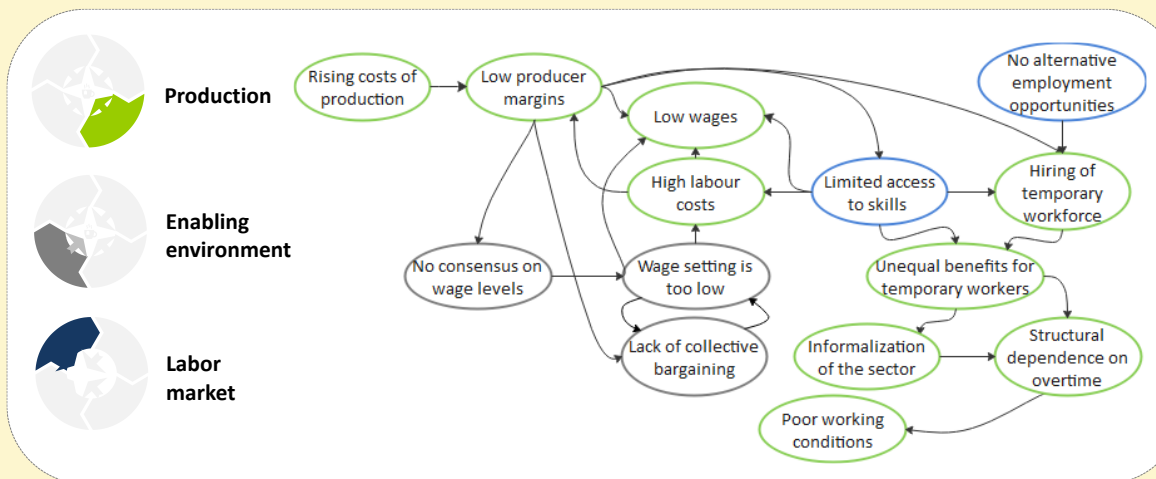
1. Chapter II examines three of the four forces—**the production, labour market and enabling environment drivers**—that shape working conditions in the banana sector. It will break down the capacity for producers to pay decent wages and ensure adequate working conditions based on the requirements to succeed in the market, the structure of the labour market including the types of workers and their key socio-economic characteristics, and the enabling environment which shapes the mandatory and voluntary standards that affect worker conditions. The outcome of this section is an understanding of the main non-market factors influencing workers' conditions and wages.
2. Chapter III will explore the fourth and final category—**market drivers**—and how these interact with other dynamics to influence wages and working conditions. Sector sourcing models are defined and are used to examine the relationship between sourcing practices and conditions for workers.
3. Chapter IV combines the findings in Chapters II and III to **identify improvement levers** in the banana sector that can contribute towards improved wages and working conditions. It will target leverage points within the influence areas of key supply chain actors, including governments of major producing and importing countries, the social partners, the private sector, civil society and certification agencies. The outcome of this will be **a set of possible recommendations**, accompanied by best practice examples that can be used as input for social dialogue and a high-level improvement agenda for discussion and action among key stakeholders in the sector to bring about positive change for workers.

2 Production, labor market and enabling environment drivers of working conditions in the banana sector

Key takeaways

- ✓ **Bananas are produced either on smallholder banana farms or plantations that are part of vertically integrated operations:** which hire different types of workers including unpaid family labor, formal workers, contract growers, and informally employed temporary workers.
- ✓ **An unsustainable business case due to intensifying price competition and low retail prices:** This dynamic has fueled the hiring of temporary and informal workers at production level to cut costs, including non-wage contributions.
- ✓ **There are high numbers of migrant workers in banana exporting countries:** which weakens workers' associational power given difficulties of unionisation and lack of alternatives.
- ✓ **Wages are on average in line with minimum wage levels:** but in some cases, because of a lack of social dialogue prevailing wages are set at relatively low levels compared to the basic needs of workers and their families.
- ✓ **Given the piece-rate system of wage payment and low piece rates,** most workers must often structurally rely on overtime to earn sufficient wages.
- ✓ **There are barriers to unionisation in the enabling environment:** which has led to a lack of worker voice in institutionalised wage-setting and concerns that wages are set too low.

Figure 2 Root cause analysis of banana workforce: producer, enabling environment and labor market drivers



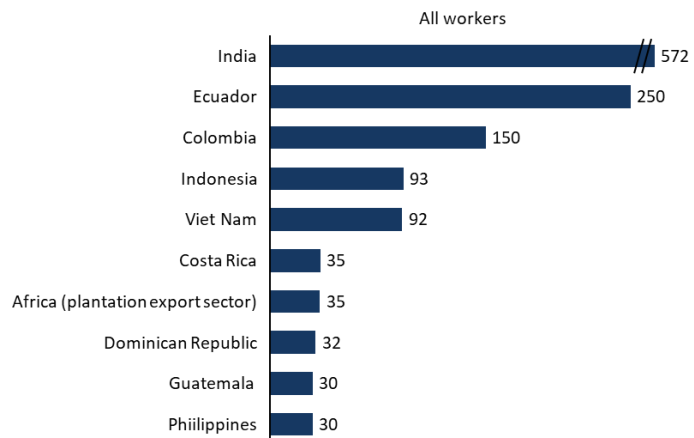
*The boxes are colour coded to correspond to the type of driver (green for production, grey for enabling environment, and blue for labor market)

2.1 Production-level drivers of prevailing wages and working conditions in the banana sector

An unsustainable business case for banana producers and the consequences for workers

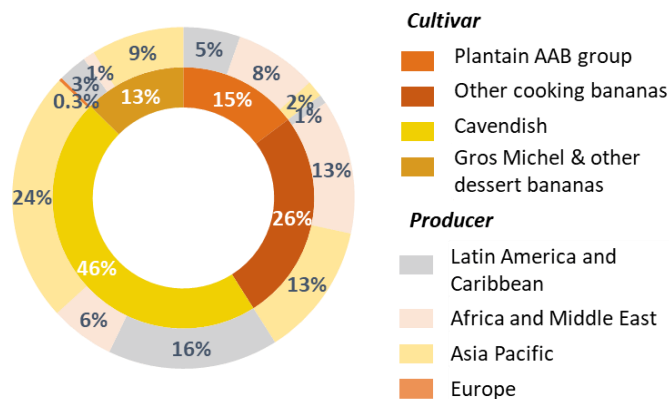
The banana sector supports the livelihoods of millions of workers globally. In the largest banana producing country India, more than half a million workers are employed in the sector, while the largest exporting country Ecuador provides employment for a quarter of a million people (see Figure 3). Along with the Asia Pacific and Latin American and Caribbean regions, the banana industry in Africa is also a major employer with bananas playing a vital role in domestic food security.

Figure 3 Estimated number of banana workers (farmers and employees) in banana producing countries ('000 workers)



Source: Caro, L. (2020); Banana Link (2020)

Figure 4 Share of cultivar production across different key producing regions



Source: CIRAD (2017)

The largest producers of bananas are not the largest export markets, and the domestic and export markets have different production models. There are two main types of bananas—cooking bananas and dessert bananas. Cooking bananas are a staple food crop for more than 400 million people across Africa as well as large Asian producers such as India and China.³ Bananas are either kept for household consumption or sold in local markets. Dessert

bananas make up the bulk of world production (59%) as well as commercially sold bananas (95%).⁴ The export market is dominated by Latin America. Bananas require significant capital investments in infrastructure and technology to be exported to ensure fast processing, quality preservation, and shipment. Given the economies of scale required, a few multinational fruit

³ International Institute for Sustainable Development (2020). Global Market Report: Bananas. Sustainable Commodities Marketplace Series 2019.

⁴ FAO (2020). Medium-term Outlook: Prospects for Global Production and Trade in Bananas and Tropical Fruits, 2021-2028.

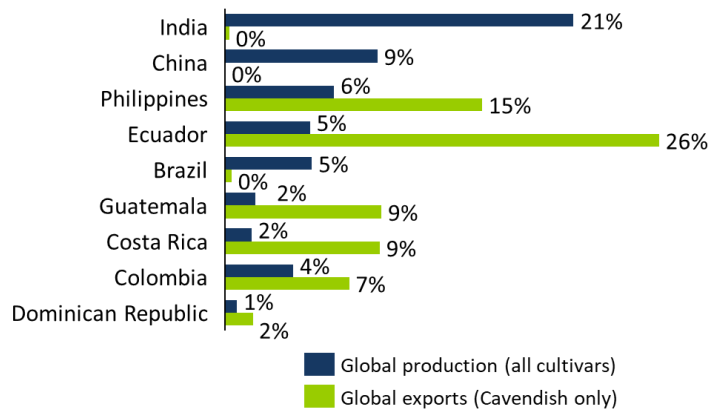
companies have historically dominated the sector through vertically integrated operations and the direct ownership of large-scale monoculture plantations.

There are two main production types which are associated with the domestic and export markets. In the non-export sector, smallholder farmers dominate banana growing. In India, for example, the industry is based on small-scale farmers cultivating less than 3 hectares.⁵ In the export sector, there is a strong presence of multinational fruit companies who have organised production through direct plantation ownership.

Costa Rica is the most vertically integrated banana producing country with most bananas grown on large-scale plantations.⁶ Large plantations are also common in the Western African countries active in the export market, such as Ghana and Côte d’Ivoire.⁷

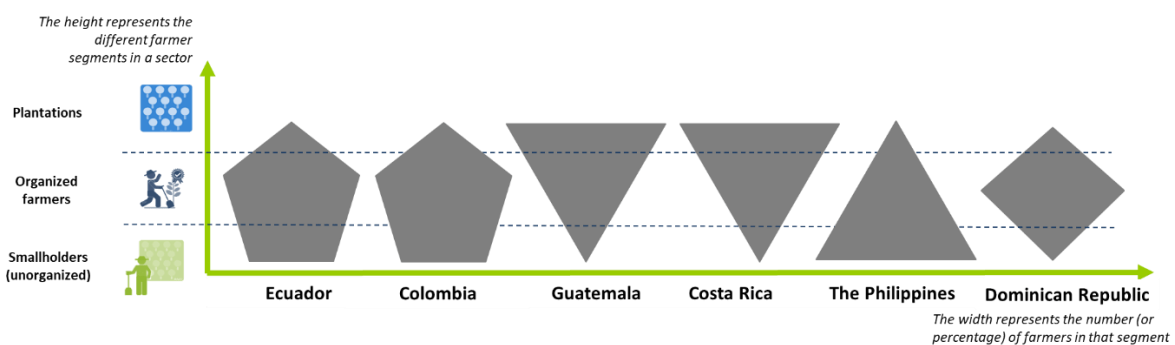
Among other major export players, other Latin American countries such as Ecuador and Colombia, Caribbean producers and the Philippines have a higher percentage of small- and medium-sized banana farms. These producers include a mix of contracted growers who sell their bananas to multinationals and own-account workers who sell their produce to independent agents or buyers for sale on the spot market. Typically, small growers are used as a buffer by large banana exporters, who buy from them to top up orders when market demand is high. A comparison of the production base in the key export markets is shown in Figure 6.

Figure 5 Share of global banana production and exports



Source: CIRAD (2017)

Figure 6 Structure of workforce composition in selection of banana exporting countries



Source: Based on data from CIRAD (2017)

⁵ Maersk Line. (2011). Unlocking the Potential of the Indian Banana Trade. Available online at: http://assets.fsnforumhipe.fao.org.s3-eu-west-1.amazonaws.com/public/files/Food_losses_waste/India%20banana%20case_final.pdf

⁶ CIRAD (2017). International Banana Trade: The Guide. Fruitrop Focus.

⁷ Banana Link. (2015). Women in the Banana Export Industry: Regional Report on West & Central Africa. Available online at: https://www.bananalink.org.uk/wp-content/uploads/2019/04/FINAL_ENG-West--Central-Africa-report_FAO-Gender-research-2015.pdf

Specific types of workers are typically hired for the different production models. The employers in the banana sector are either plantation owners or smallholder farmers. The production model shapes the contract structure under which workers are hired:

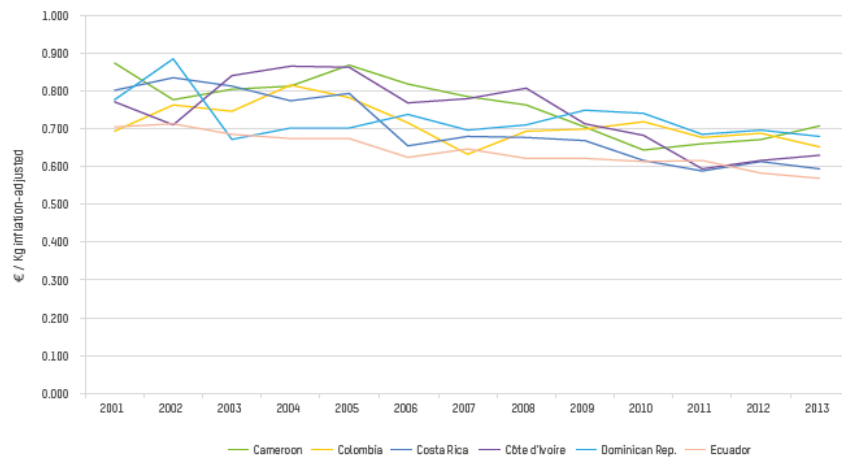
- **Smallholder banana farms in the non-export sector:** although there is scarce information on workers in this highly informal sector, available data from domestic-oriented banana production markets suggest that many farms rely significantly on unpaid family workers.⁸
- **Plantations in the export sector:** both formal and informally employed workers are hired to do field and packhouse work on plantations. Formally employed workers receive full benefits under applicable labour legislation. Informally employed workers are typically hired through third-party labour suppliers, and receive a daily salary based on hours worked (see detailed examination of informality in Section 2.2).
- **Independent growers in the export sector:** independent growers who sell to independent agents typically rely on informal workers, especially during peak season, for both field and packing workers. They are mostly comprised of small- and medium-banana growers.

⁸ Pinedo Caro, L. (2020) Background Note On Wages And Working Conditions In The Banana Sector In Costa Rica, Ethiopia, India, Indonesia, and Viet Nam. Paper for the ILO.

An unsustainable business case and the link to wages and working conditions

The combination of limited product differentiation and banana pricing dynamics has driven prices downward for all types of producers in the export market. At the product level, bananas do not undergo transformation in the supply chain and there is little scope for product differentiation.

Figure 7 Banana CIF import prices (at port of entry) in EU inflation-adjusted (2001-2014)



Source: Banana Link (2015)

Quality differentiation is usually limited to lack of spoilage and ripeness level on arrival in store. Although it is not the only reason for intense price competition in the sector, the fact that there is no transformation and, therefore, very limited scope for product differentiation contribute, to a large extent, to the lower potential of the banana sector to drive up value-added pricing. This has been compounded with market-level pressures. As can be seen in Figure 7, import prices have declined across all major origins while retail prices have either stagnated or are slightly higher. The result has been intensifying price pressure with falling import prices, stagnant or declining retail prices, and rising production and living costs.⁹

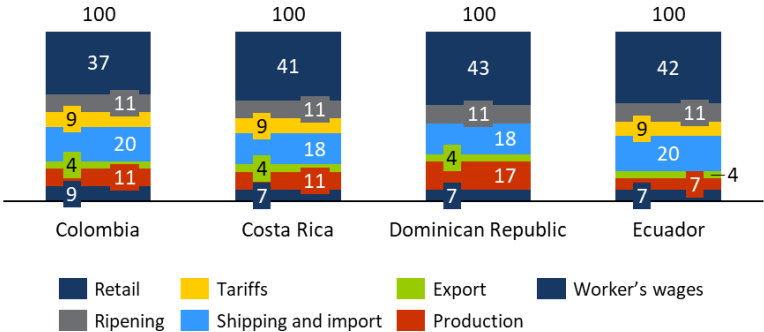
⁹ Basic (2015), *Banana Value Chains in Europe and the Consequences of Unfair Trading Practices*. Available online at: http://www.makefruitfair.org/wp-content/uploads/2015/11/banana_value_chain_research_FINAL_WEB.pdf

Several dimensions determine whether employers absorb these pressures or if they have spillover effects on workers in the form of lower wages and working conditions.

This depends on the labour market (e.g. labour scarcity), the enabling environment (e.g. the stringency and degree of enforcement of labour standards) and market incentives for sustainable production (e.g. consumer demand). These issues are explored in the following sections. However, a key consequence of disconnected value chain pricing is that producers do not earn sufficient margins to pay workers decent wages and ensure decent working conditions. A comparison of four of the biggest banana exporting countries in Figure 8 shows that retailers capture the highest share of product value at between 30-40%.

The other downstream actors combined receive around 40% while producers take 7-17%. Workers get the lowest share at between 7-9%. This is the case in both highly vertically integrated producers (e.g. Costa Rica) as well as those which have a higher percentage of small- and medium-sized farms (e.g. Colombia).

Figure 8 Supply chain value distribution in the banana sector across exporting countries

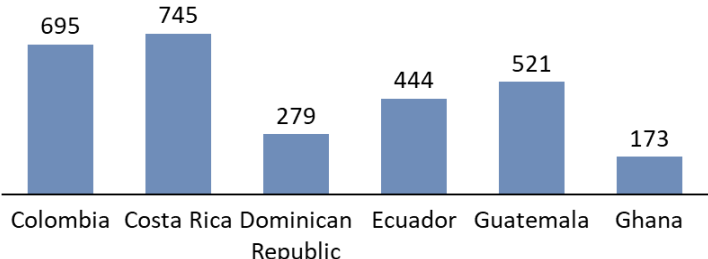


Source: CIRAD (2017)

Evidence suggests that there is a positive relationship between producer profitability and working conditions of workers in the banana sector. In the Dominican Republic, for example, more profitable plantation with 50% higher productivity were found to pay on average 18% higher wages and had differentiated pay for workers, incentivization schemes to reward performance, and training programs to improve staff welfare. The inverse was found for plantations with poor profitability¹⁰.

The price pressure generated by banana value chains has pushed employers to find ways to decrease labour costs. One trend has been the transformation of permanent jobs into casual work. This has meant a rise in temporary, and often, informal workers, piece-rate work and

Figure 9 Monthly minimum wages for banana workers, PPP-adjusted (USD)



Source: Based on minimum wage data from Wage Indicator (2020)
 Notes: (1) Ecuador is based on salario digno which applies to banana sector;
 (2) PPP adjustments based on latest data from the World Bank (2018);
 (3) Working days per month based on World Banana Forum (2015)

¹⁰ ILO (2017). Creating Shared Value in the Dominican Republic Banana Industry: A Market Systems Analysis of Plantation Business Performance and Worker Wages. Sectoral Policies Department.

subcontracting agencies.¹¹ The exact number of informal workers in the sector is not known and varies by region. However, the prevalence of temporary workers appears to be higher in countries where wages and labour costs are higher. As shown in Figure 8, in African plantations most workers are permanent, but wages are comparatively lower.¹² In Latin America, there is a high prevalence of temporary workers, particularly in the countries where wages are the highest—for example, temporary workers are estimated to make up 74% of the workforce in Ecuador¹³ and 38% in Costa Rica in 2019¹⁴. Although in Costa Rica the banana sector shows a trend towards increasing formalization of the workforce¹⁵, the opposite trend has been observed in many other countries. This shift to informal work has important consequences for workers.

2.2 Labour market-level drivers of prevailing wages and working conditions in the banana sector

As noted by the ILO in its report on Decent Work in Global Supply Chains¹⁶, the rise of global supply chains has been accompanied by the use of forms of employment which may not be compliant with labour legislation. Intensified competition, dependency on subcontracted operations, and more layers of complexity in global supply chains means that control over working conditions and wages is more diffuse.

At its 104th Session (2015) the International Labour Conference adopted the Transition from the Informal to the Formal Economy Recommendation (No. 204). Recommendation No 204 provides a clear threefold objective to member States: (1) to facilitate the transition of workers from the informal to formal economy while respecting fundamental rights; (2) to create and preserve sustainable enterprises in decent jobs in the formal economy; and (3) to prevent the informalization of formal economy jobs.

The shift towards temporary work and its impact on wages and working conditions

Temporary work arrangements place workers in a more vulnerable position. In the banana sector, the structure of worker payments can consist of what we call (1) direct compensation; and/or (2) indirect compensation (see Figure 10). Direct compensation in the banana sector is a base wage, which is usually tied to the legal minimum wage plus bonus payments. In the banana sector, the indirect compensation (social security, paid leave or transportation) often make up a substantial proportion of the wages, although the extent depends on the context.

¹¹ Basic (2015), *Banana Value Chains in Europe and the Consequences of Unfair Trading Practices*. Available online at: http://www.makefruitfair.org/wp-content/uploads/2015/11/banana_value_chain_research_FINAL_WEB.pdf

¹² Banana Link. (2015). *Women in the Banana Export Industry: Regional Report on West & Central Africa*. Available online at: https://www.bananalink.org.uk/wp-content/uploads/2019/04/FINAL_ENG-West-Central-Africa-report_FAO-Gender-research-2015.pdf

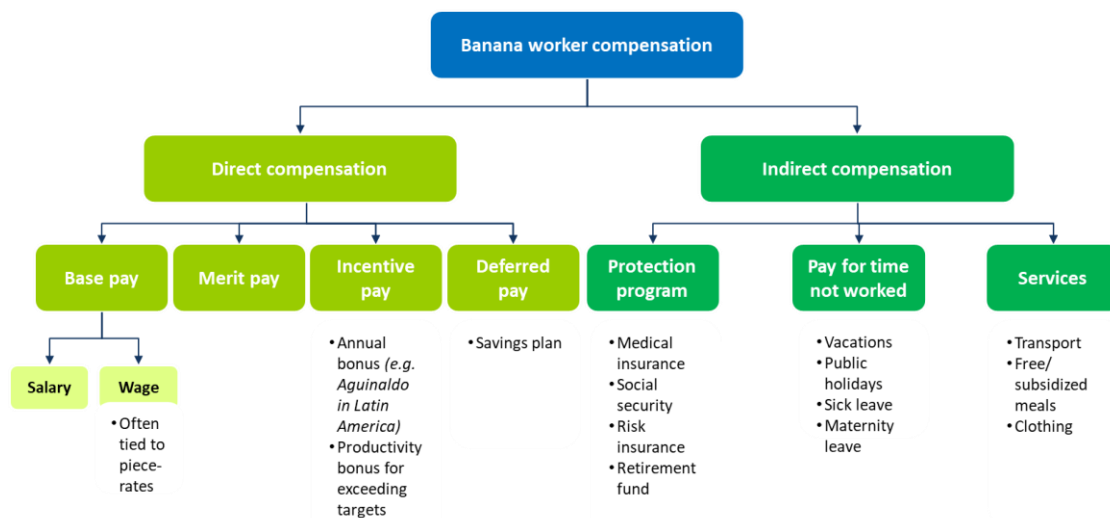
¹³ <https://www.statista.com/statistics/1037216/informal-employment-share-latin-america-caribbean-country/> - sourced from ILOSTAT database

¹⁴ <https://www.statista.com/statistics/1037216/informal-employment-share-latin-america-caribbean-country/> - sourced from ILOSTAT database

¹⁵ Interview with subject matter expert, 19 November 2020

¹⁶ ILO (2016). *Decent Work in Global Supply Chains*. International Labor Conference, 105th Session, 2016. Available online at: https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meeting_document/wcms_468097.pdf

Figure 10 Types of employee compensation in the banana sector



The different compensation structures between permanent and temporary workers in the banana sector explains the incentive to transform permanent jobs into temporary work to decrease labour costs. A recent regional study on Latin America and the Caribbean, where the prevalence of temporary work is high, found that making a job permanent cost on average 76% of a temporary worker’s wage.¹⁷ In the banana sector, this gap is reflected, with several additional costs that employers need to pay only for salaried employees. In most countries, employees are entitled to overtime pay and the “13th month” bonus or *aguinaldo* equal to one-twelfth of a worker’s annual salary. For permanent workers, employers have to pay for additional benefits (e.g. transportation allowance, severance aid and clothing in Colombia) as well as compulsory contributions schemes such as for maternity coverage and retirement schemes (Costa Rica) and health and risk insurance (Dominican Republic).¹⁸ Typically, the only non-wage benefits provided to temporary workers are transportation and food. Even then, this is not provided to all workers or provided on a non-standard basis.¹⁹ Complementing the reliance on temporary work is a high proportion of hired migrant workers who face additional risks and barriers on top of lower pay.

There is a sizeable migrant workforce across key banana exporting countries, including Haitians in the Dominican Republic, Nicaraguans and indigenous Panamanians in Costa Rica, Peruvians in Ecuador, and Hondurans in Belize and Guatemala.²⁰ Migrant workers in the banana sector are more likely to be temporary workers lacking entitlements to social security, and have minimal bargaining power due to legislative, language and cost restrictions to unionization.²⁰ The combination of temporary work and migrant workers creates several barriers to improving workers’ wages and working conditions.

¹⁷ Inter-American Development Bank (2017). *Measuring the Cost of Salaried Labor in Latin America and the Caribbean*. Labor Markets Division, Technical Note.

¹⁸ World Banana Forum (2015). *WBF Wage Ladder Data*. Available online at: http://www.fao.org/fileadmin/templates/banana/documents/WGs_outputs/WG02/WBF_Wage_ladder_data_all_countries.pdf

¹⁹ See Global Living Wage Coalition reports for Ecuador (2016) and Costa Rica (2017)

²⁰ World Banana Forum (n.d.) *Migrant Workers in the Banana Industry*. World Banana Forum: Good Practices Collection, Food and Agriculture Organization of the United Nations.

The issue of temporary work also affects women more than men. In many countries, particularly in Latin America, the packhouse is the only site of production where women are hired. This is also largely the case in Africa although women also work in the fields doing light duties on non-harvest days.²¹ Women are adversely affected by the seasonal fluctuation of work in the banana sector, particularly in Latin America and the Caribbean, as men are often perceived to be capable of physically more demanding field tasks. As a result, more women are employed on part-time contracts and are less likely to find work every day of the week.

However, careful assessment of reform about the practices around temporary work is needed given that some supply chain stakeholders argue that there are also benefits for workers in this system. There are claims that some workers are in support of this short-term rehiring system, for example, in systems where workers receive severance pay when they quit their jobs or are dismissed.²² The claim is that labourers who are mostly migrant workers can receive “quick cash” every half year and be given a short break to return home between contracts before being re-employed, which is almost a guarantee for many workers.

Absorption capacity for minimum wages: offsetting through workload intensity

Another key issue in the banana sector with relevance to decent work is the reliance on excessive working hours which translate into lower hourly wages. In the banana sector, working hours is a key issue because compensation is often based on a piece-rate system. When piece-rates are low, piece-rate pay incentivizes workers to work many hours in order to earn a decent wage. In the banana sector, pay is based on productivity, quality, and task completion. In theory, this can enable workers to earn more than the minimum wage in a day. However, wages are conditional to external factors outside of workers’ control, such as the weather or the amount of product available. Nevertheless, it means that, in many cases, remuneration systems are not based on the minimum wage and workers are not paid on a daily/weekly basis but rather with respect to their productivity and a determined piece rate. In some instances, this can drive up work intensity to an extent, which can cause illnesses or injuries to meet quotas or earn decent pay.

The downsides of piece-rate pay are reflected in the banana sector whereby, although wages paid by employers are largely in line with minimum wages, workload intensity is high. For both permanent and temporary workers, employers are required to pay a base wage component in line with national minimum wages. Data from several banana producing countries shows

Figure 11 Quarterly time series of hours worked by employees in the Costa Rican banana sector



Source: Pinedo Caro (2020)

²¹ Banana Link. (2015). Women in the Banana Export Industry: Regional Report on West & Central Africa. Available online at: https://www.bananalink.org.uk/wp-content/uploads/2019/04/FINAL_ENG-West-Central-Africa-report_FAO-Gender-research-2015.pdf

²² Baur, D. et al. (2014). The Corporate Social Responsibility Story of Chiquita. Available online at: <https://www.baurconsulting.ch/wp-content/uploads/2018/10/CSRStoryChiquita.pdf>

that wages are largely paid in line with minimum wages (see section 2.3). However, long working weeks are a common phenomenon across several countries in the banana sector.²³ This dynamic is not as pronounced in all banana producing countries, but the trend shows that workers in countries with higher earnings appear to achieve these with overtime work.²⁴ For example, Costa Rican field workers and banana packers work an average of 56.5 hours and 62.3 hours per week against an average workweek of 48 hours (see Figure 11). This significantly exceeds ILO standards on working hours.

Labour market scarcity and the connection to workers

The possibilities for wage improvements are also conditioned by dynamics in the labour market but current trends suggest that these are not enabling workers to have more bargaining power. When employers' demand for workers is higher than the supply of workers at prevailing wages, to attract workers into the banana sector, employers would need to offer more attractive wages and working conditions. As a result, labour scarcity is a potential lever to drive wage and working conditions improvements as tightness in the labour market gives workers more bargaining power. However, it seems that there is a surplus of labour in many banana producing countries. In Costa Rica, Ethiopia, India and Indonesia, the median age of workers is between 26 and 47 indicating there is still a high proportion of young people employed in the sector.²⁴ High supply in the labour market is further fueled by reliance on a migrant banana workforce in many countries. Low education levels further inhibits employment mobility with banana workers spending on average less years in education than other workers across many countries.²⁴ Education levels are even lower among migrant workers.^{25, 26} Thus, labour surpluses in many banana producing countries, either through a large number of youth going into agriculture or dependency on a vast migrant workforce, combined with low education levels, contributes to downward wage pressure for banana workers.

²³ Cooper, A. (2015). "Women in the Banana Export Industry: Regional Report for Latin America". *BananaLink, Working Paper Series*. [Accessed at https://www.bananalink.org.uk/wp-content/uploads/2019/04/ENG_Latin-America-report_FAO-Gender-research-2015.pdf]

²⁴ Pinedo Caro, L. (2020) Background Note on Wages And Working Conditions In The Banana Sector In Costa Rica, Ethiopia, India, Indonesia, and Viet Nam. Paper for the ILO.

²⁵ OECD/ILO (2018), How Immigrants Contribute to Costa Rica's Economy, OECD Publishing, Paris. Available at: <http://dx.doi.org/10.1787/9789264303850-en>

²⁶ OECD/ILO (2018), How Immigrants Contribute to the Dominican Republic's Economy, OECD Publishing, Paris. Available at: <http://dx.doi.org/10.1787/9789264301146-en>

2.3 Enabling environment-level drivers of prevailing wages and working conditions in the banana sector

Definitions

Minimum wage: The ILO has adopted several Conventions and Recommendations on the subject of minimum wages. The latest one being the Minimum Wage Fixing Convention 1970 (no. 131), which encourages ILO member States to establish a system of minimum wages that offers a broad scope of application and is based on the principle of full consultation, or direct participation, of social partners (see the ILO minimum wage policy guide).

Minimum wages have been defined as the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.

According to ILO Convention No.131, minimum wages should be set at levels that take into account the needs of workers and their families as well as economic factors, such as levels of productivity and the need to maintain high levels of employment. This can explain why a minimum wage may not fully satisfy the needs of workers and their families.

Living wage: The notion of a living wage appears at each of the key moments in the history of the International Labour Organization, starting with the Preamble of the ILO Constitution in 1919 that included the goal to ensure “the provision of an adequate living wage”. The Declaration of Philadelphia in 1944 included a call for “minimum living wages”. The notion of a living wage was, however, never made the subject of an ILO Convention or Recommendation, only the concept of a minimum wage (see Reynaud, 2017).

The prime promoters of living wages are now the Global Living Wage Coalition (GLWC) and its members: Fairtrade International, GoodWeave International, the Rainforest Alliance, and Social Accountability International (SAI), in partnership with the ISEAL Alliance.

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

Poverty line: As a lower alternative to a living wage, various poverty measures are used to define a minimum level of living standard. A poverty line offers a benchmark for minimum needs and is usually based on the cost of basic requirements for adequate nutrition and other non-food essentials such as clothing and shelter (ILO, 2017). However, poverty line measures do not take into account the level of decency in the basic requirements and therefore often offer a lower standard of living than other wage definitions.

An enabling environment for improving wages and working conditions

A positive enabling environment can be a strong counteracting force to downward wage pressure. The enabling environment influences wages and working conditions through several avenues. The following categorisation of governance approaches in the enabling environment

relevant to promoting decent work is adapted from the ILO 2016 report on decent work in global supply chain:²⁷

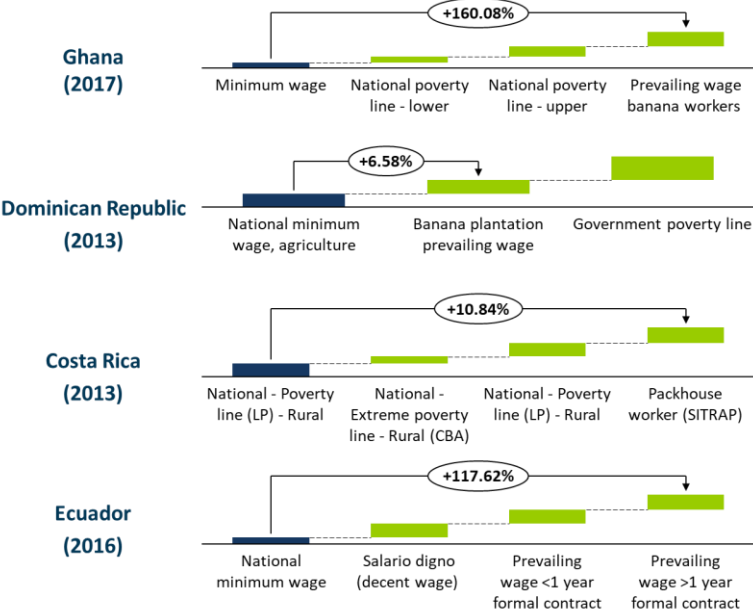
- **Public governance/compliance** is concerned with the institutions, policies and systems of governance which regulate working conditions and wages. The prerogative of ILO member States is to ensure adequate national wage setting and enforcement as well as ratification and compliance with international labour standards, such as stated in ILO Conventions including the Minimum Wage Fixing Convention of 1970 (No. 131);
- **Private governance** includes private compliance initiatives (PCIs) to issues related to wages and working conditions fostered by private actors such as enterprises and certification agencies. Given the limitations of individual PCIs, there has been a proliferation of sector-wide initiatives that bring together private supply chain actors to establish a pre-competitive agenda with decent work as central to doing business. The better voluntary self-regulatory initiatives tend to incorporate the fundamental ILO Conventions into their guidelines and standards;
- **Social partners' initiatives** comprise the interaction between social partners, including representatives of workers and employers or their organisations. These actors implement joint governance schemes based on negotiation between representatives of workers and employers.
- **Multilateral initiatives:** consist of international institutions involved in establishing policy-making related to global supply chain governance. Key frameworks are the ILO MNE Declaration, the UN Guiding Principles on Business and Human Rights, the Guidelines for Multinational Enterprises of the OECD, and EU Directives and mechanisms.

Drivers in the enabling environment are important explanatory variables for differences in wage outcomes for workers in different country contexts. Studies comparing prevailing wages with legal minimum wages across some major producing countries have generally found that, in the banana sector, prevailing wages are generally in line with or exceed national minimum wages. Studies carried out by the Global Living Wage Coalition in the banana plantation sector show that prevailing wages of banana workers tend to exceed the national minimum wages by a percentage of between 10% and 160%. (see Figure). This suggests that, at least in the plantation sector where most wage data is available, prevailing wages are set in line with legal minimum wages.

²⁷ ILO (2016). *Decent Work in Global Supply Chains*. International Labor Conference, 105th Session, 2016. Available online at: https://www.ilo.org/wcmsp5/groups/public/--ed_norm/--relconf/documents/meeting_document/wcms_468097.pdf

However, the GLWC shows that all prevailing wages fall short of the living wage benchmark. This means that in none of the countries investigated by the GLWC, workers can afford a decent standard of living as defined in these benchmarks. To estimate the gap between prevailing wages and living wages, benchmarks have been developed, notably by the Global Living Wage Coalition (GLWC) (see box on 'definitions').

Figure 12 Gap between minimum and prevailing wages for banana workers in a selection of banana producing countries



Source: Global Living Wage Coalition, various years (2013-2017)

In some countries, the national minimum wage does not only fall short of living wage benchmarks, but also falls below poverty lines. For example, Ghana in Figure shows the prevailing wages for banana workers are about 160% higher than the national minimum wage. However, in absolute terms the minimum wage in Ghana is low and even falls below the World Bank absolute poverty line.²⁸ A similar situation can be found in the Dominican Republic, where the national minimum wage for agriculture falls below the government poverty line. This is explained by the fact that for some of these countries, including Dominican Republic and Guatemala, specific minimum wage rates are provided by sector and occupation which can be lower than the minimum wage of general application.

The level at which wages are set within countries can be influenced by collective bargaining, where it exists, and the strength of unions. Collective bargaining is key for achieving decent wages and working conditions. However, it seems that there has been significant challenges to unionization in many key banana exporting countries including dismissal and harassment of active workers, bureaucratic and legal challenges, and repression of labour rights movements.²⁹ In general, countries with stronger unionization tend to have made more progress with improving wages (see Table 1).

Table 1 Trends in unionization in the banana sector in Latin America and the Caribbean

Country	Unionisation trends in key banana exporting countries
Ecuador	<ul style="list-style-type: none"> Union membership remains low in Ecuador. However, the SINUTRABE federation (National Union of Ecuadorian Banana Workers) was formed in September 2017 to organise banana workers. This union federation was formally registered by the

²⁸ Global Living Wage Coalition (2016). Living Wage Report: Ghana. Lower Volta Area. Available online at: https://www.globallivingwage.org/wp-content/uploads/2018/04/Ghana_Living_Wage_Benchmark_Report
²⁹ https://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_096122/lang--en/index.htm

	<p>government in 2019 and represents around 2,000 workers. However, only some of these workers are covered by collective bargaining agreements.</p>
Costa Rica	<ul style="list-style-type: none"> • Unionisation was very high in Costa Rica until the early 1980s with collective bargaining covering most of the industry. However, this was reversed in the latest decades. • Currently, union membership is under 10%. Sindicato de Trabajadores de Plantaciones Agrícolas (SITRAP) has a presence in over 50 banana and pineapple plantations belonging to major companies such as Del Monte, Dole, Chiquita, Acon and Fyffes in the central area of Limon province, whilst the unions affiliated to COSIBA-CR have plantation membership in national and multinational companies in the North (Heredia) and South (Sixaola) of the country. Only two Chiquita plantations are covered by a collective bargaining agreement. • In January 2019, SITRAP signed a Collective Bargaining Agreement (CBA) with Bandeco, the banana subsidiary of Fresh Del Monte, covering workers at two of its Duacará plantations. This includes more worker protections including to protect freedom of association, a grievance mechanism, and better representation.
Colombia	<ul style="list-style-type: none"> • Colombia is one of the exceptions to generally low levels of union membership in the major exporting countries of Latin America (Panama and Honduras also have high levels). The Urabá region has a strong independent trade union culture which is embedded in Colombia's history whereby the sector provided employment for former insurgents in Colombia's civil conflicts. • SINTRAINAGRO is Colombia's main agricultural workers' union and the largest in Latin America. It represents close to 20,000 banana workers in 266 plantations. Since the late 1990s, SINTRAINAGRO has negotiated wages and other social benefits through successive national Collective Bargaining Agreements with the main banana employers' organisation AUGURA. In the country's other exporting region of Magdalena, union membership is lower and many workers are not covered by collective bargaining agreements.
Dominican Republic	<ul style="list-style-type: none"> • The Dominican Republic has historically lacked a strong rural labour movement. There is weak unionisation in agriculture and weak bargaining power for rural workers. • However, recent efforts have led to the creation of a new province-based union in Montecristi, with support from the Dominican Republic's largest trade union confederation (CASC). Since 2016, the new trade union has organised small Dominican growers organised in a collective leasehold with a major national company, as well as hundreds of Haitian migrant workers in plantations and smaller farms (those who have been able to regularise their status in the country). • The CASC trade union confederation played a key role in the implementation of the 2015-16 government-led migrant worker Regularisation Plan and is currently playing a role in promoting sector-wide dialogue for migrant and non-migrant worker's rights.
Guatemala	<ul style="list-style-type: none"> • Guatemala has a weak track record for unionisation in agriculture as a general rule, although over 5,000 workers employed by Del Monte subsidiary Bandegua and its suppliers and by Chiquita's subsidiary COBIGUA in the Caribbean coastal district of Ixabál are members of SITRABI, COSISBA or smaller affiliated unions. These workers are all covered by Collective Bargaining Agreements. However, in the period up to

2011, SITRABI in particular suffered from a spate of assassinations, the authors of which have not been brought to justice.

- There is strong evidence of wages and conditions in the North being undercut by the expansion of cheap, non-unionised plantations in the Pacific South coastal region. There has been repression of unionisation for the 25,000 or more banana workers in the South.

Source: Banana Link (2020)

The institutional environment also has an important influence in addressing challenges in the sector related to the governance of temporary and migrant workforces. An ILO report on decent work in global supply chains notes that workers in various forms of employment such as temporary workers are more likely to experience difficulty in joining trade unions or their needs being covered in Collective Bargaining Agreements (CBAs).³⁰ In the banana sector, barriers to unionization are higher for vulnerable groups who are particularly susceptible to poor working conditions. Legislative changes in some countries shows the power that a strong enabling environment can have on these issues. For example, in May 2018, the Ecuadorian government passed the “Partial Discontinuous Special Work Contract for the Banana Sector” targeting informal workers which entitles workers to the annual bonuses received by formal workers and other benefits.³¹ The Dominican Republic has introduced measures to protect migrant workers through its “Regularisation Plan” which aims to formalise workers to enable enrolment in the national social security scheme. Although both pieces of legislation have run into several challenges, these examples show the strong role that State legislation and enforcement can have on creating an enabling environment for decent work.

In sum: the production, labour market, and enabling environment for improving wages and working conditions in the banana sector

The interaction of these drivers in the banana sector result in many producers having low capacity to absorb higher wages. Employers in both the plantation and smallholder sectors have little wage absorption capacity due to an unsustainable business case. Workers in many banana sectors are paid in line with the national minimum wage. However, if those are compared to the GLWC’s living wage benchmarks, it appears that they are set at relatively low levels compared to the basic needs of workers and their families. At the same time, across many key exporting countries, common issues are long working hours, the use of temporary contracts, low transparency on key labour issues, high rates of migrant workers, and weak unionization. This suggests that employers are making downward adjustments regarding wages and working conditions due to their difficulty to cope with high production costs. Oversupply of labour, partially due to the prevalence of migrant labour, as well as barriers to unionization in many countries has held back strong worker representation and collective bargaining. Nevertheless, some examples show that there is strong potential and capability to improve working conditions in the sector through a strong institutional environment.

³⁰ ILO (2016). Decent Work in Global Supply Chains. International Labor Conference, 105th Session, 2016. Available online at: https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meeting_document/wcms_468097.pdf

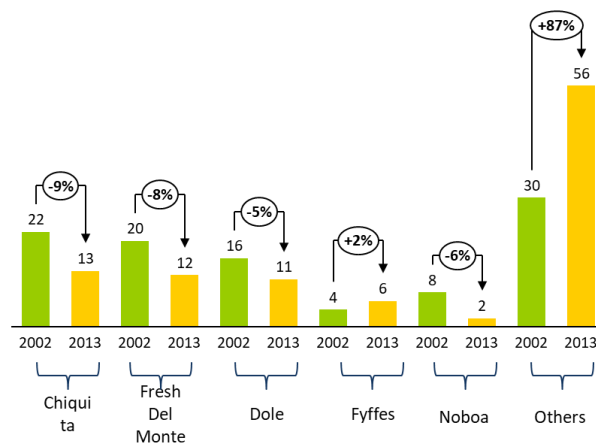
³¹ Global Living Wage Coalition (2016). Living Wage Report: Rural Ecuador. Focus on Bananas. Available online at: https://www.globallivingwage.org/wp-content/uploads/2020/07/LW-Report_Ecuador_2016_en.pdf

3.1 Market dynamics in the global banana sector

The development of powerful retailer-owned brand bananas has driven intensified price competition in the banana sector.

While the market has traditionally been dominated by large fruit multinationals, there has been a reduction in the market share of the biggest five fruit companies from 70% in 2002 to 44% in 2013 (Figure 15). The aftermath of EU deregulation opened up the market to more competition and has since led to major retailers building their own more direct banana supply chains³². Some retailers have moved towards direct sourcing with, for example, national companies in Guatemala, Costa Rica and Ecuador settling direct contracts with EU retailers.

Figure 13 Change in market share of the largest multinational fruit companies (in percent points, 'pp')



Source: Basic (2015)

Buyers and retailers have been consolidating price margins in a period of falling import prices. Bananas are key product categories for retailers to attract customers to their stores. As a result, there is strong competition between retailers on banana prices. Price setting in the European supermarket sector ranges from “tracking” (following changes in the green banana price), “profiteering” (going against downward price movements), and “relentless discounting” (slashing prices regardless of price trends). The long-term trend is retailers increasing their value chain share relative to other supply chain actors. Price competition has been intensified by discounter supermarkets and so-called “price wars” between retailers using bananas to win consumers, particularly in the UK and Germany.³³

There is a limit to how much pressure can be put on upstream producers in the absence of downstream price rises. A diverging retail and producer price means producers retain less product value while having to contend with higher production costs. This gives low capacity to improve wages.

Consumption markets and the drivers of sustainable production

Whether employers absorb or pass on price pressure to workers depends on the market incentives for sustainable production. Firstly, producers need to earn sufficient margins to be able to pay workers a decent wage that covers their basic needs. This can be done by (1) selling quality products to earn a premium, (2) securing superior conditions through long-term buyer relations, or (3) making long-term investments including improving efficiency, all which help to increase absorption capacity for higher wages. Secondly, producers need to be incentivised

³² Basic (2017). *New Zealand Bananas: The Big Squeeze*. Available online at: https://lebasic.com/wp-content/uploads/2017/05/BASIC_Banana-Study-NZ_Final-Edit.pdf

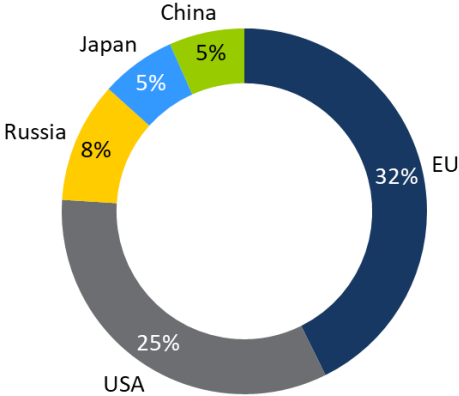
³³ CIRAD (2017). *International Banana Trade: The Guide*. Fruitrop Focus.

to translate this capacity to pay higher wages into transferring the value to workers. In addition to the labour market and enabling environment drivers explored in the last section, the market-level drivers which shape the incentive structure for paying higher wages is consumer demand. The current key trends among consumers in the banana sector:

➤ **The export dominance of Latin America and the Caribbean is expected to continue.** The requirements to obtain economies of scale makes the export market unviable for many independent players, especially new entrants. In world trade, bananas will continue to be the most exported fruit and Latin America and the Caribbean will continue to dominate exports. Their market share is estimated to grow from 78% to 80% from 2020 to 2028.³⁴

➤ **The traditional demand centers of the USA and Europe are major drivers of certification demand but they are on the decline.** Europe and North American markets comprise over half of global banana export markets. However, their 57% import share is projected to decline as imports of Asia, led by China, will rise faster, primarily driven by population growth. There is a lower demand for certification in these markets which are more driven by price, appearance, quality and reliability.³⁵

Figure 14 Share of global imports by country



Source: FAO (2018)

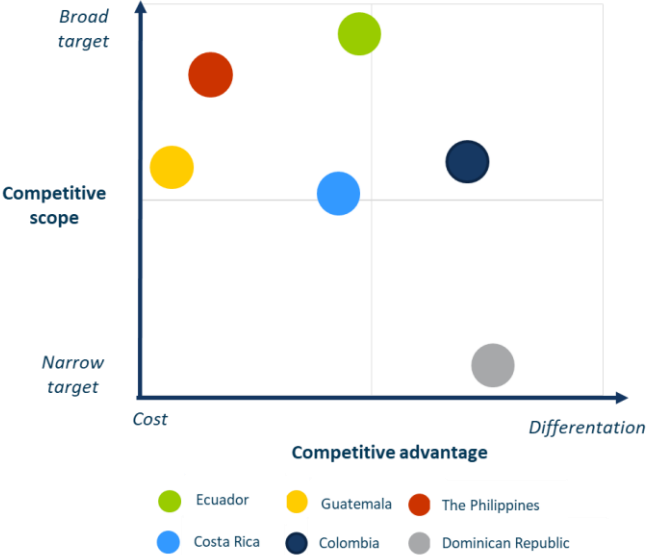
The implications of these market trends are a consumer market with little room for value addition except for certification which is only in demand in certain markets. As explored in the previous section, consumer-facing differentiation in the banana sector is limited with bananas more or less substitutable across products and geographies.³⁶ Demand differences between customer countries are focused on specifications such as size and length, degree of maturity and number of fingers (loose, by finger, kids’ bananas). The one major differentiator is certification for more environmentally friendly or socially responsible bananas using product labels such as Fairtrade, Organic and Rainforest Alliance.

Some major export markets retain export competitiveness through support and investment to meet quality and sustainability requirements while the export dominance of others relies on externalized social costs. In the banana sector, producers have pursued different competitive advantage strategies based on two key levers—the size of the target market pursued and level of differentiation (e.g. high or low quality and/or sustainability). The producer decides on a quality portfolio based on expected returns for quality and/or sustainable production compared to the alternatives. Countries which focus on value-added

³⁴ FAO (2020). *Medium-term Outlook: Prospects for Global Production and Trade in Bananas and Tropical Fruits, 2021-2028*.
³⁵ International Institute for Sustainable Development (2020). *Global Market Report: Bananas*. Sustainable Commodities Marketplace Series 2019.
³⁶ There is some differentiation by geographical indication in the European market for European produce. The most common are driven by Spain and France with the Canaries platano and the “Francité” initiative [sense of Frenchness], respectively.

product segments and/or cater to markets where sustainability is in demand are more likely to have the incentive to drive worker-level improvements.

Figure 15 The competitive advantage strategy pursued by leading banana producers



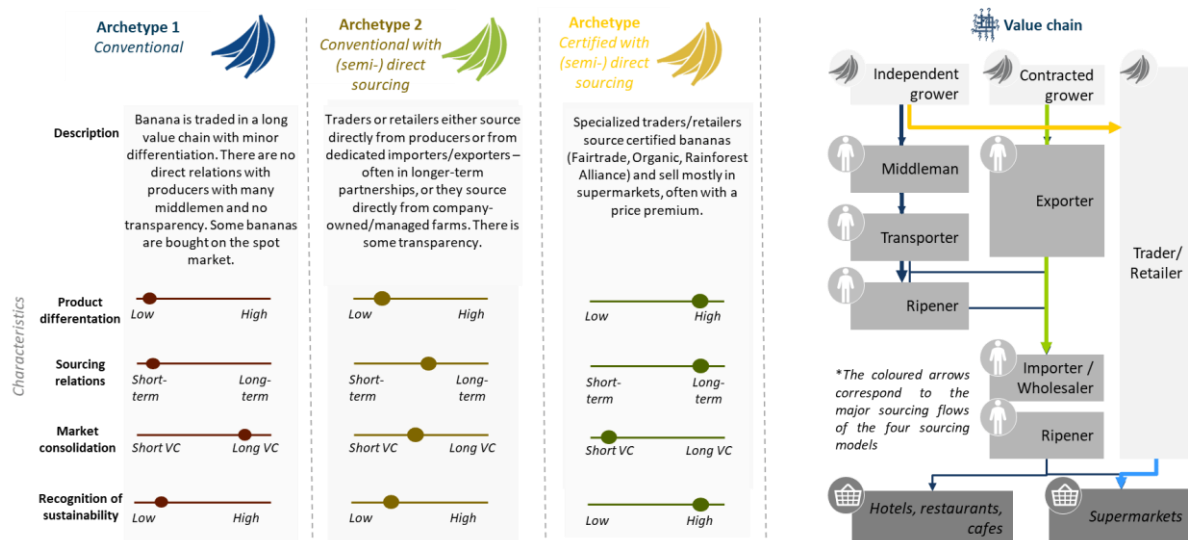
	Main export markets	Key trends
India	<ul style="list-style-type: none"> The marginal export market is to the Middle East. 	<ul style="list-style-type: none"> Almost all of India’s bananas are consumed domestically. There are high entry barriers for India to compete in the export market.
Ecuador	<ul style="list-style-type: none"> Ecuador is the only country to serve all the international markets, including the EU, USA, Middle East, and more recently Asia. 	<ul style="list-style-type: none"> Ecuador has strong government support to meet quality requirements and support growers. The share of exports to US and Europe has declined with growing competition. Due to its long-term historical advantage, it is able to diversify into markets in Russia, the Middle East, Eastern Europe and South America. Ecuador’s set market price for its export banana, combined with a reliance on the spot market have clear implications on the welfare of producers and workers, especially smallholders.
Guatemala	<ul style="list-style-type: none"> Top US exporter 	<ul style="list-style-type: none"> Guatemala has shot up to being the world’s number 3 exporter and the main supplier to the USA. Its high competitiveness is driven by geographical proximity but also cost competitiveness. However, this is due to externalized costs including poor conditions for workers.

Costa Rica	<ul style="list-style-type: none"> • Since 2006, Costa Rica has shifted its volumes from the USA to the EU • It has rising exports to diversification markets such as Turkey. 	<ul style="list-style-type: none"> • Costa Rica has an intensive production system and productivity is one of the highest globally. • It has achieved important de-carbonization targets. It does not rely on irrigation, while the other producing countries do. • However, its profitability is on a downward trend due to unfavourable exchange rates and increased competition from Guatemala.
Colombia	<ul style="list-style-type: none"> • Colombia mainly exports to Belgium, Netherlands, Italy and the UK. 	<ul style="list-style-type: none"> • Similar to Costa Rica, Colombia's share of US volume are decreasing because of competition from Guatemala. • Colombia is the world number 2 exporter of Fairtrade bananas and important in organic, while 98% of the exports are Rainforest Alliance certified
Philippines	<ul style="list-style-type: none"> • 95% of Cavendish banana production is exported to regional markets in Asia and the Middle East 	<ul style="list-style-type: none"> • The Philippines faces competition regionally with the entry of Ecuador exporting to the growing Asian markets.
Dominican Republic	<ul style="list-style-type: none"> • More than 90% of exports are to the EU where it dominates the labelled banana market • A key market is the UK where it has 60% of the certified market share. 	<ul style="list-style-type: none"> • The Dominican Republic is a major certified banana producer. 95% of total production is Fairtrade certified, and 67% organic. • Despite productivity being among the lowest globally, its cost competitiveness is driven by low expenditure and dependence on migrant labour.

Committing to worker improvements: from competitive advantage to sourcing models

The landscape for sustainability is defined by the sourcing models that banana producers choose to adopt to cater to their key demand segments. The blend of product-specific (i.e. low value addition potential) and market-specific (i.e. the preferences and requirements of consumer markets) affect the sourcing models which are adopted by market actors in the banana sector. [Figure 16](#) identifies three broad sourcing archetypes which are conventional bananas, conventional bananas with direct sourcing, and certified bananas. In theory, sourcing models which focus on differentiated products, long-term sourcing relations, short value chains and place a high importance on sustainability, have positive implications for workers. This is because they enable buyers to sell bananas at a higher prices, cut out middlemen, and increase upstream value capture, all of which increase absorption capacity for higher wages. Moreover, certification and greater traceability and transparency create the requirements and accountability systems to make sure value transfer to workers happens.

Figure 16 Main sourcing models in the global banana sector



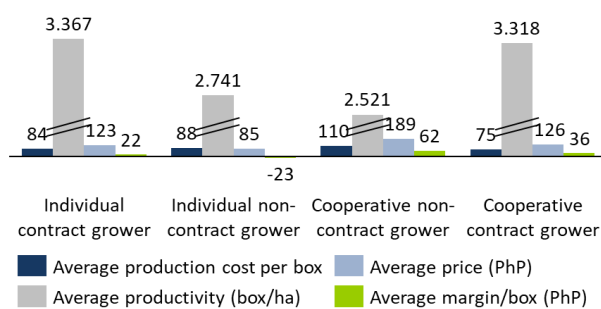
Source: Adapted for banana sector from IDH (2020)

- **Conventional.** The conventional model is typified by a smallholder-driven production base where bananas are traded in long value chains with minor differentiation. There are no direct relations with producers and there are many middlemen. Beyond ensuring quality dimensions for sale in supermarkets, there is little transparency and traceability of production. The conventional model comprises of cooking bananas for domestic production and dessert bananas for export. In the export market, many bananas are bought on the spot market. Countries which have high rates of conventional sourcing are India and Africa (non-export).
- **Conventional with (semi-)direct sourcing.** The second sourcing model is characterised by multinational fruit companies or retailers who either source directly from (contracted) growers, or have their own vertically integrated operations involving large-scale monoculture plantations. As the plantations are directly owned or managed by the buyers or retailers, there is greater transparency and control over sourcing operations through to ripening and retail. Most of the Latin American producers are integrated in such supply chains, especially Costa Rica and Guatemala.
- **Certified.** This sourcing model consists of specialised supply chains whereby production operations are certified according to one of the sector's three main standards (Fairtrade, Organic, Rainforest Alliance). Bananas are sold in supermarkets, often with a price premium (mainly true for Fairtrade and Organic). Leading certified producers are Colombia and the Dominican Republic.

The connection between sourcing models and wage improvements

Market actors adopting sourcing models focused on lower value products in long supply chains with indirect sourcing relations have less bandwidth to pay higher wages. In sourcing model 1, which predominantly incorporates small unorganised growers into banana value chains, sustainability is not a demand driver and sourcing relations are informal. Banana prices are typically subject to short-term weekly price negotiations between suppliers and buyers.

Figure 17 Comparison of costs and profitability across different producer types in the Philippines (PHP)



Source: Fairtrade NAPP (2018)

This enables retailers and exporters to source from multiple suppliers and easily switch between them based on price. This increases the income reliance of growers on highly volatile spot markets to sell their bananas.³⁷ For example, Figure 17 shows a comparison between types of sourcing models in the Philippines. Individual non-contract growers have the lowest margins per box; in this case a negative margin of -23 PHP. Coupled with high production costs due to low economies of scale and buyer and retailer purchasing practices,

producers often have a poor business case. As a result, they have low absorption capacity to ensure adequate payment of workers.

However, there are opportunities for market actors to build in more value to the supply chain by focusing on direct sourcing and higher value products, in this case certified bananas. Actors along the supply chain need a business case to be able to pay workers adequate wages. Market actors can increase the likelihood of driving worker-level improvements by: (1) good purchasing practices to cut out supply chain inefficiencies and alter/control pricing to facilitate greater value transfer to upstream actors; and (2) increase wages indirectly through focusing on higher value sourcing models.

Reducing the length of the supply chain by sourcing from owned or managed plantations or through direct contracts can provide more visibility and predictability, but existing purchasing practices create asymmetrical risk. In the EU, retailers are increasingly adopting long-term contracts with suppliers to replace short-term contracts. In theory, this helps to improve the producer business case by moving from insecure demand and volatile pricing to long-term volume horizons and fixed prices. However, a study examining the effects of these contracts highlights the continuation of purchasing practices that harm the foundation for better wages for workers. According to a study by Basic, retailers are bound by volume, not price, commitments. When market prices rise during the high season, buyers can terminate contracts based on insufficient margins. This forces importers to either buy on the spot market or sell at a loss. In the low season, buyers engage in practices such as last-minute cancellations, long repayment periods or increase the volume of rejected produce citing quality reasons. Thus, the producer business case is still volatile, which affects their ability to pay wages.

³⁷ Basic (2015), *Banana Value Chains in Europe and the Consequences of Unfair Trading Practices*. Available online at: http://www.makefruitfair.org/wp-content/uploads/2015/11/banana_value_chain_research_FINAL_WEB.pdf

The problem compounding worker improvements in both sourcing models is an unsustainable retail price. Even with direct sourcing which improves supply chain efficiency and builds in greater potential for sustainable value distribution, intensified price competition creates poor incentives for market actors. It causes buyers and retailers to sell bananas at unsustainable prices which creates a poor business case for upstream actors. Producers, who have lower revenues relative to costs, turn to reducing their production costs through the negative adjustments explored in Section 2, which includes low wages.

The market reward for wage improvements

An avenue which can help to influence better conditions for workers in the banana supply chain is certification. The main certification schemes in the banana sector are Fairtrade, Rainforest Alliance and Organic. In 2019, global exports reached an estimated 20.2 million metric tonnes³⁸, of which at least 40% is certified (RA certified 8 mln Mt in 2019).³⁹ Driven by consumer demand mostly in Europe and North America, the major banana companies (Chiquita, Fresh Del Monte, Dole, Fyffes and Noboa) have all made commitments to sourcing sustainable bananas, although the timeline for this is unknown.⁴⁰ Growth of the sector remains uncertain because of current low demand in major growth markets, although this could change as consumer preferences evolve. This does however highlight the limitation of making wage and working conditions improvements dependent on voluntary schemes.

As well as some clear achievements, there are limitations to the ability of certification to improve working conditions. Certification systems can have an influence on wages and working conditions in two ways: (1) through sustainable production standards which can include extra premium payments; and (2) improving transparency of elements in the certification system (e.g. using data collected via assurance and traceability systems). Certification requirements related to wages and collective bargaining for Fairtrade and Rainforest Alliance are shown in Table 2. Both have several requirements related to adherence to minimum wages, requirements for raising wages towards higher wage benchmarks, and minimizing overtime work. To increase effectiveness, certification schemes have introduced more stringent standards, are investing more in transparency, and have attempted to raise the bar beyond compliance with legal minimums, such as through adoption of living wages. However, despite its benefits, certification alone cannot structurally influence wages and working conditions beyond the certified supply chain, and has limited influence on ensuring improvements beyond minimum wages and the existing institutional environment around social dialogue.

³⁸ FAO (2019) <http://www.fao.org/economic/est/est-commodities/bananas/en/>

³⁹ International Institute for Sustainable Development (2020). Global Market Report: Bananas. Sustainable Commodities Marketplace Series 2019.

Table 2 Comparison of wage-related requirements in the Fairtrade and Rainforest Alliance standards

	Required Wage	Living Wage	Piece Rate Policy	Other Wage Improvements	Collective bargaining
Fairtrade	<ul style="list-style-type: none"> All workers must be paid whichever is higher out of the legal minimum wage, sector collective bargaining agreement, or regional average 	<ul style="list-style-type: none"> If living wage is not reached management is required to increase wages annually until the gap is closed. 	<ul style="list-style-type: none"> Piece rate is permitted but the minimum wage requirements must be met with a reasonable workload. 	<ul style="list-style-type: none"> Living wage benchmarks provided No unwarranted deductions from pay Premium payment is an additional fund intended to benefit workers 	<ul style="list-style-type: none"> Contracts are required for all permanent employees and temporary employees employed for over 3 months Contracts are negotiated by worker representatives
Rainforest Alliance	<ul style="list-style-type: none"> All workers must receive at least the minimum wage in their country and be afforded all the protections under the ILO 	<ul style="list-style-type: none"> Large farms must track payments made to all workers annually using the Rainforest Alliance Salary Matrix Tool.⁴¹ If below living wages, management must implement a wage improvement plan in consultation with workers which, at a minimum, increases wages in line with inflation Supply chain actors can contribute 	<ul style="list-style-type: none"> Piece rate is allowed but the minimum wage must be met. If piece rate is paid, workers should earn a daily minimum wage in 8 hours of work. 	<ul style="list-style-type: none"> Living wage benchmarks provided through Global Living Wage Coalition (GLWC) studies Additional Sustainability Differential paid on large farms into a fund to benefit workers Additional Sustainability Investments made by buyers to support certified farms with paying for costs associated with 	<ul style="list-style-type: none"> Permanent and temporary workers who are employed for more than three consecutive months have a written employment contract signed by both parties Management establishes genuine dialogue with freely chosen workers' representatives to collectively raise and address working conditions and

⁴¹ See the methodology for using the Salary Matrix and conducting a Living wage Gap Analysis: <https://www.rainforest-alliance.org/business/wp-content/uploads/2019/06/annex-9-draft-methodology-for-measuring-remuneration-and-gaps-with-a-living-wage.pdf>

		directly to the payment of living wage and monitor progress		sustainability progress	terms of employment <ul style="list-style-type: none"> Workers' representative s participate in major decision-making on farms: grievance mechanism, human rights monitoring, wage improvement plan, spending of the sustainability differential paid through the supply chain
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Moreover, certification is not immune to retail price dynamics—the premium payments for certification that go above the market price to support additional payments to workers is declining year on year. For example, the retail price of a major German retailer had a conventional-certified price difference of 0.64 EUR/kg in 2011 which by 2016 had dropped to 0.50 EUR/kg. Similarly, the average loose segment price in the UK declined from 0.67 GBP/kg in 2014 respectively to £0.44/kg in 2016. Fairtrade has reported that the Fairtrade Minimum Price, of which the intended function is to be a minimum price floor, is treated by market actors as a market reference price.⁴² Both Fairtrade and Rainforest Alliance have strong commitments to living wages in their standards (see Table 2). While both require certified units to close the living wage gap, the 2020 revision of the Rainforest Alliance standard has introduced stricter enforcement actions to ensure this occurs as well as requirements on a Sustainability Differential and Sustainability Investments.⁴³ However, price competition among retailers has proven to be a disincentive for retailers to commit to certified production. In the same year that another major retailer demanded a price cut from its suppliers, another abandoned its Fairtrade commitments due to unwillingness to pay a premium. This price cut led to Costa Rican union SITRAP reporting increased challenges in its negotiations with buyers for higher prices as part of Collective Bargaining Agreements and barriers to increasing worker wages.⁴⁴

Notwithstanding these observations, studies do show that certification schemes can lead to better compliance with labour laws with respect to factors such as working hours, working

⁴² CIRAD (2017). *International Banana Trade: The Guide*. Fruitrop Focus.

⁴³ See Rainforest Alliance. (2020). *What's in Our 2020 Certification Program? Shared Responsibility*. Available online at: <https://www.rainforest-alliance.org/business/wp-content/uploads/2020/06/2020-program-shared-responsibility.pdf>

⁴⁴ Make Fruit Fair (2018). "Aldi price cuts threaten banana workers' livelihoods". Available online at: <http://makefruitfair.org/aldi-price-cuts-threaten-banana-workers-livelihoods-take-action/>

conditions, health and safety, compared to non-certified farms.⁴⁵ Furthermore, certification schemes can also play a significant role in contributing to other schemes, such as fairer due diligence legislation.

Creating a market reward for sustainability

Ultimately, market conditions create little incentive to price in additional wage improvements. This puts the banana sector in a vicious cycle. Buyers compliant with legal minimums have no incentive to push their suppliers to raise wages because of price competition. If the producer business case is already under significant pressure, and retailers who capture the bulk of the retail value also cannot afford to reduce their margins, there needs to be a coordinated effort to ensure pre-competitive steps for transparent pricing which can only be done in a collaborative way.

Getting the banana sector to pay the costs that come with higher wages, requires coordinated action to create a level playing field for improving wages. Buyers and retailers acting alone to improve wages by paying more for certified bananas is only part of the solution to wage improvements. This is because of intense price competition in the sector, limited ability to create competitive advantage through higher value sourcing models, and the limited market pull and capacity for wage-related change from certified bananas. Precompetitive collaboration is an important part of the solution. An example of precompetitive collaboration in the sector is the nation-wide Banana Retail Commitment from the Dutch retail sector. This seeks to improve wages for banana workers by stepwise improvements towards an improved wage benchmark set by the sector by 2025. This follows the Dutch Agreement for the Food Products Sector which is a joint initiative between sector and civil society organisations, trade unions, and the Dutch government, to foster supply chain cooperation for sustainability, including joint wage improvement projects, in the food sector. Adoption of these kind of initiatives by other countries could accelerate the commitment of actors to paying higher wages within voluntary or mandatory measures.

The key conclusions from this chapter are the following:

- 1. In a highly consolidated sector, price competition is intense.** This has been heightened with the entry of retailers into the sector who set their price image to consumers based on bananas. As a result, there has been a growing divergence between import prices and retail prices affecting the producer business case. This results in low absorption capacity for producers to pay workers improved wages and secure decent working conditions⁴⁶.
- 2. This incentivises buyers and retailers to source conventional bananas at the lowest price possible and rely on one-sided clauses to reduce their cost and risk.** Sourcing models which consist of conventional bananas sourced in long value chains with

⁴⁵ Rainforest Alliance Impacts Report (2018), <https://www.rainforest-alliance.org/impact-studies/impacts-report-2018>; SAN/Rainforest Alliance Impacts Report (2015), https://www.rainforest-alliance.org/sites/default/files/2016-08/SAN_RA_Impacts_Report.pdf

informal sourcing relations create unfavourable conditions for producers, especially for small growers. This includes unfair purchasing practices such as short-term pricing and shifting between suppliers which reduce the stability and profitability of producers. These practices are prevalent because of pressure on buyers and retailers to cut costs and risks to stay competitive in a cost-conscious retail environment.

- 3. Direct contracts have the potential to improve buyer and supplier relations but low product differentiation means price is still the main driver in purchasing practices.** To increase market competitiveness, retailers have sought to develop more direct banana supply chains, and directly source from growers. However, these direct sourcing relations have not made a structural impact on balancing out costs and risks. Actions are limited by all actors in the chain because of structurally low prices.
- 4. Certification has key benefits for workers but it lacks enforcement power on fundamental pillars for improving wage levels, which require institutional actors.** Certification has had some notable impacts in improving worker conditions in banana supply chains. However, it relies on voluntary take-up and wage improvements beyond compliance to the prevailing institutional environment are hard to enforce through certification alone. Moreover, buyers and retailers are reluctant to commit to certification schemes with more “teeth” such as those involving payment of higher prices for fear of being priced out the market.
- 5. The solution to the price crisis in the banana sector is sector-wide commitment to sustainable purchasing practices and pricing with a supportive enabling environment, including social dialogue and adequate minimum wages.** Market actors need to act in coordinated ways to share the costs and risks of wage improvements. A supportive enabling environment is needed to create a market reward for sustainability and institutionalize change for wage improvements.

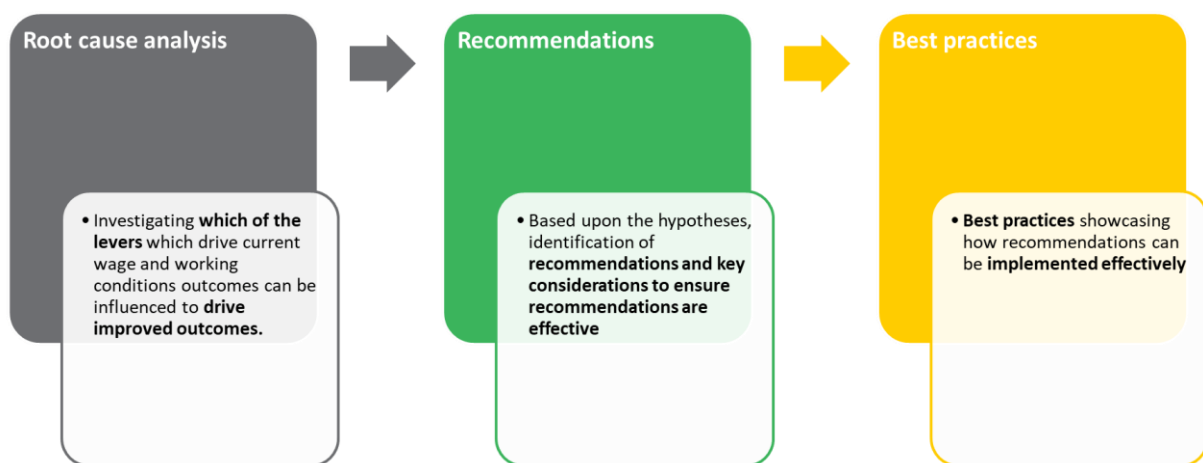
4 Identifying improvement levers for the banana sector

Key takeaways

- ✓ **Solutions to improved wages and working conditions in the banana sector must span across three agenda areas:** these reflect considerations about how much money is needed to deliver wage and working conditions improvements, who or what will pay for these improvements, and how this money and these improvements will be delivered.
- ✓ **A root cause analysis of potential improvement levers within the banana sector highlights actions which can be taken in the supply chain:** which together provide a potential way forward for triggering wage improvements in a way that shares costs and risks throughout the supply chain.
- ✓ **The summary of these action areas include:** adoption of fair and sustainable sourcing practices, formalization of the informal economy, compliance with labour laws, improved skills and productivity, due diligence frameworks, adequate minimum wages and social dialogue, platforms for worker engagement, and bottom-up pricing and wage transfer

Translating the root cause issues into possible recommendations illustrated by best practices can be the basis of a potential improvement agenda, agreed through social dialogue, for driving better wages and working conditions. A visual depiction of the recommendations framework to structure this section is shown in Figure 18.

Figure 18 Recommendations framework



To unlock improvements in wage and working conditions, the focus should be on improvement levers that can influence three critical agenda areas. Building on learnings in the garment sector⁴⁷, improving wages and working conditions requires finding solutions to the following:

- **At what level should wages be set to deliver decent living conditions to workers and their families in the sector?** To avoid action on wages being stymied by the search for

⁴⁷ Fair Wear Foundation (2018). Living Wages: An Explorer's Notebook. Piloting Living Wages In Garment Factories. Available online at: <https://api.fairwear.org/wp-content/uploads/2019/10/Fair-Wear-Explorers-Notebook.pdf>

the “perfect benchmark”, a good place to start is looking at which approaches and benchmarks already exist. Most important is the process by which actors around the table discuss, agree, use, and update these to ensure they evolve in line with changing conditions. A related question is what should be the level of an adequate minimum wage, statutory or negotiated through collective bargaining? In finding an answer to this question, governments and social partners have to consider the needs of workers and their families, but also economic factors as emphasized in ILO Convention No.131.

- **Who or what will pay for these improvements?** Money for paying higher wages and investing in working conditions improvements must come from somewhere. The options are one or multiple actors in the supply chain or the enabling environment paying more, or indirect surpluses made through efficiency gains or cost savings. The actor(s) or mechanisms must be able to afford the improvements without unsustainably compromising their margins.
- **In case of voluntary mechanisms, how will money be paid to workers to ensure the money ends up in worker’s pockets?** Non-transparent supply chains and compounding price effects make it difficult to ensure money goes to workers. Mechanisms are needed to enable distribution and verification of payments.

An improvement analysis is shown below with some ideas and suggestions that may serve as inputs for social dialogue and the development of an agreed framework highlighting areas that can be influenced to trigger wage improvements. Given the closely interconnected causal loops, only by tackling multiple rather than isolated root causes across the supply chain can these improvements be delivered. Figure 20 builds on the root cause analysis presented in previous sections by highlighting core levers driving prevailing conditions which can be influenced by key stakeholders in the banana sector. The expected results of these changes are shown in Figure 21, which highlights the intended impacts on worker conditions.

Figure 19 Intended impact of improvement levers on casual loops driving worker conditions in the banana sector

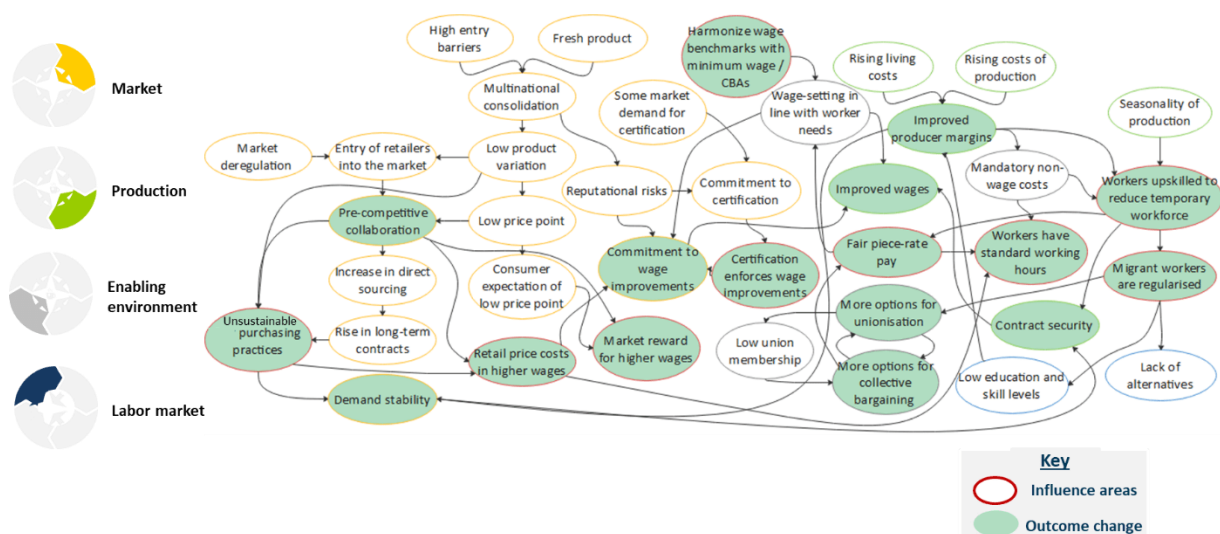


Figure 20 Relationship between root cause, improvement lever, and intended impact on banana workers



4.1 Possible recommendations and best practices

All stakeholders in the banana sector – particularly supply chain actors, including traders, and retailers – are strongly urged to ensure that their operations and suppliers' operations are in compliance with the UN Guiding Principles on Business and Human Rights, as a bare minimum. In what is one of the most comprehensive overviews of business attitudes in Europe to date, the European Commission recently released a study on due diligence requirements through the supply chain. The study found that only a third of the surveyed companies are conducting broad-ranging due diligence – based on the framework set out in the UN Guiding Principles – in relation to their environmental and human rights impacts arising in their operations and supply chains.⁴⁸ The Guiding Principles should be at the core of any business dealings and sustainability programs within the banana sector, and any other agricultural sectors.

⁴⁸ European Commission (2020). Study on due diligence requirements through the supply chain. Available online: <https://op.europa.eu/de/publication-detail/-/publication/8ba0a8fd-4c83-11ea-b8b7-01aa75ed71a1/language-en>.

The following recommendations and best practices are proposed to provide insights and inspiration for driving wage improvements in the banana sector. Importantly, many of the recommendations are not new nor profoundly innovative. The banana sector is faced with a set of root causes that perpetuate the challenges of low wages and poor working conditions. Many—if not all—of these issues have been highlighted numerous times before (many of which are referenced throughout this report) yet progress on many basic issues remains elusive. Without tackling these root causes, systemic change will not prevail.

The following recommendations should be considered a package, not a menu. Ensuring sustained change necessitates tackling all the root causes. One actor tackling one root cause will be insufficient. All relevant stakeholders need to be involved to tackle the impediments in the market, in production, in the enabling environment, and in the labour market.

The recommendations apply to all key stakeholder groups. The three key groups of stakeholders — *Governments, social partners and other institutional actors / the private sector / Civil society including certification schemes* — have a specific role to play as well as limitations to what they can do. In line with these, they can make certain commitments and enact recommendations to further progress on decent work in the banana sector.

Governments, social partners and other institutional actors

- **Actors:** This includes governments of major producing countries (e.g. Ecuador, Costa Rica, Guatemala, the Philippines, Dominican Republic in the export sector), governments of importing countries (e.g. EU and USA), government agencies (e.g. GIZ, IDH) and social partners (workers' and employers' organisations e.g. COLSIBA).
- **Role:** Institutional actors are responsible for legislating and enforcing labour standards and creating a conducive environment for progress on decent work through social dialogue.
- **Limitations:** Institutional actors are not always able to enforce compliance given limited capacity of labour administration, inspection and remediation systems. Representative social dialogue can be difficult given the complexity of global supply chains and the sometime weak capacity of social partners. Governments and social dialogue partners have to balance competing interest with a primary incentive being the market pull for progress on decent work.
- **The requirement commitment:** to create a level playing field through industry-wide collective bargaining and/or by creating and enforcing legislation, such as adequate minimum wages, that makes decent work a rule-based requirement of doing business.
- **The recommendations:** (1) support the formalization of the informal economy; (2) increase labour inspection, training and information campaigns; (3) implement surveys and studies to assess working conditions and wages and introduce measures and/or legislation for more transparency; (4) reform of wage-setting to ensure equal worker treatment and minimum wages that takes into account the needs of workers along with the economic factors; (5) support fair piece rate payments; (6) support to social partners to increase their capacity to negotiate wages and working conditions; (7) introduce standards to equalize treatment of migrants and temporary workers.

Private sector

- **Actors:** The key private sector actors are large retailers (e.g. Lidl, Carrefour, Tesco, Aldi, Edeka, Metro, Rewe, Leclerc, Auchan, Intermarche making up almost 50% of modern food retail sales) and multinational fruit companies. (e.g. Chiquita, Fresh Del Monte, Dole, Fyffes and Noboa).
- **Role:** As set out in the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, enterprises are responsible for compliance with applicable laws and respect for international labour standards across operations. Companies have developed private governance approaches to ensure compliance, including single-buyer initiatives as well as sectoral partnerships such as the World Banana Forum.
- **Limitations:** Private initiatives can help to increase capacity for compliance. However, even industry-wide action cannot institutionalize decent work or ensure strong industrial relations.
- **The required commitment:** to comply with labour legislation in a transparent manner and make progress on decent work a norm-based requirement for doing business, and link to and encourage institutional change on decent work.
- **The recommendations:** (1) adopt sustainable and fair purchasing practices that protect human rights; and (2) support formalisation and transparency. 3.) comply with national law, minimum wage legislation and fair trading purchasing practices. 4.) exercise leverage to improve social dialogue and better conditions for collective bargaining; 5.) advocate national institutions for bringing national labour law in line with international labour standards where necessary. 6) Introduction of due diligence frameworks.

Civil society including certification schemes

- **Actors:** Key certification schemes in banana (e.g. Fairtrade, Organic and Rainforest Alliance) and NGOs active in the banana sector (e.g. Oxfam, BananaLink)
- **Role:** Social labelling schemes are verification systems for social performance which are used by companies. Their role is to provide a visible way for companies to communicate and consumers to know about the conditions under which products were produced.
- **Limitations:** Certification schemes set standards around how products are produced and potentially pay premiums, collect data on product flows, give data assurance, and have traceability systems to provide proof of origin. Certification systems can improve standard stringency, enforcement, and transparency around system elements, but are limited in their impact on the non-certified supply chain and to incentivize further progress on decent work.
- **The required commitment:** to ensure certification standards on decent work are stringent and enforced, and support efforts that link to and encourage institutional change on decent work.
- **The recommendations:** (1) (together with private sector and institutional actors) facilitate collective bargaining, e.g. by promoting digital platforms for worker engagement; and (2) increase stringency of certification and engagement ‘beyond certification’; (3) help support accountability systems on value transfer to workers.

Table 3 Recommendations and best practices for triggering wage improvements in the banana sector

Root cause tackled	Lead actor	Action	Expected worker impact	Best practice example
Unsustainable sourcing practices	Private sector	<p>Training and preferential sourcing practices to incentivise the adoption of sustainable purchasing practices:</p> <p>This can involve:</p> <ol style="list-style-type: none"> (1) Train company staff to understand the impact of purchasing practices on worker conditions; (2) Channel greater value upstream, including through direct sourcing where possible, to ensure producers capture a portion of the product price that enables them to internalise social costs; (3) Banana buyers incentivise good practices by buying more from suppliers who are proactive in raising labour standards or have good practices, such as support for unionizing. 	<p>Reform of purchasing practices</p> <p>The sourcing decisions and purchasing practices adopted by companies are consistent with ILO Conventions on wages and working conditions. Moreover, there are incentive and reward systems in place to encourage suppliers to go beyond fundamental compliance with basic standards towards best practices on decent work.</p>	<p>Organic Cotton Accelerator (OCA) sourcing pilots are brand-driven initiatives by some of the world's largest apparel brands to improve sustainable sourcing with a focus on the organic cotton sector. OCA conducted research into the impact of brand purchasing practices and found issues affecting the business case of other supply chain actors, related to premium payments not reaching producers, and negative impacts from last minute changes, short-term commitments, and lack of volume forecasts. To tackle these, brands collectively committed to purchasing practices involving long-term commitments and better terms to producers including higher prices. They have implemented these in contractual commitments with suppliers in coordinated pilot projects through their supply chains.</p>
High prevalence of informality	Government, social partners and other institutional actors as well as Private sector	<p>Government should implement policy measures to formalize the informal economy in line with the ILO's Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).</p> <p>Companies should take a public position to commit to decent work and avoid informalisation. Companies are encouraged to transparently track and publish</p>	<p>Prevalence of informality is reduced and wages and working conditions are improved.</p> <p>Companies are not reliant on informal workers</p> <p>Companies base their business case on skilled workforces with high</p>	<p>Unilever's Human Rights strategy is committed to mitigating the informalisation of labour. It does this with the position that, unless the role is temporary due to seasonality, mechanisation, or for a defined period, workers, should be permanent and not relegated to contract status</p> <p>To monitor progress and ensure progress towards its commitments, Unilever's Labor Rights policy</p>

		<p>information related to hiring practices with a specific focus on worker status, entitlements, and protections. This information should be accessible and published at regular intervals. To make this information activated in the public domain, civil society organisations could compile information to give a consolidated overview of hiring practices in the banana sector to increase scrutiny.</p>	<p>productivity and incomes. When they hire temporary workers, their practices ensure these workers have a sufficient income.</p>	<p>sets and reports on key KPIs related to temporary workers and wages, including:</p> <ul style="list-style-type: none"> ○ Wage levels for a standard working week relative to minimum wage and various benchmarks ○ Ratio of permanent to temporary contracts ○ % of workers with an employment contract ○ Temporary workers' awareness of rights <p>Oxfam's Supermarket Scorecard makes transparent the progress that supermarkets have made on key human rights issues in their supply chains. A similar scorecard could be made with a focus on informal work.</p>
<p><i>Non-compliance with labour laws and no market reward for improvement</i></p>	<p>Government, social partners and other institutional actors as well as Private sector</p>	<p>Labour inspection</p> <p>The enforcement of minimum wages falls within the scope and responsibilities of labour inspectorates. There are a number of indicators to assess the capacity of labour inspection systems, including: the number of inspectors, the number of inspections undertaken, and the number and amount of penalties imposed in practice. The effectiveness of labour inspection will also depend on whether inspectors are properly trained.</p> <p>Labour inspectors must be able to access enterprises subject to inspection, to inspect wage records and other documents, and conduct interviews with workers and management. Labour inspectors should be able to issue warnings or open administrative procedures so that they can impose penalties in cases of non-compliance.</p>	<p>Compliance with minimum wages can be increased through targeted and reinforced labour inspection</p> <p>Transparency and action on violation of labour laws</p> <p>Brands and retailers have an accurate and fair indication of the situation of workers with transparent monitoring of payslips and cash-in-hand. Workers have the ability to understand and challenge compensation and any deductions.</p>	<p>Dutch Banana Retail Commitment is a voluntary sector coalition between major Dutch retailers to close the "living wage gap" defined by the partnership by 2025. It involves coordinated research into the living wage gap in company supply chains, and gradual reduction of the living wage gap by at least 10% per year. The goal is to expand this commitment to more private sector players beyond the Netherlands.</p>

		<p>Develop Sector Code of Conduct for Good Labour Practices. A code of conduct helps align business partners around expectations for ethical business practices.</p> <p>The Code of Conduct should – as a minimum – be compliance-based, adhering to the eight fundamental ILO Conventions on child labour, forced labour, discrimination, and freedom of association to secure the fundamental principles and rights at work. Where applicable, the Code should be complemented by other workplace rights covered by the Universal Declaration of Human Rights, or the OECD Guidelines for Multinational Enterprises on employment and human rights. Lastly, the code should comply with relevant local labour laws.</p> <p>Specific to the banana sector, the Code should ensure the adoption of contractual terms consistent with fundamental rights of workers to avoid unstable volume and price commitments disadvantageous to workers.</p> <p>As much of these terms are already regulated under national law, private companies should comply with national regulations. Companies should exercise leverage to improve compliance within their supply chain. Furthermore, companies should invest in capacity building for social partners to engage in genuine collective bargaining that improves their terms and conditions of work.</p>		
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<p>No visibility on working conditions & wages of banana workers</p>	<p>Multiple actors</p>	<p>Introduction of vigorous due diligence frameworks to adhere to companies' human rights obligations.</p> <p>Companies are strongly encouraged to adopt vigorous due diligence frameworks. Due diligence frameworks can be a powerful risk management tool of the internal operations, as well as supply chain partners' capacity, systems, policies and processes adhere to the relevant human rights obligations of companies.</p> <p>Due diligence requirements may be coupled with transparency legislation requiring companies to report on labour risk and violations in supply chains. Such legislation would require companies to establish greater traceability and transparency of their sourcing, especially pertaining to labour conditions which, in turn, would ensure greater materiality of labour violations.</p> <p>Increase the stringency of certification and encourage engagement 'beyond certification' towards institutionalisation of decent work</p> <p>Following the recommendations of ILO reports on certification standards,⁴⁹ at a minimum, there should be coherence and harmonisation between ILO standards, voluntary private standards, and national laws. The ILO could assist as an advisory and</p>	<p>Due diligence frameworks create a level-playing field for wage and working condition improvement and provides a clear market signal for sustainable production with a new competitive floor.</p> <p>Certification standards make wage improvements a "topic of excellence" and raise the bar on decent work</p> <p>Certification standards have strict requirements related to wages which require market actors to make public their current level and improvement trajectory towards wage improvements. Certification actors use their technical and expert knowledge to encourage institutionalised change on decent work.</p>	<p>Rainforest Alliance 2020 Certification Program on Living Wages requires certified farms to:</p> <ol style="list-style-type: none"> (1) Use the Rainforest Alliance Salary Matrix Tool to establish the size of the gap towards a living wage; (2) Annually track payments made to all workers (3) Implement a wage improvement plan if there is a wage gap with the benchmark. At a minimum, wages need to rise with inflation. <p>It has also published requirements on the supply chain level which includes:</p> <ol style="list-style-type: none"> (1) Sustainability Differential: a mandatory cash payment paid to certified farms on top of the market price <i>that should directly benefit workers (wages, working conditions, etc.)</i> (2) Sustainability Investments: made by buyers to contribute to the investment needs of certified farms to drive sustainability progress <p>Global Living Wage Coalition (GLWC) Living Wage studies and implementation efforts is a landmark initiative launched by seven standards systems including Fairtrade and Rainforest Alliance. They have pioneered the development of a shared approach to measuring living wage and ensuring more coordinated approaches in living wage implementation. The coalition publishes living wage benchmark reports in over 30 countries and</p>
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⁴⁹ ILO (2017). *Upgrading Agricultural Work: A Comparative Analysis of Voluntary Certification Schemes*. Available online at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_620754.pdf

		<p>technical partner to address and close gaps in standard labour rights and protections.</p> <p>Certification schemes are encouraged to include requirements within their standards that make improving wage levels a core requirement. In the long-run, certified products should be able to inspire high confidence that certified products are compliant not only with fundamental labour conventions, but also push the bar higher on decent work in banana supply chains.</p> <p>Within standards, certification schemes can:</p> <ol style="list-style-type: none"> (1) Create explicit standard requirements for certified companies to commit to higher wage benchmarks, measure and report progress, and requirements to make progress towards closing gaps; (2) Publicly disclose company progress with wages and enforce consequences for non-compliance (3) Explore the introduction of additional impact claims for products which are certified as compliant to higher wage payments. <p>Moreover, certification standards are encouraged to engage in initiatives beyond voluntary private compliance schemes towards those that aim for institutionalised wage-setting improvements.</p>		<p>seeks to bring these into dialogues and wage-setting discussions with diverse stakeholders.</p>
<p><i>Weak social dialogue, including collective bargaining</i></p>	<p>Multiple actors</p>	<p>Improve social dialogue, including tripartite social dialogue and the support of industry-wide collective bargaining agreements. Any social dialogue should be in line with the</p>	<p>Collective bargaining is representative and effective. Social dialogue promotes consensus building</p>	<p>International Framework Agreement between Chiquita, the IUF and the Coordinating Body of Latin American Banana and Agro-industrial Unions (COLISBA) was signed to negotiate the</p>

		<p>Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144).</p> <p>Governmental action to facilitate collective bargaining. Governments of banana exporting countries can play an important role to overcome the barriers to collective bargaining. There is a wide range of obstacles to effective collective bargaining, which require different solutions at different governmental levels. These barriers include inhibitions to registration, access to remedies in court for violation of labour rights, inability of unions to challenge the refusal of authorities to register them, a high membership threshold in general, and more.</p> <p>Digital platforms that facilitate worker engagement. In addition, digital tools can be used to overcome challenges related to “offline” efforts to be deployed alongside—not as a replacement for—social dialogue efforts.</p> <p>Mobile-based technologies used to deploy anonymized surveys and create virtual information platform for workers are growing tools used by companies, governments and CSOs to get customised information about workers in supply chains, identify poor practices, facilitate grievance and remedial mechanisms, and demand reform.</p>	<p>and democratic involvement among the main stakeholders in the pursuit of securing workers’ fundamental rights and improvement of wages and conditions over time.</p> <p>Creating an institutional environment that allows workers to overcome barriers to collective bargaining is pivotal to lay the base of a fair, representative and transparent context for collective bargaining.</p> <p>Increased knowledge and data sharing about workers in supply chains. Using digital platforms enables market actors to conduct M&E, identify action areas, and develop tailored company-level improvement efforts. The data also has the potential for wider sector data- and knowledge-sharing about workers. These tools can also be used for raising awareness/ demand for reform by advocacy and rights groups.</p>	<p>protection and development of trade unions and labour rights in producer countries. ILO reports have referenced the IFA’s several positive outcomes:</p> <ul style="list-style-type: none"> ○ Played a critical role in union organizing efforts in Colombia and Honduras; ○ Facilitated the negotiation of permanent contracts for workers with temporary contracts in Costa Rica; ○ The sexual harassment clause has been used to address harassment cases.⁵⁰ <p>ACT Initiative on living wages in the garment industry is the first commitment of its kind between a global union and major apparel brands to support living wage increases through by linking national industry-wide collective bargaining to the purchasing practices of brands. This goes beyond bargaining which usually takes place at the level of the individual factory.</p> <p>The MoU signed between IndustriALL and ACT companies expresses an explicit commitment to industry bargaining to achieve living wages. ACT companies work with suppliers and IndustriALL affiliated unions to develop a coordinated plan of action for living wage negotiations, including the development of contractual mechanisms that support suppliers to implement negotiated wages. The ACT Initiatives also involves a commitment to joint approaches towards governments to lobby for higher minimum wages.</p>
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⁵⁰ ILO (2016). Decent Work in Global Supply Chains. International Labor Conference, 105th Session, 2016. Available online at: https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meeting_document/wcms_468097.pdf

		<p>They also enable workers to receive important information related to their rights, connect and organise, share experiences, communicate with management, and collectively advocate for improvements to wages and working conditions. A particular beneficiary of these tools are informal and migrant workers who are more vulnerable to labour rights violations.</p>	<p>Improved knowledge and organization of workers This data also improves opportunities for workers to access their rights and organise by enabling access to information, peer-to-peer network building for collective advocacy on improvements.</p>	<p>Laborlink has been used to elicit survey results from over 1.7 million workers in apparel and electronics supply chains. The tool enables workers to use their mobile phone to answer multiple-choice surveys about their working conditions with anonymized feedback and incentives and training for participation. Responses are analyzed to allow companies to identify priority risks and inform site-specific interventions. Follow-up surveys can be conducted to measure improvements. The platform also provides workers with educational content, employer updates, rights and services announcements, and survey results. Laborlink partners with global brands with a genuine commitment and leverage to make changes. Previous use cases demonstrate the effectiveness of mobile surveys and educational messages at raising awareness and willingness to act on worker issues.</p> <p>&Wider is used by audit platforms, certification systems, global brands, and suppliers to collect anonymous survey results and build capacity to improve workplace and sourcing practices. Its Engage tool offers a bidirectional channel for workers and management including employer notifications about worker data, and worker reporting of incidents, suggestions, feedback, and complaints, with options for anonymity.</p>
<p>Weak wage setting institutions and unequal treatment of workers</p>	<p>Multiple actors</p>	<p>Reform wage legislation by implementing adequate minimum wages and fair piece rate systems</p> <p>In the banana sector, attention should be paid to action on the following issues, for</p>	<p>Balanced compensation which covers all workers Adequate minimum wages should be implemented. In the cases of piece rate pay systems, ensure an evidence-based piece rate system that</p>	<p>ILO technical assistance on minimum wage setting through the use of methodology to assess the needs of workers and their families as well as economic factors in order to inform a balanced and evidence-based wage fixing.</p>

		<p>which the ILO can offer technical support and capacity building:</p> <ol style="list-style-type: none"> (1) Banana producing countries should adopt adequate minimum wage systems, statutory or negotiated, which take into account the needs of workers and their families as well as economic factors (2) In the banana sector, an issue of particular relevance relates to excessive working time and particular effort should be made to ensure decent hourly wages. (3) The predominant wage system in the banana sector is the piece rate pay. The governments have a key role to play in regulating these systems and design effective piece rate systems that ensure decent working conditions. In some cases, this wage system poses several risks for working conditions and wage stability.⁵¹ <p>In countries where piece-rates are not sufficiently integrated into collective bargaining yet, ensure methodologies of piece rate systems are agreed in tripartite negotiations with trade unions and workers. Ensure piece rate systems include provisions to avoid reliance on work intensity, such as a maximum number of hours per day during which piece rate work should be performed</p>	<p>protects workers. A transparent, collaboratively designed, and regularly reviewed piece rate system ensures that the negative risks are avoided, and workers are able to earn sufficient wages without comprising on decent working conditions.</p> <p>Migrant and temporary workers have equal treatment and entitlements</p> <p>Migrant and temporary workers are supported to achieve wages and working conditions parity with their permanent counterparts.</p>	<p>Other initiative to strengthen information on wages includes:</p> <ul style="list-style-type: none"> • Fair Wear’s Wage Ladder tool allows companies and factories to compare current wage levels to various benchmarks as input for negotiations with workers and management over an appropriate wage floor. • Rainforest Alliance and IDH Salary Matrix is a self-evaluation matrix where companies can determine worker remuneration and performance with respect to living wages which can be used for discussion and action to address gaps. • Living Wage Advocacy Initiative (LIWIN). The LIWIN is a pilot project in Ecuador and Ghana supported by Fairtrade International and the World Banana Forum. It seeks to reach national consensus on living wage benchmarks which can be fed into wage negotiations and wage-setting interventions. This initiative seeks to facilitate discussions between all stakeholder groups to collectively agree on appropriate benchmarks and does not endorse or promote pre-defined benchmarks. • The living wage benchmark studies have been completed for nearly all major
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⁵¹ ILO and IFC. (2018). *Piece Rate Pay and Working Conditions in the Export Garment Sector*. Better Work Initiatives. Available online at: https://betterwork.org/wp-content/uploads/2018/12/DP-28-Piece-rate-pay-and-working-conditions-in-the-export-garment-sector_Final.pdf

		<p>and introduce paid breaks for workers to avoid work intensity.</p> <p>In countries where piece rates are already part of collective bargaining, greater emphasis should be laid on monitoring and compliance: This might include regular review and update of piece rate systems. This includes updating rates in line with inflation and minimum wage changes;</p> <p>Information to support adequate wage setting Governments should be urged to adopt adequate minimum wages, as called for in the ILO Centenary Declaration for the Future of Work adopted in 2019. Such adequate minimum wages should take into account economic factors as well as indicators of needs of workers and their families.</p> <p>In the absence of adequate statutory minimum wages, the tea sector is strongly encouraged to support the development of Collective Bargaining Agreements (CBAs) to integrate needs-based salary as the minimum standard</p> <p>Introduce standards to equalise treatment for migrant and temporary workers to protect their labour rights Governments have the responsibility to ensure enforcement of legislation and fundamental rights at work through ensuring policy coherence including equal treatment of workers in national labour legislation.</p>		<p>banana producing countries. In Ghana, a Living Wage Committee has been set up between trade unions to determine how to use the benchmark in social dialogue, and in Ecuador a coordination team is exploring bilateral sessions and workshops between diverse stakeholders to discuss the findings and a way forward.</p> <p>Regarding improvements of migrant workers' working conditions best practices examples includes:</p> <ul style="list-style-type: none"> • Dominican Republic National Plan of Regularisation of Foreigners was passed following collaboration between Banana Link, Fairtrade and the Dominican government allowing 3,000 migrant workers to apply for identity cards and improve their living and working conditions. By 2016, almost 75% of the migrant workforce had legal status, enabling them to access all social security services. An independent rural workers' federation has organized several hundred Haitians and plays a key role in implementation and bargaining for migrant worker's rights in the industry. • Dominican Republic banana cooperative Bananalino's support for regularization in line with the legislation and the Fairtrade requirements for 95% of migrant workers to have a legal status,
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		<p>Different pathways through which positive influence can be made to migrant groups are:</p> <p>(1) Setting, monitoring and enforcing standards in regulations: National implementation of regularization schemes (see BP #1) and support organisations to ensure compliance (see BP #2). This should be accompanied by market actors setting commitments on contractual labour (see other recommendation);</p> <p>(2) Adopt model employment contracts that extend protections to migrant workers: Ensure workers covered by formal social security schemes are entitled to equivalent rights and protections, and ensure migrant workers can exercise freedom of association without fear of retaliation.</p>		<p>implemented (1) legal technical support to migrant workers; (2) established a census gathering key data related to migrant workers; (3) raised awareness among market actors and workers on regularization; and (4) managed and monitored the delivery process for registration and receiving documents. It has gathered key learnings to facilitate regularization related to the need to consider issues around language and the need for interpreters, as well as legal assistance and institutional aspects</p>
Unequal distribution of value in supply chains	<i>All actors</i>	<p>Bottom-up pricing and wage transfers</p> <p>Companies may negotiate a suitable target wage benchmark and compare against current wage data to determine the amount a single or collective of buyers is required to finance a wage increase. A price mechanism enables buyers to make contributions to a living wage payment based on willingness to pay / share of production bought.</p>	<p>Collective payment of higher wages</p> <p>Companies, suppliers and workers collaboratively agree on target wage levels and companies absorb wage increases based on transparent and open costing. This enables buyers to share costs and risks with other buyers to bridge wage increases.</p>	<p>Fair Wear Labor Minute Costing approach uses payroll data to calculate the total cost of increasing wages to a living wage level measured against the time it takes to make each garment to calculate a brand's share of higher labour cost, thus enabling brands sourcing from one factory to share responsibility for higher wages. Fair Wear research has published guidance on how 2 key problems can be overcome: (1) the compound price escalation effect of financing wage increases; and (2) adhering to competition law.</p>

4.2 Next steps: Ways to implement the recommendations

It is not sufficient to only know *what* needs to be done. The next question is therefore *how* the solutions mentioned above can be agreed to and implemented. Because of the strength of the international market forces currently at play, individual action will not be sufficiently effective to reverse these forces, by implementing the recommendations above and addressing the root causes. Rather, multi-stakeholder participation is required.

There are different initiatives that provide examples on multi-stakeholder dialogue and coordination of efforts. The World Banana Forum (WBF) provides a space for industry and other stakeholders to pursue labour rights. Through '[Working Group 03](#)', the Forum gathers all global banana supply-chain stakeholders to collaborate on trade union freedom and collective bargaining, health and safety, and other labour issues. Yet more decisive action on topics, such as coordinating the integration of living wage benchmarks into pricing practices and legislation, would require WBF members to obtain a stronger mandate to act. Part of this mandate can come from WBF and ILO reaching out to national governments and social partners to jointly organize tripartite negotiations at country-level.

Another such dialogue and action forum is the [German Action Alliance for Sustainable Bananas](#). The forum, initiated by a nonprofit organization and supported by the German Government through the Gesellschaft für internationale Zusammenarbeit (GIZ), aims to promote more responsibility along the entire bananas' supply chain.

An example that can be reciprocated in another country is the Dutch [Banana Retail Commitment on Living Wage](#), signed by majority of retailers in the Netherlands, and supported by IDH, the Sustainable Trade Initiative. Its goal is to predominantly sell bananas in Dutch supermarkets of which production workers have earned a living wage. The commitment is part of the broader Dutch Agreement for the Food Products Sector on International Responsible Business Conduct. It is an example of civil society and an (importing government) driving the collaboration with retail to achieve better worker conditions across the supply chain.

Naturally, this does not take away the responsibility of individual actors to comply with national legislation, and for governments to enforce this where necessary.