

## Terms of Reference

### Baseline Study on Wages in Palm Oil Sector

#### 1. Background

The United Nations’s Sustainable Development Goals (SDG) outline a wide range of public policy objectives that seek to provide a framework to address global challenges. The rising global inequality is one of the systemic risks faced by society today. A large segment of workers in global production systems and value chains, particularly in the agriculture sector, struggle to get by. Apart from permanent employees, this also impacts (even more) many informal, casual, and seasonal workers within the industry whose standard pay for a typical week’s workload is not sufficient to afford them a decent standard of living. According to the United Nations Development Programme (2015), “Poverty eradication is only possible through stable and well-paid jobs.” The concept of a living wage<sup>1</sup> builds on this as it seeks to provide individuals with the means to not only meet their vital minimum or basic needs but also to provide them modest security to extricate themselves from poverty. The security provided by a living wage can be directly linked to several of the SDGs including- Goal 1: No Poverty, Goal 2: Zero Hunger; Goal 3: Good Health and Wellbeing; Goal 4: Quality Education; Goal 5: Gender Equality; Goal 6: Clean Water and Sanitation; Goal 8: Decent Work and Economic Growth; and Goal 10: Reduced Inequalities.

It is important to make a clear distinction between a living wage and a national minimum wage. A national minimum wage refers to, “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” (ILO, 2014). Many countries in the world set one or more minimum wages and have legal provisions allowing freedom of association and collective bargaining which sometimes led to setting wages based on collective bargaining agreements (CBA) between employers and workers. Nevertheless, working poverty has been prevalent worldwide, and in 2021, working poverty rate stood at 6.9% which means millions of workers remained unable to make ends meet and live under poverty lines<sup>2</sup>. Over 266 million

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<sup>1</sup> In this TOR the terms ‘living wage’ and ‘decent living wage’ have the same meaning and may be used interchangeably.

<sup>2</sup> ILO website: <https://ilostat.ilo.org/data/>, Barford, A., Gilbert, R., Beales, A., Zorila, M., & Nelson, J. 2022. The case for living wages: How paying living wages improves business performance and tackles poverty. Business Fights Poverty, University of Cambridge Institute for Sustainability Leadership & Shift. DOI: 10.17863/CAM.80370 URLs:

workers are paid below minimum wage because of either non-compliance or not being covered by the legislation. It is under this backdrop that the issue of living wage increasingly became a global concern that needs to be addressed urgently.

A living wage, as defined by Global Living Wage Coalition (GLWC) refers to “The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.<sup>3</sup>”

The Roundtable on Sustainable Palm Oil (RSPO) is one of the leading voluntary sustainable standard-setting organisations in the global agricultural production system. The RSPO adopted the above GLWC definition of living wage and approved the Anker methodology (Anker and Anker 2017) for conducting living wage estimates. Indicator 6.2.6 of the RSPO Principles and Criteria (P&C) 2018 stipulates that “*a decent living wage (DLW)* is paid to all workers, including those on piece rate/ quotas, for whom calculation is based on achievable quotas during regular working hours.” In November 2019, the RSPO Secretariat provided interim measures with which Members are to comply with in the absence of an RSPO-endorsed benchmark for the country. Principally, apart from paying legal minimum wages, the interim measures require members to conduct an assessment of the prevailing wages<sup>4</sup> and in-kind benefits<sup>5</sup> provided to workers.<sup>6</sup> However, ensuring proper implementation of a living wage needs a good understanding of the context where RSPO Members operate, existing wage practices on the ground, and having baseline information that can enable designing appropriate support to Members as well as tracking progress over time. To this end, the RSPO Secretariat recognized the need to conduct high-quality research in major palm-producing countries/regions, i.e. Indonesia, Malaysia, Latin America, and Africa.

The two countries that produce the most palm oil worldwide are Malaysia and Indonesia. Malaysia accounts for 25% of the world's supply of palm oil, whereas Indonesia produces 59% of it globally

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<https://businessfightspoverty.org/register-the-case-for-living-wages/> and <https://www.cisl.cam.ac.uk/resources/publications/case-for-living-wages>

<sup>3</sup> GLWC website <https://www.globallivingwage.org/>

<sup>4</sup> The sum of remuneration comprised the basic wage, assured cash allowances and bonuses, fair and reasonable value of in-kind benefits, and assured production bonuses earned during normal working hours. The prevailing wage explicitly excludes overtime pay, deferred benefits, and non-assured bonuses (Annex 1: Definitions; P&C 2018).

<sup>5</sup> Payments in kind are goods and services furnished to employees free of charge or at markedly reduced cost that are clearly and primarily of benefit to the employee as consumers. They comprise food, drink, fuel and other payments in kind; and cost, other than capital cost, of workers' housing borne by employers (cost for employer owned dwellings, cost of dwellings not employer owned, other housing costs). (OECD Glossary of statistical terms, 2002).

<sup>6</sup> DLW interim measures (<https://rspo.org/interim-measure-for-the-implementation-on-decent-living-wage-indicator-626-of-rspo-principles-and-criteria-2018/>), DLW guidance documents ([https://www.rspo.org/wp-content/uploads/rsपो-gui-t08-004\\_v1\\_eng\\_guide\\_on\\_living\\_wage.pdf](https://www.rspo.org/wp-content/uploads/rsपो-gui-t08-004_v1_eng_guide_on_living_wage.pdf) and [https://rsपो.org/wp-content/uploads/rsपो-guidance-on-calculating-prevailing-wages.pdf](https://rspo.org/wp-content/uploads/rsपो-guidance-on-calculating-prevailing-wages.pdf))

(USDA Foreign Agricultural Service, 2023). While being in close geographic proximity, these countries have diverse context-specific characteristics that each have a distinctive impact on how businesses in those contexts generally operate, including firms in the palm oil sector, their employment practices, and wage levels. For instance, the bulk of workers in the Malaysian palm oil industry are foreign migrants. In contrast, the industry in Indonesia appears to rely more on local people, particularly transmigrant workers (workers moving within a country, from one part of the country to the other). Moreover, Malaysia only has one national minimum wage, but Indonesia has multiple sub-national minimum wages but there is limited knowledge available about how the minimum wages are applied and their implications in the sustainable palm oil sector. Palm oil production has been rapidly growing in Latin American and African countries creating a large number of employment opportunities. Latin American palm oil production increased by more than 60% in the 2011–2012 period, reaching 4.6 million tonnes in 2020–2021 and accounting for 6.4% of global output (USDA Foreign Agricultural Service, 2022). With Colombia, Guatemala, Peru, Mexico, Ecuador, and Honduras among the major exporters, the output is projected to increase even further. Making up 4% of the global palm oil production, some of the large palm oil-producing countries in Africa include Nigeria, Cote d'Ivoire, Cameroon, and Ghana. Some countries in those regions have national minimum wage and sometimes wages are set through CBA as well (e.g. Colombia and Ghana). In addition, the law of the land might require provision of certain benefits and allowances to workers (e.g. in Colombia, employers are required by law to provide transportation allowance and to make social security contributions). Furthermore, in some countries the government provides basic services such as education and health care for free or at subsidised price which would lower the costs of living for workers and their family and have implications on understanding prevailing wages or current wages. Current or prevailing wage (remuneration) is often calculated considering several components such as base wage, in-kind benefits, bonuses and allowances (see footnote 4 & 6). The RSPO guidance on prevailing wages provided principles that can help determine which in kind benefits, bonuses and allowances should be included as part of prevailing wage.

## **2. Objectives of the Study**

This research aims to shed light on country specific dynamics: the minimum wage systems; industry norms; current wage structure by job segments; and contract types in palm oil producing regions where RSPO members operate. This study is expected to provide deeper understanding and rich contextual information (at national, sub-national, industry level), clarity on common job segments, contract types, pay systems, and wage structures (or components of wage) that are common in the palm oil sector (mainly based on firm/company level information). The report of the study also aims to deepen understanding of actual wage levels compared to relevant minimum

wages (national, sub-national, sectoral, CBA as well as international poverty line wage), opportunities, and challenges to improve wages in the sector.

### 3. Scope of the Study and Research Design

National and institutional level factors strongly influence firm-level realities and dynamics. Hence the research focuses on:

#### Phase 1

**Institutional level (analysis of national, sub-national legal requirements, major public and private regulations that influence industrial relations and wages in the palm oil sector).** This level of analysis will be done for the following countries: Indonesia, Malaysia, Colombia, Guatemala, Brazil, Honduras, Ghana, Nigeria, Côte d'Ivoire (Ivory Coast) and Cameroon.

#### Phase 2

**Company-level (wage structure and pay systems across various job segments and types of contracts).** Firm/company level analysis will focus on countries: Indonesia, Malaysia, Colombia, Guatemala, Ghana and Côte d'Ivoire (Ivory Coast). The scope of implementation of this baseline study at firm level is limited to sample plantation and mill companies (unit of certification) that are members of RSPO in the proposed countries.

The baseline study should involve secondary research, i.e. desktop review of peer-reviewed literature alongside grey literature, as well as primary research involving various field instruments such as surveys, key interviews (including with institutional level actors), focus group discussions, document reviews, and so on.

### 4. Timeframe

It is expected that the research will be conducted in phases across the regions and countries in a timeline of 18 months. Phase 1 of the research (July 2023- Dec 2023) will focus on the institutional level and the report of the Phase 1 will be discussed with the RSPO before launching the Phase 2 (Company-level) research (Jan 2024 – Oct 2024).

The final report (Phase 1 & 2) is expected to be submitted to the RSPO by Nov 2024.

## 5. Deliverables

Within the proposed timeframe, the following deliverables are expected:

- i. Final data sets (all raw data). RSPO retains the proprietary rights to all the data collected, referred to and used in the preparation of the reports including all outputs (all reports of Phase 1 and 2).
- ii. Monthly progress reports and/or discussions including but not limited to survey instruments and guides for interviews or focus group discussions, fieldwork updates and others.
- iii. A final report at the end of the study covering:
  - a. analysis of the objective and scope as mentioned above including relevant annexes.
  - b. comparative analysis of wages or wage ladder (comparing actual wages with relevant minimum wages and/or average wages of the sector (where applicable), national and world bank poverty lines etc)
  - c. opportunities and barriers/challenges to improve wages in the sector including flagging out best practices.
- iv. A presentation pack and presentation of the findings of the study and/or to relevant task force or working groups.

## 6. Applicant's minimum requirements for eligibility

RSPO requires the services of specialised, consistent and independent individual(s) to conduct the research as per the objective mentioned above. The applicant is required to meet the following eligibility and requirements as detailed below:

- i. Applicants must hold either a Doctorate or Master's Degree or equivalent in economics, development or in relevant social science disciplines or demonstrate more than 5 years of experience in relevant fields.
- ii. Applicants must be able to demonstrate evidence of the following technical and professional knowledge and skills:
  - a. Proven experience in evaluation analysis and data collection methodologies relevant to this project (knowledge and understanding of minimum wages, living wages, familiarity with palm oil industry, etc.).
  - b. Expertise in qualitative and quantitative data analysis with an ability to synthesise information in the form of consumable graphs and data charts/infographics

- c. Excellent verbal and written skills in English, and skill in local languages is an advantage
- iii. Applicants must be affiliated with a college, university, non-profit research facility, or consultancy services organisation.
- iv. Applicant preferably resides in one of the areas of research. If the applicant does not reside in the countries, they must involve or work in collaboration with a researcher from a local university or research institute as a local counterpart.
- v. Applicants must be willing and have the means to travel for fieldwork.
- vi. Applicants must avoid and disclose to RSPO of any real, perceived, or potential conflict of interest that they may have with RSPO or any entities in the research project. An apparent or actual conflict of interest may exist where an individual or entity has different, and potentially conflicting, duties or relationships with respect to other individuals or entities within the research project and RSPO.

## 7. Tender Submission Guidelines

The proposal should take into consideration the following elements:

- The technical proposal within 15 pages in length and should include a detailed methodological and operationalization plan of the study including timeline.
- Proposed budget for Phase 1 & 2 of the research should be done separately, needs to be broken down by deliverables and timeline, and within 2 pages. The budget quoted should be inclusive of all taxes and delivery costs and shall remain valid for 120 days from the closing date of the tender. Where appropriate, any costs for travel and subsistence must be clearly shown in the proposal.
- Detailed curriculum vitae of the researcher and each active member of the team should be presented. Attention should be made to relevant experiences.

### i. Submission Timeline

Your proposal should adhere to the below Dates:

Date	Tender Activity	Active Party
22 May 2023	ToR Published	RSPO
29 May 2023	Expression of Interest must be received by this date	Vendor
12 Jun 2023	Proposals must be received by this date	Vendor
12 Jun 2023	Start of Clarifications* on proposals (if required)	RSPO & Vendor

Date	Tender Activity	Active Party
16 Jun 2023	Shortlisting of Vendors	RSPO
19 Jun 2023	RSPO Tender Committee Review	RSPO
10 Jul 2023	Award of successful vendor	RSPO & Vendor

\* Clarifications may involve email communication or even online presentations if required.

### ii. Evaluation Criteria

RSPO would evaluate your proposal based on the below criteria.

Criteria	Weight
Content, technical knowledge of the subject and methodology	40%
Resources and working team- Presence/capacity to operate in the research areas stated in ToR Section “3. Scope of the Study and Research Design,” use of local teams/ translators.	20%
Creativity in achieving the objectives of the study	15%
Past Experience- Sector and context knowledge	15%
Understanding the requirements and commitments needed to meet the objectives	10%

### iii. Instructions on the Proposal Submission Process

Expressions of Interest (EOI) should be submitted via email to [hrss@rspo.org](mailto:hrss@rspo.org) and [tender@rspo.org](mailto:tender@rspo.org) by **29 May 2023**.

Proposals should be submitted as PDF documents, strictly via email to [hrss@rspo.org](mailto:hrss@rspo.org) and [tender@rspo.org](mailto:tender@rspo.org) by **12 June 2023**.

Any enquiries in connection with this ToR shall be submitted to RSPO Human Rights and Social Standards Unit at [hrss@rspo.org](mailto:hrss@rspo.org), and CC; [tender@rspo.org](mailto:tender@rspo.org).

## 8. References

Anker, R., & Anker, M. (2017). *Living Wages Around the World: Manual for Measurement*. Cheltenham, UK: Edward Elgar Publishing. Retrieved Aug 1, 2022, from <https://www.elgaronline.com/view/9781786431455/9781786431455.xml>

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