

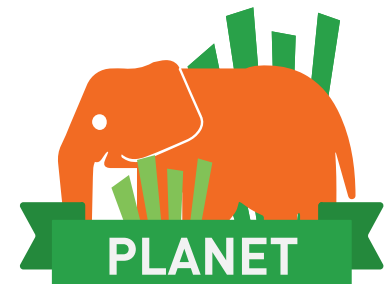
# Decent Living Wages

Webinar : 03.03.2020

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**“ RSPO Principle and Criteria (P&C)  
was recently reviewed and endorsed  
on 1<sup>st</sup> November 2018 ”**



# Living Wages



## **P&C 2018 (6.2)**

Pay & conditions for staff and workers and for contract workers always meet legal or industry minimum standards and are sufficient to provide a DLW

## **P&C 2013 (6.4)**

Pay & conditions for employees and for contract workers always meet at least legal or industry minimum standards sufficient to provide decent living wages (DLW).

### **For National Interpretation (NI):**

NI will define a DLW. Where there is not NI, the legal minimum wage will be used.





# ***What is a Decent Living Wage?***



***“ 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 his/her family ”***

# ELEMENTS OF DLW



**Food**



**Water**



**Housing**



**Education**



**Healthcare**



**Transport**



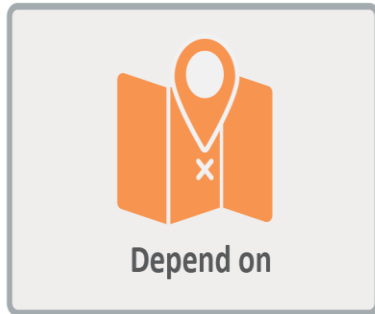
**Clothing**



**Provision**

# DLW Methodology

Geographical Costs



***The DLW methodology adopted from the GLWC helps estimate the cost of a basic but decent standard of living for a worker in his or her family***

***The methodology requires input of data based on geographical costs***



## Steps to Determining the DLW in the Area:-



**Determining the Unit  
of Measurement**



**Determining the Price  
of a Living Basket**



**Adding Additional  
Funds and Taxes**



**Adjusting for Inflation  
and Updating  
Calculation**





# Advantages of Paying a DLW

**Attracting business from multinational companies concerned about social issues like DLW**

**Increasing productivity and reducing production costs by reducing high staff turnover**

**Recruiting better quality workers**

**Reducing rejection rates**

**Increasing worker commitment, effort, and confidence in their employers**

**Reducing the number of strikes, work slow down, and labour unrest**

# Determining the DLW:



Food Costs

+

Housing Costs

+

NFNH Costs

=

Sub Total

Sub Total

+

5% for Unexpected

=

Total Living Basket

Total Living Basket

÷

FTE

=

Net Living Wage

Net Living Wage

+

Mandatory Deductions

=

Gross DLW

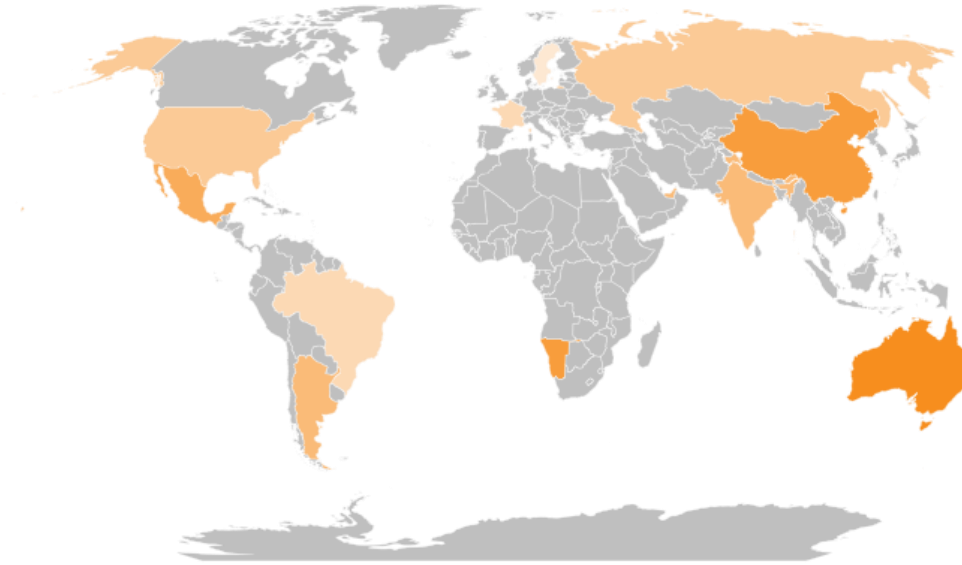
***“ Step 1: Determining the  
Unit of Measurement ”***



# A DLW is also Location Specific

Determine  
boundaries

Identify  
characteristics of a  
Reference Family  
Size





***“ Step 2: Determining the Price of a living basket ”***





# Food Basket

- Food basket represents the cost of a model diet for a Reference Family Size, that is consistent with local food preferences and is relatively low in cost for a nutritious diet.
- The food basket should consist of a selection of items meeting the WHO and FAO guidelines, specified to local food choices and accounted for in recent surveys that are conducted. The food basket includes costs for food and non-alcoholic beverages.
- The determination of food cost within the UoC can be determined by following these steps:

Steps to determine Food Costs within the UoC<sup>18</sup>:

## Step 1.

Determining the recommended calorie intake for a Reference Family Size<sup>19</sup>.

## Step 2.

Determining the food groups locally consumed to cover the calorie intake.

## Step 3.







Determining the price of these food groups

\*in the absence of GLWC benchmarks, members are encouraged to use location specific data where possible and national data where the location specific data is not available.

# Housing Basket



The *housing basket* encompasses the estimate of housing costs for a DLW to be sufficient for workers and their families to afford in accordance with National laws, or in their absence the ILO Guidance on Workers' Housing Recommendation No. 115.

 An orange icon of a two-prong electrical plug inside a circle.	Electricity	 An orange icon of a trash bin.	Access to garbage disposal
 An orange icon of a lit lightbulb.	Adequate lighting	 An orange icon of a three-bladed fan inside a circle.	Adequate ventilation
 An orange icon of a faucet with a single drop of water falling from it.	Access to clean water and sanitation	 An orange icon of a simple house with a chimney.	Housing should provide physical and structural safety and protection from the cold, heat, humidity, rain, wind, flooding, and potential health threats



## Non-Food Non-Housing Basket

- The NFNH *basket* refers to the costs needed to ensure that a DLW estimate is more normatively based and there are sufficient funds for healthcare and education.

- The NFNH basket includes (but is not limited to) the following:

- Education
- Provisions
- Transport
- Medical
- Clothing







***“ Step 3: Adding Additional  
Funds and Taxes ”***





- **Living basket per household is divided by the number of working adults per family, expressed in full time equivalent.**
- **From that figure, 5% of the determined wage is added to account for *unforeseen costs*.**
- **Income taxes, social security taxes and union fees that are normally deducted from wages are also added, while taxes for housing should be accounted for in the estimation of the housing basket.**
- **The result of this step is the DLW benchmark per full time equivalent.**

*“ Step 4: Adjusting for inflation & updating the calculations ”*





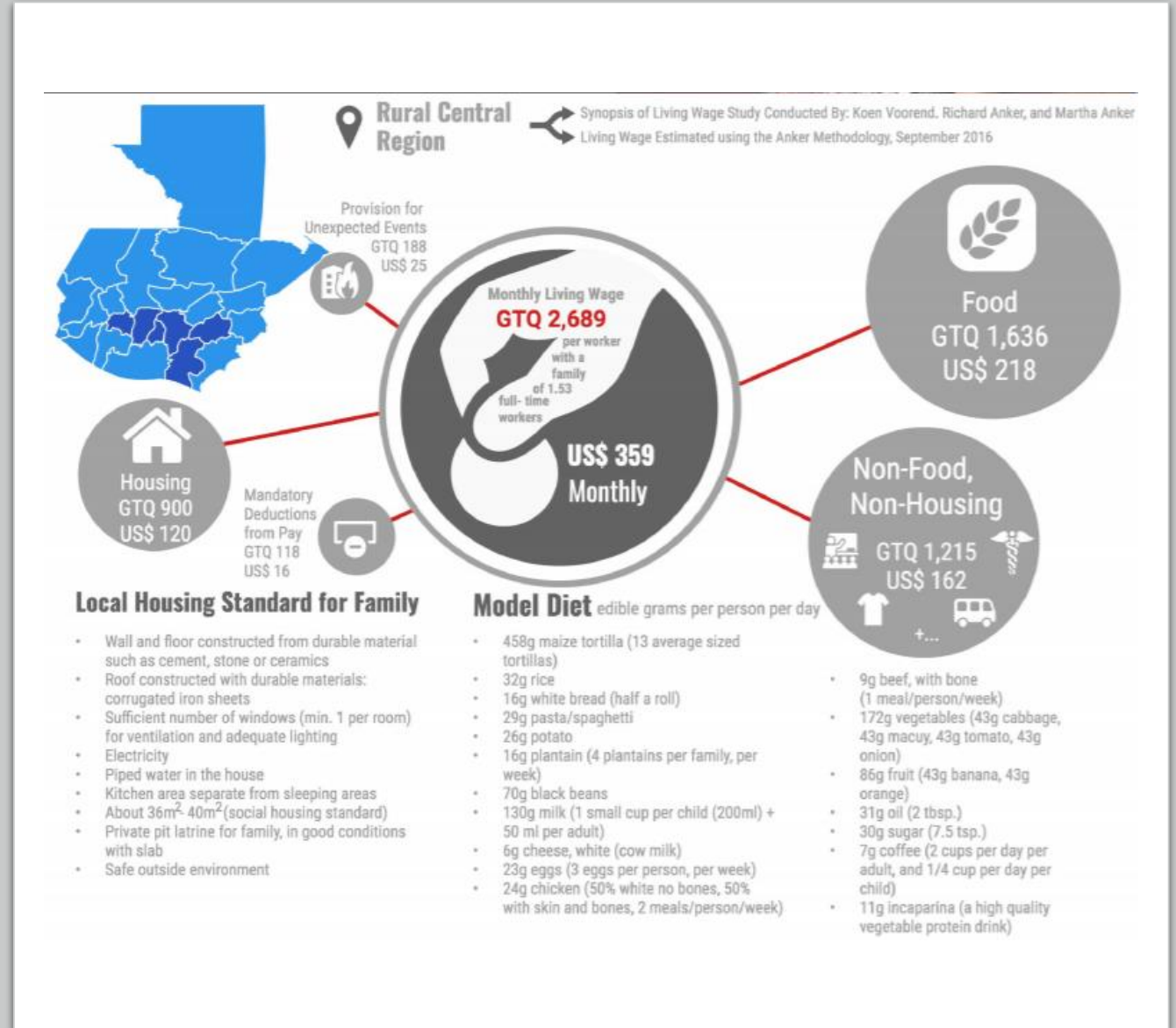
Annually, DLW benchmark should be corrected for inflation and tax changes.

Unless inflation is more than 10% per year, it should be done more often.

This should be included in the implementation plan and corrected on a regular basis.

# Sample Calculation of Living Wage in Rural Central Region, Guatemala

[www.glwc.com](http://www.glwc.com)





***“ Implementation ”***



## Interim Measure Pending Development of Benchmarks:-

*For countries where no living wage standard is established, until such time that an RSPO endorsed benchmark for the country is in place, **national minimum wages** shall be paid to all workers. In addition to the payment of minimum wages, the Unit of Certification (UoC) shall conduct an **assessment** of the **prevailing wages** and **in-kind benefits** provided to workers in the Unit of Certification aligned with the RSPO Guidance for Implementing a Decent Living Wage.*

# Implementation of Interim Measure:



**To understand what are  
Prevailing Wages  
provided in the UoC**

**Help identify the value of  
Prevailing Wages in your  
operations**

**Identifying in kind  
benefits**

**Which in kind benefits  
can/cannot be included in  
the calculation of  
Prevailing Wages**

**Compliance with  
Interim Measure**

**How Assessments will  
be conducted during  
the Interim Period**



**Prevailing Wage:**

**“ Remuneration earned by a worker during normal working hours. ”**



## Important for 2 reasons:-

- To identify the true value of remuneration already being provided to the worker

*(Is that sufficient in terms of decency?)*

- To identify the gap between living wage benchmarks (when available) and the total remuneration provided. This will help the UoC to assess the values of the in kind benefits and develop an implementation plan towards the payment of the DLW.



*In Kind Benefits (“IKB”): Goods &*

*“ Services provided to employees free of charge or at a reduced cost, that are clearly and primarily for the benefit of the employee as a consumer. ”*

# Principles in Calculating PW



**Receipt Assured**



**Received in Cash**



**Received within 1 year**



**Earned during standard Working Hours**





## *Common types of In-Kind*

*“ Benefits that you know of that are already being provided in palm oil plantations? ”*

# Common Forms of Remuneration to Include/Exclude



Include	Exclude
Basic wage & cost of living adjustments	Overtime
Housing Allowance	Night shift, weekend and holiday pay premium
Transport Allowance	Cash bonus when profits are good
Non-production bonuses paid once or several times during the year	Responsibility Allowance/ Technical Skill Allowance
Retention Bonus	Medical services related to work injuries and illnesses
Allowance to visit 'home'	Schools or hospitals or clinics on estates that are built and run by the government
Education Allowance	Drinking water at work
Production/ Incentive Bonus (exclude if need to work overtime to meet minimum target)	Educational Assistance (e.g. scholarships)
Housing utilities	Land to grow vegetables



# Common Forms of Remuneration to Include/Exclude

Include	Exclude
Meals at work	Visa or work permit
Food rations/commodities given for free or sold at concession rates	Condolence allowance for funerals or death of family members
Transport	Paid time off for sickness or holidays
Fuel	Unpaid time off for sickness or holidays
Creche/ Child care	Unpaid time off for sick leave, holidays, maternity leave
School for worker's children	Gratuity or severance pay
Medical services not required by law and not related to work injuries an illnesses	Occupational Health & Safety Programs
Private medical insurance	Support for night classes
Medical facilities provided by the employer	CSR projects

# Standard IKB required by P&C 2018: Housing



**Electricity**



**Access to garbage disposal**



**Adequate lighting**



**Adequate ventilation**



**Access to clean water and sanitation**



**Housing should provide physical and structural safety and protection from the cold, heat, humidity, rain, wind, flooding, and potential health threats**





# Non-Food Non-Housing Benefits

Besides being required to provide medical, educational and welfare amenities where no such public facilities are available or accessible, many members also already provide the following IKBs:-

- Transport to school
- Transport for workers to go to town on weekends
- Provisions
- Clothing
- Meals at work
- Petrol Allowance





# Determining Fair & Reasonable Value for IKB

**Value should not exceed the cost to employer**



**Should not exceed its replacement cost if purchased in market**



**Value cannot be lower than an alternative cash allowance option offered to workers when such option is available.**



**Where the IKB is not free, the cost to the worker needs to be subtracted**



# Determining Fair & Reasonable value for IKB



- When calculating IKB as partial payment, the partial payment of the wage **should not bring the cash wage below minimum wage.**
- In determining the value of the IKB provided, if the UoC has already budgeted a specific amount for the particular IKB, the same can be averaged out to the cost per worker. Examples of IKB that can be averaged out include:-
  - Education
  - Health
  - Meals
  - Food rations or food commodities
  - Transport
  - Petrol Allowance
  - Childcare/ Creche

*E.g:*

*Where the UoC provides a school bus , the cost of the school bus can be averaged out to all the workers to determine the average value of the expense **per worker**. This is regardless of whether the worker uses the facility or not.*

- When calculating **bonuses**, such as fixed bonus/retention bonus, the value of the bonus should be divided by 12 to average out the value of the benefit to the worker on a monthly average

# Housing



- Housing cost should be divided into total cost per house and can include the following allowance:-
  - ❖ Building cost
  - ❖ Service life of the house
  - ❖ Annual maintenance cost (if borne by the employer)
  - ❖ Electricity consumption
  - ❖ Water consumption
  - ❖ Annual Taxes, fees or levies per house

## **Formula to Calculate Housing Cost:-**

***{Building Cost Service Life of a House + Annual Maintenance + Electricity Consumption + Water Consumption + Annual Taxes Fees Levies} ÷ 12***

**OR:**

***{Building Cost Service Life of a House + Annual Maintenance + Annual Taxes Fees Levies} ÷ 12***

***Water and Electricity charges can also be divided by:***

***(Total Cost of Utilities per annum ÷ Number of houses) ÷ 12***

# What will auditors look at?

## Verify cash allowance & IKB provided

Determine if it can be included in the calculation of the Prevailing Wage or not

01

## Document Review

Check the calculations of the Prevailing Wages and the supporting documents to verify the values

02

## Interview

Verify through interviews to ascertain if workers are receiving the cash allowances & IKB regularly.

03



# Verification

**Is Minimum Wages Being paid to all workers?**

**(NC if Minimum wage is not paid!)**

**Assessment of the Prevailing Wages in the UoC**

**(NC if no Assessments are done)**

**List of Cash Allowances and Supporting Documents for the IKBs listed**

**Collective Agreements if any**



# Sample Calculation

## Prevailing Wage

### In-Kind Benefits

	Local Worker	Foreign Worker
Housing (Cost of Building ÷ 30 years) + (annual maintenance ÷ number of houses) ÷ 12 months	RM 272.13	RM 272.13
Electricity & Water (annual cost of water & electricity ÷ number of houses) ÷ 12 months	RM 549.29	RM 549.29
Education [(total costs not including teacher and non-teacher labour cost + school transport + school building maintenance + food for children) ÷ number of workers	RM 162.71	RM 9.25
Creche Facilities (building maintenance + food for children + supplies + caretaker costs ) ÷ number of workers	RM 14.35	RM 14.35
Healthcare (maintenance of clinic, medicines, medical materials, ambulance transport cost + cost of healthcare workers) ÷ number of workers	RM 5.88	RM 5.88
Transport	RM 55.81	RM 55.81
Clothing	RM 0.74	RM 0.74
Food	RM 1.26	RM 1.26



# Sample Calculation

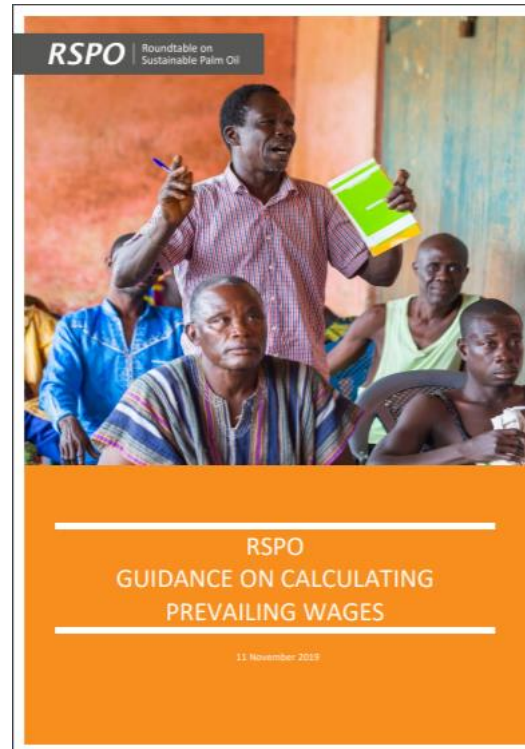
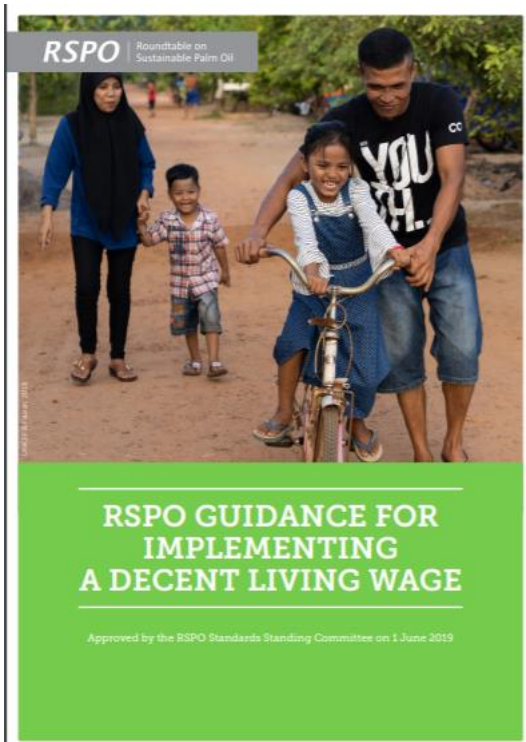
## Prevailing Wage

In-Kind Benefits	Local Worker	Foreign Worker
Sports & Recreation Facilities	RM 7.98	RM 7.98
Total cost of in-kind benefits	RM 1070.15	RM916.69
Average monthly take home salary per worker	RM 901.86*	RM 1,171.52
<b>Total Value of Prevailing Wage</b>	<b>RM 1,972.01</b>	<b>RM 2,088.21</b>

*\*(At the time of calculation, the Minimum Wage in the area of the UoC was RM800)*



# Available RSPO Guidance:



**COMPANY NAME:**

HOUSING BASKET		
Type of Expense	Unit	Amount
Total number of houses (1)		
Total cost to build all houses (2)	RM	
Cost to build a house (3) (2) ÷ (1)	RM/house	#DIV/0!
Service life of a house (4)	years	
Annual cost of maintenance for all houses (5)	RM	
Annual cost of maintenance per house (6) (5) ÷ (1)	RM/house/year	#DIV/0!
Annual electricity consumption cost for all	RM/year	
Annual electricity consumption cost per house (7)	RM/house/year	#DIV/0!
Annual water consumption cost for all houses	RM/year	
Annual water consumption cost per house (8)	RM/house/year	#DIV/0!
Annual taxes, fees , levies and house insurance for all houses	RM/year	
Annual taxes, fees , levies and house insurance per house (9)	RM/house/year	#DIV/0!
Annual housing cost per house = (3) ÷ (4) + (6) + (7) + (8) + (9)	RM/house/year	#DIV/0!
Housing cost per house per month = (3) ÷ (4) + (6) + (7) + (8) + (9) ÷ 12 months	RM/house/month	#DIV/0!
<b>Average housing cost per month</b>	<b>RM/house/month</b>	<b>#DIV/0!</b>

These Tools are available on [www.rspo.org](http://www.rspo.org)



“ Questions?? ”



**Find out more at**  
**[www.rspo.org](http://www.rspo.org)**