

**BASE STUDY ON A
LIVING WAGE METHODOLOGY
FOR LATIN AMERICAN BANANA
PRODUCTION**

Working Group 02 (WG02) Distribution of Value
World Banana Forum – WBF

and for the WBF Secretariat
at the Food and Agriculture Organisation
of the United Nations (FAO)

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Presentation of the study

This report has been written at the initiative of the core group of Working Group 02 on Distribution of Value of the World Banana Forum following an agreement at their meeting in June 2010 in Paris. The objective cited in the terms of reference is:

“Starting from a basic conceptualisation of living wage, to analyse wage issues in Latin American banana production in order to propose a methodology for arriving at a living wage in the sector.”

The concern around this issue derives from debates already initiated in the World Banana Forum at its inaugural meeting at FAO headquarters in Rome in December 2009. At this launch meeting it was agreed that the work of the Forum would take place in permanent Working Groups on the themes identified as being the most important for the sector.

The Working Group on Distribution of Value along the Chain, known as WG02 (Working Group 02), was established in order to analyse economic relationships in international banana production and trade. This group, in common with all the other Working Groups is multi-stakeholder (fruit companies, growers, trade unions, certifiers, fair trade organisations, NGOs, supermarkets etc).

One of the most important links in the value chain is the workforce involved in production, not only in as far as it is an important cost, but also in that there exists a whole set of labour issues. The wage issue is important when talking about the value chain, as it is one of the ways in which the wealth generated along the chain is distributed to those employed in fruit production. As far as WG02 is concerned, the aim is to work towards “living wages”.

A “living wage” is a term that refers to how much a worker should be remunerated in order to live decently or “with dignity”, and to how much it is fair to pay when the wealth generated by banana production is taken into account.

The work was commissioned from Víctor Hugo Quesada Arce, a Costa Rican sociologist working at the non-governmental organisation ASEPROLA, based in San José, and who participated in the World Banana Forum. The study was to be undertaken between August and the end of October 2010.

The final product requested is a proposal for a living wage methodology for the Latin American banana industry that includes a possible test or pilot plan in two countries (Ecuador and Costa Rica).

This study has three main sections:

- 1°. Methodological procedure of the study
- 2°. Definition of the problem
- 3°. A proposed living wage methodology

The first section explains the thinking that led to the proposal, what elements were rejected and what ideas gained credence in the course of the work.

The second section defines the wage problem and the basis for the methodological proposal. It focuses on minimum wages in the agricultural export sector of the banana exporting countries of Latin America, not on actual wages in the industry - for the simple reason that it is not possible to gather credible wage data in such a short time. However, this research phase did lead to a working hypothesis for a methodology, which will in due course require a study of actual wages in the industry.

The third section sets out the proposed methodology for approximating a living wage in Latin American banana production.

1 METHODOLOGICAL PROCEDURE OF THE STUDY

1.2 The objective of building consensus on living wage

The objective of the core group of the World Banana Forum Working Group on Distribution of Value (WG02) on the issue of living wage is to find a “common innovative methodology” for the Latin American industry (as noted in the minutes of the June meeting).

Indeed this highlights the biggest challenge of this study: how to reach a methodology that is universally applicable, and how can it be implemented in such a large and diverse industry?

The Latin American banana industry is very broad in the diversity of types of producers: in terms of hectares under production there are small, medium and large growers, who are defined differently according to the country; there are independent national producers¹ and the multinationals that are involved in both production and trade. In Costa Rica alone there are some 150 independent producers who account for 48% of export production, whilst in Ecuador there are more than 6000 farms registered.

When the proposals tested in Latin America are analysed, especially those of the social certification companies or initiatives, the conclusion is that, although they are methodologically exhaustive and well-focused, trialling them on a broader scale or applying them at a national level could incur considerable costs and raise technical difficulties that may be hard to manage. Besides, it is not the intention of WG02 to compete with the certification initiatives or other codes and standards.

On the contrary, as the methodology proposed for the WBF should be applicable across the sector and needs to facilitate consensus-building, it needs to take into account other approaches to making progress towards a living wage such as Fair Trade, the instruments of free collective bargaining between employers and employees and other forms of corporate social responsibility.

As will be seen further on, these approaches should contribute to advancing the goal of achieving living wages. It must not be forgotten that the World Banana Forum and its Working Groups are multi-stakeholder and that consensus-building is not just a desirable way of working, but also a crucial element in its proposals for the industry.

Equally, it should be noted that in the course of this study it is recommended that the WBF's living wage proposal needs to work with national variables, but also deal with the need for international comparability; for example, the basic household food basket figures based on Dietary Energy Requirement calculations, Consumer Price Indices, the legal minimum wage and others are all potentially useful indicators referred to in national and international policy work on poverty reduction. The adoption of such indicators would facilitate the process of monitoring and gathering reliable information that is based on official verified sources from national governmental or regional and international institutions.

¹ They are referred to as “independent” because of their legal ownership status, as opposed to the multinational companies; however they are linked to the latter through a supply contract that requires them to meet the standards associated with the multinational brand.

It would be a different matter to work with variables and models that still need to be developed for use with specific actors (communities, farms or companies) as this would lead to further methodological debate and problems of monitoring.

1.2 Living wage initiatives

One of the first tasks was to review the different labour standards initiatives that deal with the issue of living wages.

An in-depth study by Gayrard & Lefèvre (2010) at the University of Paris undertaken for Banana Link is an important reference in the field as it analyses and synthesises the main living wage initiatives. It is the private certification and CSR initiatives that have led the way in this area of work. International companies have also commissioned organisations specialised in labour issues to undertake studies on the wage issue.

To gain a more complete picture, various websites of organisations involved in such work were visited and various relevant reports analysed.

This process led to the conclusion that they are two approaches to tackling the living wage issue:

- One is based on a comparative approach to wages and relates wages to the best in the sector, especially to those resulting from collective bargaining, which obviously requires a trade union to be present in the company or the sector. This approach can be implemented by undertaking a series of investigations into the needs of men and women workers and their expectations of living standards that are then integrated into the proposal. The proposal is generally directed at companies that are required to take the final decision on movement towards a living wage².
- A second approach is more political. In other words, a living wage should be defined in order to signal – or more often to denounce – the inequalities generated by the globalised capitalist mode of production. It is then used as an argument for a fairer distribution of global wealth. The conclusions reached using this methodology generally show up a large gap that needs to be filled between minimum wages and a living wage. The living wage is therefore used as a way of exposing the system of exploitation or as a way of formulating a demand for fair wages. This political approach is adopted by some trade unions, human rights organisations and political parties. Other social movements and NGOs give their proposals an international dimension, as in

² This approach is taken by the initiatives that make up the International Social and Environmental Accreditation and Labelling (ISEAL) alliance, such as Rainforest Alliance, Social Accountability International (SAI with their SA 8000 standard) and the Fairtrade Labelling Organizations International (FLO). These three work with the multinationals: Chiquita Brands (Rainforest Alliance and SA 8000); Dole/Standard Fruit (FLO and Rainforest Alliance) and Del Monte (SA 8000). Apart from the ISEAL alliance, the Irish company Fyffes is involved in ethical trading through the Ethical Trading Initiative (ETI). Ecuadorian company websites do not refer to these certifications, but rather talk in more general terms about corporate responsibility without being specific on the issue of wages. Generally speaking the big Ecuadorian companies opt for ISO and Global GAP certification.

the case of the Jus Semper Global Alliance which advocates a vision of a living wage in which a worker in the South should have the same purchasing power as a worker in the North doing the same work. This vision is based on the ILO Convention No.100 on equal remuneration for equal work.

As a result of all this research the lack of reports that describe successful results is worrying, and shows that it is not easy to find a viable approach.

Essentially, since some of these methodologies are unillateral, these types of approach depend ultimately on decisions by company management, even though workers have participated in consultations. The company is put “face to face” with its costs of production, but there is nobody with whom to engage in discussion about more favourable terms of trade.

Except in the case of a few retailers, a highly competitive market prevails and, apart from the hope raised by the import tariff reduction of the European Union, the biggest banana consumer, the world market for Latin American bananas seems to be static. This is also true in the other major market of North America.

However, pressures from certain quarters in the consumer countries led to threats of damage to the industry's commercial image, making it necessary to give positive signals as regards social and environmental responsibility.

On the other hand, in the context of the World Banana Forum, the issue is being discussed in a multi-stakeholder environment and relationships are being built between the different players, making it possible to discuss the issue in a way that everybody shares responsibility and has a contribution to make. This can lead to a different scenario from the one in which many living wage initiatives have taken place until now.

Politics and advocacy play an important role in developing the potential of this current proposal, which will be explained further into this study.

1.3 The conceptual and legal basis for a living wage

As has already been mentioned; the work of Gayrard & Lefèvre went into detail on the different methods of calculating a living wage. Other media consulted reported on experiences in the clothing industry which work on the basis of codes of conduct and social certifications. In general, it can be observed that methodological proposals exist, but that there are problems in applying these proposals, and it was therefore not possible to identify any successful or even minimally satisfactory experiences.

In fact, many certification standards and codes of conduct do not define a “living wage” as a central aim, leaving its relevance somewhat vague, more as a standard that still needs definition in the process of enforcing standards.

It should be taken into account that the term “living wage” is relatively new; it may have emerged alongside what the International Labour Organisation calls “Decent Work”. In the context of the Decent Work agenda there are some papers and studies done for the ILO that refer to the term living wage.

But the problem is not only conceptual, it is also legal. This legal dimension is important to consider in assessing the viability of any methodological proposal.

What does have both conceptual and legal foundations is the “minimum wage”. National political Constitutions, Labour Codes and the International Labour Conventions of the ILO from which they derive not only provide a conceptual basis for a minimum wage, but also, in turn, frame it in legislation that regulates the wage fixing procedures, officially negotiates and updates those procedures and gives them legal status.

This conceptual and legal framework is founded on tripartism, as promoted by the ILO since its inception.

In Ecuador the legal minimum wage is fixed by the Ministry of Labour Relations in consultation with employers' organisations and trade unions. The minimum wage is based on a 40 hour working week and is applied in the private sector including the following groups: farmers, workers in small and medium industrial enterprises, domestic workers, artisans, as well as for agriculture and light manufacturing. If workers and employers are unable to agree on the level of the minimum wage, the Ministry takes a decision by decree.

In Costa Rica, the legal minimum wage is set by the National Wage Commission (Comisión Nacional de Salarios), a permanent commission accountable to the Ministry for Labour and Social Security (MTSS). The Commission is tripartite with representatives of trade unions, employers' organisations and the government. Each of the three sides makes its proposal for a wage increase. Costa Rica has different minimum wage levels according to the activity or profession, but the lowest is for agriculture; it is known as the “*salario mínimo minimorum*”. Each side has an equal number of votes, but a resolution has to be found, so if there is no majority then the government issues its proposal by legally binding decree.

In the light of the above and by way of a working premise, the legal minimum wage can provide a starting-point and be used as a bottom-line benchmark in the process of achieving a living wage, given that the latter has no conceptual or legal basis³.

In the same way, the variables of a living wage should be clearly definable and measurable.

As stated above, it will be necessary to use recognised official variables that are recognised by national and international institutions, such as the “basic food basket” which not only specifies the Dietary Energy Requirement (DER) for an individual or a family, but which is also considered to be a parameter in the definition of the poverty line in a given society. It is implicit in the notion of living wage that the aim is to seek to overcome poverty.

In the presentation of the problem, it will be seen that a first objective in moving towards a living wage can be to fill the gap between the level of the legal minimum wage and the cost of basic food basket. This is a working hypothesis.

³ It should not be forgotten that collective bargaining is a way of working towards a living wage.

1.4 Potential in the banana industry

The third area of the research process was to look at the specific context of the Latin American banana industry and how a living wage proposal could be formulated in the current situation facing producers and producer countries.

Firstly, there are the particularities associated with agricultural production that differentiate it significantly from industrial production. A paper by Enildo Iglesias (2003) for the ILO refers to Bolkvinik's characterisation of the difficulties around the issue of remuneration in the agricultural sector:

- Agriculture works with living materials and it is basically about nurturing and stimulating natural biological processes, whereas industrial activity deals with inert materials.
- Agricultural work has to take place in function of the plant's growth in the place where the plant grows, whereas industry works with metals, fibres, plastics, wood, harvested grains etc and the work is not limited in time or space.
- Industrial processes can be continuous (24 hours a day, 365 days a year), whereas in agriculture they are seasonal, for example during a few weeks in the year. On the other hand, a lot of agricultural products have to be marketed quickly (and usually there is an oversupply that provokes price falls at harvest time), whereas industry can stock its production.
- The seasonal nature of agriculture means that there are unequal labour requirements across the year. Industry's requirements are constant over time.
- Therefore one question is: who pays the cost of "reproduction" (i.e. the need to earn a livelihood) of the labour force, and how do families survive when there is no agricultural activity?
- Another question is: what are the costs of labour in agricultural price formation? Are they just for actual days worked or should they include the costs of meeting the livelihood needs of the farmer and salaried workers and their families all year round?
- In industry these questions do not arise, since, generally, work is year round and the wage provides for the livelihood of the employee and their families all year round.
- The dominant large-scale agricultural model only makes these issues harder to deal with due to the fact that the fewer products are grown on a farm, the higher the number of periods of unemployment between the different operations.

The Gayrard and Lefèvre study identifies three forms of contracting in the banana industry: temporary workers (monthly, weekly or daily); full-time temporary workers, who have a series of short contracts with the same company during the year, for example their contracts are renewed every three or six months with consequences on the employers' contribution to the health and social security system; and full-time workers with permanent contracts.

What form of employment contracts prevails in plantations? This very much depends on whether, for instance, there is a trade union present or not, on whether the company is working with certifications, on company policy, on whether the grower is small- or large-scale, etc. What is certain is that the system of agro-industrial production, as Iglesias points out, is characterised by the fact that not all productive activities are required on a year-round basis. Collective bargaining agreements in the industry establish ways of treating temporary labour because this is inherent in banana production systems.

An important question therefore arises: who should be targeted in the quest to achieve living wages?

National legislation in the producing countries seeks to address the issues raised by Iglesias and in this study in that it determines an agricultural minimum wage on a daily basis, as opposed to a monthly minimum wage for the industrial or service sectors. If what is being proposed is a living daily wage, although this is a legitimate proposal, it is not necessarily the fairest or most satisfactory solution. The issue should at least be discussed when deciding on a living wage methodology.

Is it impossible to envisage that a company could remunerate an employee when they are not working, or pay higher rates to casual workers than to full-time workers? There are no reliable figures available as to how many temporary or casual workers only have paid work in the banana plantations (and have no other work). Some may have other employment in other sectors or be involved in small-scale enterprises like farming for example. The idea put forward by Gayrard and Lefèvre of mapping employment patterns could be considered as part of the process of defining the scope of a living wage.

Returning to the issue of minimum wages in banana production, a study undertaken by Omar Salazar (2009) for the COSIBACR-ISCOD project⁴ on the industry in Honduras, Costa Rica and Panama describes a prevailing system of remuneration based on three variables: productivity, quality and task completion. Only in Nicaraguan banana plantations are employees still paid by the hour. Collective bargaining agreements generally fix specific piece-rates for all the different field and packhouse jobs, for different packing lines in the case of the latter. The so-called “integrated box system” developed by Chiquita is now also in place in the majority of independent supplier plantations and in the other multinationals, with a few variations but all based on the same concept: the centrality of productivity, quality and task-based work targets.

Without going into more detail, the conclusion of the Salazar study is that the daily minimum wage fixed in national legislation is not really a basis for remuneration because workers are not paid by the day but according to their productivity; the amount they earn can exceed the fixed hourly or daily minimum wage because the worker is given the incentive to produce more in order to earn more. But even if this form of payment means that a worker can earn more than the minimum in one day, when viewed over weeks or months, the outcome is variable. Working hours, or rather the length of time spent in the workplace, is a complex issue to calculate because there are cases of field workers who finish their allocated tasks in less than

⁴ COSIBACR is the Coordinating Body of Costa Rican banana trade unions; ISCOD is the Trade Union Institute for Development Cooperation of the UGT union, Spain.

the eight-hour working day fixed in legislation and who leave off work without any problem (Salazar 2009). There are also other productivity bonus payments that can increase a worker's remuneration.

By way of an example, CORBANA⁵ states that in Costa Rica the banana industry pays above the legal minimum wage established for agricultural work. Similarly, the websites of the multinational fruit companies affirm their commitment to paying at least minimum wages prevailing in each of the countries where they operate, a commitment which they extend to their national suppliers.

Although the daily minimum wage rate for agriculture is not the tool used for calculating remuneration in the banana industry, this does not mean that it ceases to be a reference-point or that there is any proof of any systematic violation of the law by the banana companies. In reality, the system of remuneration is integrated into collective bargaining, which means that it is not only accepted by workers and their organisations, but that it has legal recognition in that collective agreements are enshrined in labour law.

However, this being said, there are trade unions, non-governmental organisations and government authorities who question the wage situation in the Latin American banana industry as they assert that there are workers, when they come to the end of the month, who do not enough to cover the cost of the basic goods and services they and their families need to subsist and keep on working properly. The questioning goes beyond just wage issues and extends to concerns about trade union rights, collective bargaining and workers' health, the latter because of the tiring nature and intensity of the work required to meet productivity targets or to earn their efficiency bonuses.

Finally, there is the issue of the world market, supply chain requirements and of the weight of the retailers in fixing the price of the fruit. This has a major impact on wage issues and therefore on what is achievable in relation to living wages. The living wage proposal is affected by an international situation in which some stakeholders expect better terms of trade. There are hopes that the WTO agreement on European Union import tariffs could lead to better prices being paid to producers, thereby opening up the possibility of better conditions for those employed in the sector. There are also some retail chains who are prepared to pay a higher price if there are improvements in working conditions and for the communities in Latin America.

⁵ CORBANA. Corporación Bananera Nacional, Costa Rica

2. DEFINING THE PROBLEM

2.1 Starting-point for presenting the problem

Methodologically speaking, this study is oriented to search for quantitative references in national statistics that could help identify the extent of the problem as a vital part of the process of moving towards living wages in the banana industry. The lack of any unified data specific to banana production in the main producer countries of the continent (Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Ecuador and Peru) means that we need to look at the broader picture for agriculture in each of these countries; in this case of the agricultural sector as a whole, it is possible to obtain data that permit comparisons from one country to another, and therefore to develop a working hypothesis.

The result of the research phase is that, in order to present the problem requiring a solution – the non-payment of living wages – it is necessary to support the case with tangible statistics per country. In other words, the living wage proposal needs to be based on suppositions that are measurable.

This should make it possible to short-circuit some of the debates in the WBF Working Groups and facilitate agreement on a common methodology that is not too complicated .

Every country has defined an agricultural minimum wage, a basic food basket and their respective ways of being periodically adjusted with reference to the Consumer Price Index, or to annual or half-yearly inflation rates.

The proposal for a living wage in the Latin American banana industry will take as its point of departure the legal minimum wage of the country concerned and will then take as reference-points - or variables - the **basic food basket** (Canasta Básica Alimentaria - CBA in Spanish), the **essential commodity basket** (Canasta Basica Vital - CBV in Spanish) which is a basic food basket with added non-food goods and services; it is also proposed to work with indicators of economic trends like the Consumer Price Index (CPI in Spanish). As already stated, these indicators are important because of their universality and because they have a pre-existing conceptual and legal basis, but also because they are used generally in the statistic literature related to bringing people above the poverty line.

The proposed methodology could or should, however, also use industry-specific indicators or variables, such as for labour relations, health, social responsibility etc, but this should be the result of a dialogue between different stakeholders within a specific country.

2.2 Conceptual definitions

The definitions of the working indicators proposed above are very broadly similar in most Latin American countries, which is an advantage.

The definition of poverty used by the Economic Commission for Latin America (CEPAL) is based on the cost of a basic basket of food and non-food needs required for human subsistence. When the income per capita in a household is insufficient to purchase the basket of commodities in question, it is considered that the household is below the poverty line, in other words its members are poor. By the same token, those above the poverty line are the “non-poor”. On the basis of this criterion, households and individuals are classified in three categories:

- a. In extreme poverty
- b. Unable to satisfy their basic needs
- c. Not poor

Minimum wage: is the minimum amount of money that a person should receive for work undertaken. In the agricultural sector (that includes the banana industry) it is the unqualified worker rate that prevails and is known as the “minimum of minimum wages” (*salario mínimo minimorum*).

Table 1
Minimum wages by country for the year 2010

Country	<i>Hourly Wage in national currency</i>	<i>Daily Wage in national currency</i>	<i>Monthly total in national currency</i>	<i>Monthly total in US\$</i>
Panama	N/A	N/A	B/450	450.00 US\$
Costa Rica	C/802	C/7.193.97	C/215.819,1	420.07 US\$
Honduras	L\$31.25	L\$250	L\$5.500	291.00 US\$
Guatemala	Q7	Q56	Q1.680	205,09 US\$
Nicaragua	N/A	N/A	N/A	115,40 US\$
Ecuador	N/A	N/A	N/A	240.00 US\$
Colombia	N/A	P\$19.217	P\$515.000	257,60 US\$
+Transport Subsidy	-	-	P\$61.500	30,75 US\$
Peru	N/A	N/A	S/550	193.00 US\$

Based on data from Labour Ministries in Central America, IMEC in Ecuador, DANE in Colombia and the Ministry of the Economy and Finances of Peru.

Basic Food Basket: is a set of foods that provides the Dietary Energy Requirement (SEA in Spanish), i.e. food available to the average family in the country, measured in kilocalories per day. It takes into account cultural aspects of diet and can be formulated by sector: rural or urban population or according to different geographical areas in the country.

Table 2
Central America : Criteria considered in the calculation of
the cost of the Basic Food Basket
Special Programme for Food Security of the FAO (SPFS/FAO)

Country	Criteria			
	Area	Number of foodstuffs	Average number of household members (*)	Kilocalories (KCal)
Costa Rica	Urban	44	3,6	2230
	Rural	37	3,80	2316
	National	45	3,70	
Guatemala		26	5,38	2210
Honduras		30	5,00	2200
Nicaragua	Urban	23	5,72	2455
Panama 1/		51	3,84	2305

Source: own elaboration from SPFS/FAO and national statistical institution data.

1/ Includes Panama and San Miguelito.

Taken from the website of the Special Programme for Food Security of the FAO, data from 2009.

(*) Refers to the average size of households according to national census data.

In the Central American case, the methodology for fixing the Dietary Energy Requirement (DER/SEA) is standardised between countries according to the methodology of the Nutrition Institute for Central America and Panama (INCAP), a body of the Pan-American Health Organisation (OPS).

Basic Family Basket: this is a basket of basic commodities other than just foodstuffs and basic services for family subsistence, such as housing, transport costs, clothing, schooling and cultural or social expenditure.

- In Ecuador, the National Institute for Statistics and Censuses (INEC) defines two types of consumer baskets :
 - The *Basic Family Basket* (CFB) was fixed at 538,73 US\$ in August 2010 and includes 75 articles grouped into Food and Beverages, Housing, Clothing and Miscellaneous; and
 - The *Essential Family Basket* (CFV) comprises 73 articles but in smaller quantity and of lesser quality than the Basic Family Basket. This indicator is always used as a measure of average household welfare by incoming governments to monitor the evolution of government policies. It is the minimum quantity of products that can be purchased with the minimum household income. Its current value is 385,78 US\$.
- In Colombia, the National Statistical Management Bureau (DANE) sets the criteria for consumer baskets in each region of the country. In general, the consumer basket comprises 135 articles grouped by category (food, transport,

housing, education and recreation), categories which vary according to the region and to average household incomes in these regions (divided into low-, medium- and high-income households). So, there are several basic consumer baskets in Colombia.

- In Peru, the National Institute for Statistics and Information Technologies (INEI) monitors the evolution of the basic family basket that contains eight groups of goods and services. In August 2010 its value was 2,112 soles, equivalent to 759,71 US dollars.
- In the case of Guatemala the government also uses as a reference the Essential Food Basket (CBV) which includes food, housing, clothing, education, transport and other categories; this basket is almost double the value of the Basic Food Basket (CBA). In August 2010, the value of the CBV was set at 3.712,77 quetzals, which at the exchange rate of the time was equivalent to 446,68 US\$ per month.
- There are countries like Costa Rica which do not have a second level consumer basket (adding other goods and services to a food basket). Instead, the government uses the Household Survey which defines the basic food basket plus other goods and services (electricity, water, transport, clothing). The sum of these is considered to be equivalent to the “Cost of Living” and the national poverty line.

Consumer Price Index: this is the measure over time of the trend in prices of the basic consumer baskets and other services based on market information and adjusted for inflation.

2.3 The problem: the gap between minimum wages and consumer baskets

Here the problem of the gap between the minimum wage and basic consumer baskets (just food or including other goods and services) is presented. This section supports the living wage proposal that is presented in the second half of the study.

The following conclusions were reached by the Regional Programme for Food and Nutritional Security in Central America (PRESANCA) in 2010):

- Costa Rica: *“Unlike the majority of countries in the region, Costa Rica has maintained a favourable relationship between the cost of the basic food basket and the minimum wage; in the case of the agricultural minimum wage this is equal to 1.4 basic food baskets.”*
- Guatemala: *“The purchasing power of the minimum agricultural wage, which has improved markedly since 1998, is between three and four fifths of the basic food basket.” (70.5%).*

- Honduras: “The buying power of the minimum agricultural wage is such that people can only buy about 50 per cent of the basic food basket.” (49%)
- Nicaragua: “The minimum agricultural wage, which fell between 1995 and 2004, could only purchase one fifth of the basic food basket in 2008.” (20.5%)
- Panama: “The minimum agricultural wage is currently at a decent level, sufficient to purchase 1.0 basic food basket.” (100%)

In the case of Ecuador the following figures are from INEC's August 2010 report:

- The cost of the Basic Family Basket (CFB), set at 538,73 US\$, shows a “gap” in August 2010 of 90,73 US\$ (16,84% of the CFB) when compared to the Monthly Family Income (the minimum monthly household income that a four-person household earns when 1.6 members are earning) of 448,00 US\$. On the other hand, the Essential Family Basket (CFV) was cheaper than the Monthly Family Income by 62,22 US\$ in August (16,13% of the CFV).

It should be noted that in Ecuador the CFB and CFV are also calculated for cities like Machala in the banana producing region: they were at 519,81 US\$ and 385,78 US\$ respectively.

For Colombia, the calculation of the family basket is made using the Consumer price Index; in general, it is estimated that in order to purchase a family basket, households need to have 2.1 minimum wages or income earners since the family basket costs approximately 1.2 million pesos, or approximately 600 US\$.

In Peru, almost four minimum wages are needed to purchase a family basket.

So as to be able to compare the Central American picture with that in Ecuador and Peru, the following table shows the required food expenditure (basic food basket – CBA) and its equivalence with the minimum wage:

Table 3
Cost of the food component of the consumer baskets
and its equivalence to a minimum monthly wage in Ecuador and Peru, 2010

Country	Type of consumer basket	Groups of foodstuffs included	Cost in national currency	Cost in US\$	Equivalence in relation to a minimum wage
Ecuador	Basic Family Basket (CFB)	13	US\$ 186.59	US\$186.59	1.29
	Essential Family Basket (CFV)	13	US\$ 169.62	US\$ 169.62	1.41
Peru	Basic Family Basket (CFB)	N/A	S/ 796	US\$ 286.33	0.84

Source: own elaboration.

In conclusion, one minimum wage in Ecuador is sufficient to purchase the food products in the consumer baskets used in the country, whereas in Peru one minimum wage only buys slightly more than four-fifths of the foodstuffs in the basic consumer basket (food forms 37.82% of the total value of the basket).

2.4 Conclusions

A minimum wage is fixed for agriculture in the majority of countries and basic consumer basket figures used in Central America are for food baskets. Only in Peru, Ecuador and Colombia are other items included. This allows for a level of comparability across countries for those employed in agriculture. However, even a cursory glance at the figures shows, in most cases, a worrying gap between those minimum wages and the costs of basic consumer baskets. This leads to the question: what is the situation in this regard in the banana industry?

Only in the case of Costa Rica and Panama does the minimum wage exceed the basic food basket (and in Ecuador the group of foodstuffs in the broader baskets). But in the case of Guatemala the situation is fairly serious and very serious in Honduras and Nicaragua, let alone in Peru. It should be remembered however that, in the case of Central America, this is only in relation to basic food requirements.

It should not be forgotten either that the cases of Colombia and Ecuador are nevertheless worrying, since the family baskets require at least two income earners in the household; whilst the case of Peru, where a basket is equivalent to four minimum wages, is extremely serious. One figure that was found in media reports – not verified by official sources – was that 70% of Peruvians earn less than 2,000 Sols per month.

The situation of women workers in Latin American plantations, where 60% of them are single heads of household or the main breadwinners in the family, needs to be taken into account. It should also be noted that, given that some banana producing regions have very few other employment options, if a household is reported as having two income earners, then the second income earner may well be in a situation of underemployment or effectively operating in the informal sector.

2.5 What can be proposed regarding a living wage in Latin American banana production?

The above analysis, as already noted, aimed to present a working hypothesis for living wages in the Latin American banana industry.

The hypothesis is that it is possible that in the industry there are sections of the plantation workforce whose income does not cover the cost of basic household baskets of commodities that are set to measure the poverty line.

Therefore, the reduction of the gap between the actual wages or incomes of the workforce and the family baskets in the particular country, is the primary objective – or overall aim – of a living wage proposal.

It is possible that this proposal turns out to be insufficiently ambitious in some countries, or, on the other hand, it may, in other countries, be a very fair aim but will require major efforts from the stakeholders concerned.

For this reason, the proposal being made will require national analysis and studies that include figures from the companies. Such studies have been used, for example, by the Ethical Trading Initiative (ETI) on wages in Turkey.

It will be necessary to understand the scale of the problem in order to design the paths to its resolution. But the issue will not be resolved simply by signalling it to the employers at the time the next pay rise is due. Behind a wage problem is a problem of costs of production and marketing, all the more so because the context is one of a sensitive international banana market that for many is far from equitable when it comes to the distribution of the wealth generated along the chain. To discuss a living wage means getting into a discussion on many issues in the production and marketing chain, which is why it is proposed that it should form part of the work of the WBF Working Group on Distribution of Value.

The next section puts forward a practical methodology, which is framed in terms of the aims of the World Banana Forum.

PROPOSAL FOR A LIVING WAGE IN LATIN AMERICAN BANANA PRODUCTION

Working Group on Distribution of Value, World Banana Forum, 2010

INTRODUCTION

When the living wage issue was raised in the working groups at the first meeting of the World Banana Forum (Rome, December 2009) it was not in reference to an already defined concept, rather to a proposal: that the industry should remunerate its labour force decently. Such an aspiration derives from the fact that the wage is the main instrument by which wealth can be distributed in any production activity.

The issue has been taken up by Working Group 02 on Distribution of Value and a proposal for a methodology is what follows in this section.

The living wage is the responsibility of all the stakeholders in the chain of production and marketing and its aim is that the plantation workforce is able to satisfy its basic needs. To talk of a “living” or “decent” wage implies that the worker deserves – and should be encouraged to – live in the best possible conditions for him/her and his/her family. Generally, such conditions are quantified in national indicators that show whether a person is living above the poverty line or not. Overcoming poverty and being decently remunerated for their labour is the aspiration of those working in banana production.

The issue arises because the agricultural minimum wage – generally speaking – has been shown not to bear much relation to the cost of basic family baskets of goods and services, and in several countries does not even correspond to 50% of their cost. To sustain a production model that is based on such a wage situation is to contribute to exploitation. Neither the trade unions nor the employers feel comfortable with this situation; nor can retailers justify or ignore it, let alone consumers.

However, the banana industry has given positive signals in Latin America that it wants to take a lead on corporate social responsibility by involving itself in social and environmental certification initiatives and by seeking to meet Fairtrade criteria. There is also a long history in the industry of collective bargaining and its instruments for reaching agreements between workers and employers.

Given the situation concerning minimum agricultural wage levels on the one hand, and given the will of the industry to work on social and environmental issues on the other, the living wage issue will not only be about raising wages, but also means tackling the issue of equity that the industry should demonstrate in order to achieve a sustainable and fair production model at international level. This indeed is the aim of the World Banana Forum and of the international institutional framework which supports it, notably the Food & Agriculture Organisation of the United Nations (FAO).

It is clear that whatever can be achieved by a move towards living wages will depend on the will of the social partners in the industry to engage in dialogue and respect human rights and national and international labour rights.

This is the background to the ambitious initiative embarked upon by the Working Group on Distribution of Value which seeks to involve different industry stakeholders and aims to achieve a fair balance of benefits such that the consumer not only receives a high quality, nutritious product, but one which is also produced responsibly from a social, environment and economic point of view.

1 The principles

1. The living wage is one instrument to overcome poverty for those who work in the Latin American banana industry.
2. Achieving a living wage is not just an issue at the production end but requires the involvement of stakeholders along the international supply chain.
3. The need for the goodwill and commitment of different stakeholders requires broad-based dialogue.
4. Working with a common methodology is not a substitute for other initiatives. The intention is not to impose this methodology over and above other instruments for achieving a living wage, such as through free collective bargaining.

2 Framework of reference

2.1 A living wage for whom?

The “social subject” of a living wage are the men and women who work in Latin American banana plantations that are producing for export.

Their central role derives from the fact that they are the first link in the production chain, but the last when it comes to sharing the wealth generated along the chain.

Their marginality does not just concern wages. There are other ways in which they are disadvantaged, such as through the denial of their labour rights and the restrictions they face in being represented through free trade unions.

For many of them, the current agroindustrial model means that their productive life is cut short at an early age because of the physical and mental effort required to do their job and because of the requirements to meet quality and efficiency demands.

Agroindustrial production in general, and banana production in particular, employs people under different types of contractual arrangement. Three groups are commonly identified: those with a permanent contract, which means greater job security; those who have temporary contracts rolled over on a permanent basis (i.e. they are made redundant after a short period then re-hired); and those who have temporary contracts or are hired for specific tasks. The type of contract influences the final remuneration of the worker.

In conclusion, the wage earned should correspond to the worker's effort, and should respect his/her right to live above the poverty line and provide for him/herself the basic material goods needed during their period of employment in the plantations.

2.2 Working indicators

A methodology is a pathway for resolving a problem, and it should include whatever indicators are appropriate for monitoring progress: to be able to capture the state of progress, but also to measure the level of achievement, bearing in mind that the methodology does not lead to immediate results but is a process over time.

In order to understand the problem, the initial diagnostic phase will need to have access to three sources of information:

- i) Statistics on men and women workers, wage structures and type of contracts used by the companies.
- ii) Field work on the impacts on living conditions through consultations with administrative staff, workers, workers' leaders and other bodies that interact directly with the company (certifiers, Fair Trade, other NGOs etc).
- iii) National indicators like minimum wage levels, basic food baskets, family food baskets, Consumer Price Index trends. Government policies also affect the movement of these indicators.

The first source of information is the companies, which means that their openness to providing this information will be very important. This source will be referred to as **company statistics**.

The second source is to enable a complete overview of working conditions as they relate to wages. Important information is required on workers' access to different wage levels, as well as on what needs the wage does and does not cover. This source will be referred to as the **impact on living conditions and use of wages**.

The third source is the base indicators and they will be analysed in correlation with the first source, the company statistics. On the wage issue it is the gap between actual wages and poverty line indicators that will be used. This source will be referred to as **national indicators**.

2.2.1 Company statistics

Specific information is needed on the following areas.

Contractual issues

- a. Remuneration levels in different activity areas (men and women workers):
 - Field work
 - Harvesting
 - Packhouse

b. Different types of contract:

- Permanent
- “Temporary permanent”
- Temporary

c. System of payment:

- Payment according to productivity (tasks, targets)
- Payment by the hour/day
- Payment by contract per hectare

Wage structure

Direct remuneration:

- a. Percentage of gross salary per activity area and per type of contract.
- b. Percentage of net salary per activity area and per type of contract.
- c. Break-down of employment costs (employers' and employees' contributions required by national legislation)
- d. Bonuses, efficiency/competitiveness/quality premiums

Indirect remuneration:

- e. Non-monetary remuneration or benefits provided by the company (these could be quantified in monetary terms).
- f. Benefits through negotiation or settlements with workers (collective bargaining agreements or contracts; direct settlements).
- g. Benefits from commercial initiatives (eg. Fair Trade)

2.2.2 Impacts on living conditions and use of wages

In this group there will be both quantitative and qualitative variables and the method will be individual or group interviews; personal opinions can also be taken into account. The issues to consider could include:

- Labour relations
- Opportunities for promotion and personal development
- Cultural and consumption issues
- Desired standard of living
- Family, male/female heads of household

2.2.3 National indicators

The national indicators required in the definition of the problem and for monitoring progress towards a living wage are:

- a. Minimum agricultural wages (*minimo minimorum*)
- b. Basic food basket
- c. Basic family basket (food and other goods and services)
- d. Consumer Price Indices (this is a variable to be used in monitoring progress)

NB: It may also be desirable to take into account other variables that could affect production or employment, such as those related to climatological impacts, market vagaries and/or labour conflicts. These are temporary situations but they affect employment and productivity.

2.3 Concerning the application of diagnostic tools

In order to discuss a living wage in banana plantations, the starting-point has to be actual wages. The next stage is to seek out pathways to determine how to reach a living wage, which is the key question that has generated this initiative.

The initiative will depend substantially on the preparedness of companies to give information, but it is hoped that this condition is already fulfilled in the sense that there are companies who have expressed their interest in being involved from the outset. What factors have led to this motivation will be examined later on.

There are two possible levels of application of the diagnostic tools:

- One would be at the national industry-wide level, i.e. at the level of business associations such as AEBE in Ecuador or CORBANA in Costa Rica; they have clear notions of costs of production and the levels of investment in the labour-force. Their participation would be very favourable for the initiative's success.
- The other option would be to apply this at a lower, single company level (several plantations) or at an individual plantation level (a single farm). Participants get to see that it might bring a comparative advantage in the market.

To collect analysis from several plantations could give a general picture of the country situation, given that the costs of banana production tend to be similar in countries where minimum producer or FOB prices are fixed.

There is one variable that is specific to each country and that is farm size. Each country has ways of categorising the different scales of production that could be useful; so could other variables such as productivity per hectare.

The diagnostic report would be an analysis of the variables provided by the company statistical information and the national indicators in order to determine which groups of workers earn wages above or below the poverty lines (basic consumer baskets). The extent of the gaps will indicate the magnitude of the wage problem in the

industry, or may, on the contrary, show a very encouraging picture in that wages are close to a living wage.

It is important to construct analytical tables of the different variables and to complement the analysis with the information gathered during the field work (“impact on living conditions and use of wages” variables).

This work is scientific in its nature and will need to be undertaken by one or more professionals and supervised by the parties involved directly in the initiative.

It will be necessary to design data collection methods, not just for the diagnostic phase, but also in order to be able to monitor progress over time.

This diagnostic work – as in all the proposed living wage methodology – will have to be adapted to the situation in each producing country.

3. The political dimension: identifying interests

There is an implicit political aspect to this initiative which relates to the interests of the stakeholders and to the commitments that each of them is able to make to the initiative.

The diagnostic study is required to obtain a picture of the reality, but the solutions, once the reality is determined, raise political questions that require debate and action.

The living wage issue, even if historically and legally speaking it has been dealt with through employer-employee relations, now transcends this level and involves other stakeholders in the international banana supply chain. This is a reflection of globalisation in which one decision along the chain affects the decisions of others.

Each stakeholder has their own interest and therefore their own responsibility in relation to the issue. The interests of each stakeholder will come into play in the diagnostic phase as well as in the process of implementation of a living wage. These interests are mainly legitimate and valid and are what led to the initiative coming out of the World Banana Forum. Other similar multi-stakeholder processes are taking place in other Working Groups of the WBF on issues like the environment, agrochemicals and labour conditions.

The interaction of interests, divergences of views and commitments shown will form the basis on which the stakeholders along the chain can work out how to tackle the issue of living wage.

The process will be played out in the Forum itself, in the Working Groups and in the national groups that may form around the initiative. It is recommended that these national groups use the principles of the International Labour organisation on what is called Social Dialogue.

Mapping interests and concerns regarding an initial living wage proposal

Stakeholder	Interests	Concerns
Workers	<ul style="list-style-type: none"> Improve their standard of living 	<ul style="list-style-type: none"> The credibility of the proposed level of living wage
Trade unions	<ul style="list-style-type: none"> Freedom to organise and bargain collectively are a “bottom-line” requirement Hope to participate actively and to have their proposals heard 	<ul style="list-style-type: none"> Require tangible or tacit commitments especially from producers
Independent producers	<ul style="list-style-type: none"> Competitiveness in the labour market Better markets and prices 	<ul style="list-style-type: none"> Pressure on them because of their central role in the issue
Multinational producers/traders	<ul style="list-style-type: none"> Shared interest with their suppliers (the independent producers) on market and pricing issues Improving their corporate image 	<ul style="list-style-type: none"> Feeling, like the independent producers, that the proposal could expose them to political pressures
Social certification initiatives / Fair trade	<ul style="list-style-type: none"> The wage issue is central to their aims Looking for opportunities to progress the issue 	<ul style="list-style-type: none"> A certain caution over making commitments to producers and retailers to whom they supply services
Retailers	<ul style="list-style-type: none"> Strengthen their commitment to corporate responsibility vis-à-vis their suppliers and consumers Competitive quality and price in the market 	<ul style="list-style-type: none"> Caution, because of the proactive role that may be demanded of them by other stakeholders in the chain
Pressure groups (consumers, NGOs, solidarity groups, international trade unions etc)	<ul style="list-style-type: none"> Support the process of achieving a living wage 	<ul style="list-style-type: none"> Could be more demanding than other actors in their expectations of commitments and results

An exercise like the one in the table above needs to be conducted regularly throughout the process by those who are leading it. A variety of alternatives and possibilities will keep opening up as the process unfolds. The multinationals will not necessarily all have the same position and, in the same way, the retailers are individual companies with their own corporate responsibility policies. The risk element will always be there, and it is possible that some stakeholders will decline to take part, others will show enthusiasm and some may be more cautious.

The principle of Win-Win is implicit in this type of initiative. If the idea is to give a fairer deal to Latin American workers, then somebody has to pay for this; so the solution to the problem requires a discussion about resources and ultimately about profits.

Finally, there is the risk that some may feel excluded. The WBF and the proponents of the initiative should ensure that nobody is unable to participate or intentionally excluded. It is possible, just as an example, that a company and a certifier decide to develop a living wage programme together, and that the trade unions feel excluded. In such a case, the WBF should not involve itself in such an initiative, as it would fall outside the framework of the Forum's aims and objectives.

4. ROAD-MAP TOWARDS A LIVING WAGE

Steps to follow

This section sets out a procedure to follow in order to reach an agreement amongst the different stakeholders on a living wage in the Latin American banana industry. How to understand the problem has already been discussed (the diagnostic phase); what remains is to try to resolve the problem.

As such, a blueprint or “road-map” is an ideal, especially in the absence of any experiences from which to draw lessons. Dialogue and commitments are the basic tools required to make the process work.

Step 1 : Approval and dissemination of the initiative within the Working Group

- Analyse, discuss and amend the proposal in the WG on Distribution of Value (WG02)
- Design a dissemination strategy to obtain support within the wider Forum. Prior consultation with stakeholders. Seek out those who might commit to the process. This would need to be at senior company/organisational level.
- Design a pilot project for Ecuador and Costa Rica
- Develop a strategy for involving stakeholders in the two countries.
- It is possible that a summary document, with a more visually attractive presentation and designed to encourage participation should be produced for stakeholders.

From step two onwards, these are steps which relate to processes in any banana producing country where the living wage initiative is being developed. .

Step 2: Presentation of the proposal in the country

- 2.1 Convene the national stakeholders to present the initiative, clear up any concerns and listen to suggestions and alternative proposals.
- 2.2 Leave a little time for each of the stakeholders invited to take their decision on their participation in the diagnostic phase and in the process in general.
- 2.3 Organise a meeting for the national stakeholders who have expressed interest in participating in the process and define the terms of the implementation of the diagnostic phase.
- 2.4 Facilitate the formation of a national round table and for monitoring the national process. The round table is a national forum for coordinating the process and its accompaniment.

Step 3: Design of the diagnostic process

- 3.1 Implement the diagnostic work, applying the methodology and research tools that have been agreed.
- 3.2 Resolve any implementation difficulties.

Step 4: Presentation of the diagnostic process and reflection on the problem identified

- 4.1 Present the results of the diagnostic work.
- 4.2 The stakeholders react to the problem diagnosed and express what they are prepared to commit to in order to resolve it. This leads to the design of a living wage implementation plan.
- 4.3 It is vital to gather the reactions of the stakeholders and their suggestions for the next step.

Step 5: Pathway towards a solution

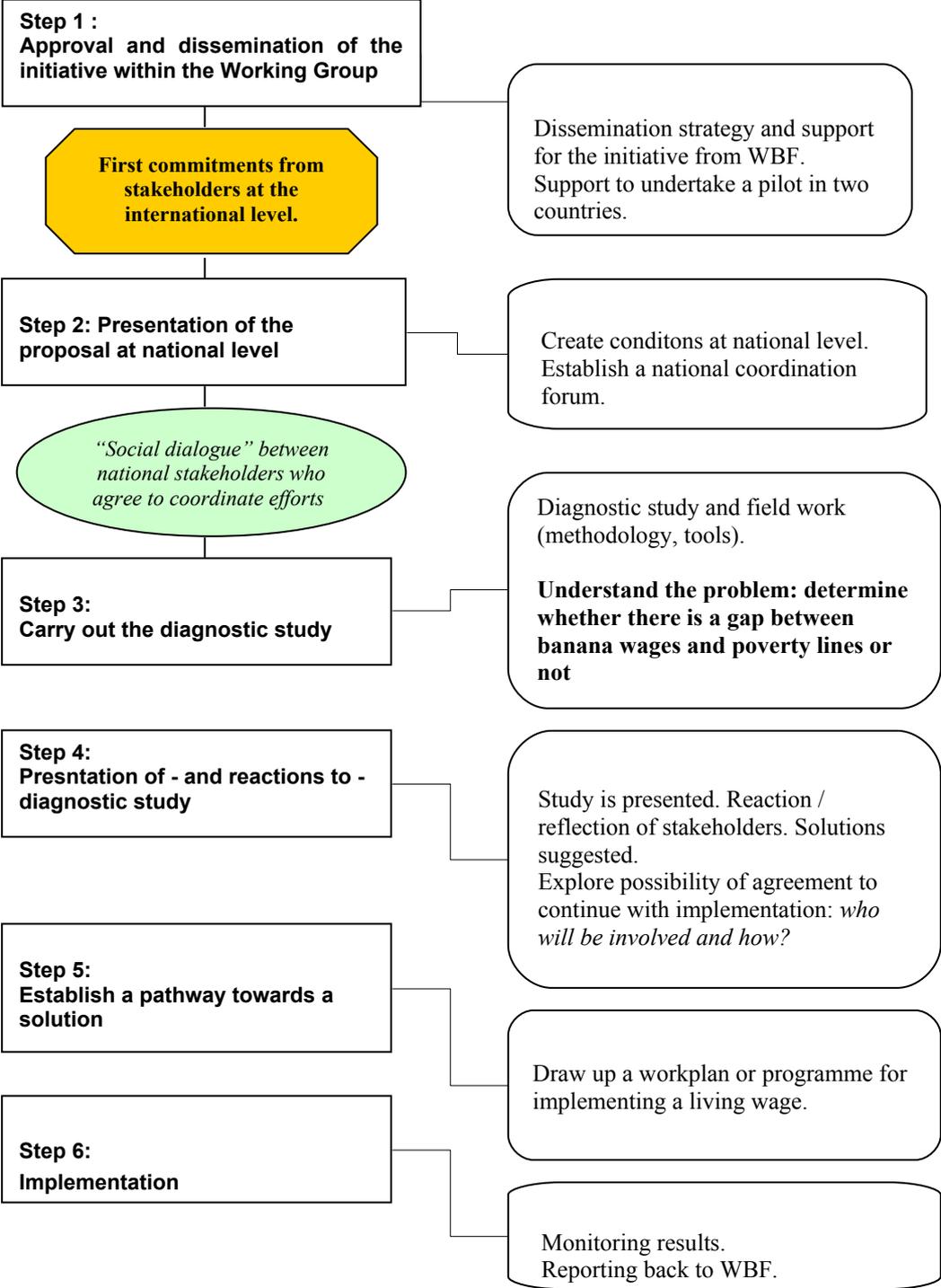
- 5.1 Write a document (a workplan, or similar, for achieving a living wage at national level). This, ideally, would be done at the level of the round table established at Step 2, with the assistance of the researcher(s) who carried out the diagnostic study.
- 5.2 At this stage, it may be appropriate for trading companies, retailers and pressure groups in the consuming countries to offer some specific

commitment to the country or the companies who have taken up the challenge of setting a living wage for their workers.

Step 6: Implementation stage of the process

- 6.1 It is important to ensure feedback on -and monitoring of - progress of the programmes that are put in place in workplaces or industry-wide, including through the use of indicators based on expected results.
- 6.2 The round table should establish some kind of mechanism for dealing with controversies and for mediation of problems that present themselves as a result of the commitments made by the different parties.
- 6.3 During the development of the programme - or the implementation of the workplan – there is an observer role to be played by the WBF, which could request reports from the stakeholders about their involvement in working towards the achievement of a living wage.

Diagrammatic plan of a living wage road-map for Latin American banana plantations



5. Feasibility of the process

The process is rendered more feasible because of the following conditions that are particular to the Latin American banana industry and the world banana market:

- There are countries where the wage income is higher than the basic food basket and may be very close to the basket of basic goods and services (Costa Rica, Panama, Colombia, and Ecuador in the case of the essential family basket - CFV).
- The multinational producing and trading companies have demonstrated publicly their commitment to social and environmental issues, and recognise the importance of an image based on a substantive commitment to social responsibility. They also enjoy major influence in the industries of every country in the region.
- In Colombia, a national Collective Bargaining Agreement (SINTRAINAGRO – AUGURA 2009-2011) covers 90% of the national banana industry. Such an agreement explicitly sets out wage rates and mechanisms for their adjustment, as well as indicators to be used when setting rates. This is a good model that can be used as a reference. It could increase the chances of success if it is taken as a model from which to draw lessons.
- Whilst the Latin American producers hope that the international market will afford better prices when the EU import tariff reduction agreement is implemented, they are also aware that they need to send positive signals to this and other markets (Nordic countries and North America) and to the consumers in those countries. These should be signals of improvements for workers and their communities.
- The issue of improvements in food security for developing country populations is one of the objectives of international bodies like the FAO, which houses the World Banana Forum. So this methodology and its focus on poverty alleviation are in line with the FAO's nutritional and food strategies.
- The process is not exclusive, nor does it go against any of the certification initiatives, codes of conduct or Fairtrade standards. Indeed, it is hoped that these bodies can integrate a living wage programme in their own activities and work programmes without prejudice.
- Retailers in the consumer countries are also hoping to see positive signals from producers and employers regarding social and labour issues in Latin America. They have symbiotic commitments with their customers in this area, and so improved working conditions and community impacts would demonstrate movement towards a more equitable value chain.

OUTLINE PLAN TO PILOT THE LIVING WAGE METHODOLOGY

The proposal from the core group of the Distribution of Value Working Group (WG02) is to undertake two pilots, one in Costa Rica, the other in Ecuador.

The following are suggestions for issues to consider in implementing the pilots:

- Ecuador and Costa Rica have a comparative advantage, which is the existence of associations or producer bodies that are viewed as playing a prestigious leadership role in the industry – AEBE in Ecuador and CORBANA in Costa Rica. This is where the advocacy role of the core group of WG02 and of the FAO comes in. Initially, there have to be calls for them to participate.
- It should not be forgotten that there are international pressures on these countries regarding labour issues, so efforts to convince them could emphasise the potential benefits of participation in the process.
- The movement from Step 1 through to Step 5 could happen in a short space of time. However, the length of time required to implement Step 6 will depend on the stakeholders and the encouragement that can come from the WBF for the process.
- This proposal is for a pilot project, i.e. it is expected that adjustments will be made to the process along the way; indeed, this is part of the objective of the whole process.

Final conclusions

This process is not mechanical, it is essentially political, and carries the risk that the producers/employers in particular will feel under pressure to make a commitment that affects their costs of production, with no guarantee in return that the market will recognise their efforts. But it should not be forgotten in the broader picture that the demand of workers is for a fairer deal, for decent remuneration of their labour. The dialectic between capital and labour has not gone away, but in a world of globalised trade, the issue now involves other stakeholders.

The living wage model proposed here does not make disproportionate or unrealistic demands. It is simply a proposal to enable the least well remunerated sector in the banana chain to raise themselves out of poverty.

***Víctor Hugo Quesada Arce, Consultant
San José, Costa Rica 31st October 2010***

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