



Organización
Internacional
del Trabajo



Setting adequate wages in the coffee sector

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▶ **Setting adequate wages:** *The question of living wages*

▶ What does the ILO mean by adequate wages?

According to the ILO Minimum Wage Fixing Convention No.131 to be adequate a wage setting should take into account:

- the **needs of workers and their families**, considering the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
- and **economic factors**, including the requirements of economic development, levels of productivity and the importance of maintaining a high level of employment.

▶ What does the ILO mean by adequate wages?

The setting of adequate wages is an essential mechanism to:

- enable **decent living standards and incomes** for women and men workers and their families;
- While at the same time ensuring **the sustainability of enterprises** which create the jobs for these workers.

▶ The ILO mandate on *living wages*

- The importance of a living wage has been highlighted in various key ILO documents since its creation.
- The terminology of «living wages» appears twice in the ILO Constitution.
 - The preamble of the ILO constitution adopted in 1919 considered that “universal and lasting peace can be established only if it is based upon social justice” and therefore called for “**the provision of an adequate living wage**”;
 - The Declaration of Philadelphia – adopted in 1944 and annexed to the ILO Constitution – calls for “policies in regard to wages and earnings (...) to ensure a just share of the fruits of progress to all, and **a minimum living wage to all employed and in need of such protection**”

The ILO mandate on living wages

- However, **there are not ILO standards** (Conventions or Recommendations) **on the subject of living wages**, nor has there been any definition agreed by governments, employers and workers at the ILO.
- Although the current version of the ILO Constitution does not mention how a living wage should be defined, before the Declaration of Philadelphia, it specified that:
 - A living wage is “the payment to the employed of a wage adequate to maintain a **reasonable standard of life as this is understood in their time and country**” .
- Two interesting points about this definition:
 1. As in existing definitions, **a living wage is defined in relationship to the needs of workers and their families;**
 2. There is **not a global definition of these needs**, but they must be considered in their time and country.

What is the difference between «living wages» and «minimum wages»?

- A *minimum wage* is defined in the ILO as the “**minimum amount of remuneration**” which is guaranteed by law.
- In recent years, ILO documents and Declarations have called for “**adequate minimum wages, statutory or negotiated**” and more generally for the setting of “**adequate wages**” that take into account both workers’ needs and economic factors.
- In a particular time and country, wages that are set by taking into account both the needs of workers and their families and economic factors, and which seek to achieve a just share of the fruits of progress to all, may guarantee a **decent standard of living** >>> *living wage*.

ILO engagement with living wage initiatives

- Living wage initiatives can help to ensure that workers have decent living standards.
- A recent *ILO Brief* called “*Setting adequate wages: The question of living wages*” sets out some principles to take into account when promoting living wages:
 - In moving towards living wages, **take into account both the needs of workers and their families AND economic factors.**
 - Closing the living wage gap may require **a set of measures that go beyond the sphere of wage policy alone** (e.g. measures to improve productivity, initiatives to foster transition to formality, prices paid by buyers to their suppliers, etc.)

▶ ILO engagement with living wage initiatives

- There is a need to **strengthen national institutions** and to **place social dialogue at the heart of living wage initiatives**.
- **Living wages should be the result of evidence-based social dialogue >>>>** Solid data and information on needs of workers and their families and economic factors are needed for this evidence-based social dialogue.
- This also implies that **living wage benchmarks** or estimates, where they exist, should serve to inform – not replace – evidence-based social dialogue, including collective bargaining of wages.



▶ ILO engagement with living wage initiatives

- Keep promoting a minimum living income for all, including those who are not wage earners such as smallholder farmers, through a combination of means.
- Living wages is a very important objective, but there are many other elements of wage policy that are essential to ensure decent work for all:
 - Collective bargaining of wages may result in wages that are above the minimum, ensuring and inclusive economic growth and reducing wage inequalities;
 - Measures to promote equal pay for equal value between men and women; or
 - Wage protection measures which ensure the predictable, timely, complete and transparent payment of wages.

**ILO action to promote
Setting adequate wages:
*a 4-years project funded by NDL***

Four pilot countries



► Objectives/Pillars:

- 1) **Support wage setting mechanisms:** Making a stronger use of data and indicators in the determination of adequate wages in existing wage setting mechanisms.
- 2) **Enable wage growth:** Identifying macroeconomic factors and institutions that enable wage growth at the national level, and support selected enterprises and social partners in supply chains to raise productivity and pay higher wages.
- 3) **Strengthen living wage initiatives:** Providing assistance and carrying out research on the concept and estimations of living wages, and engage in global, regional or sectoral living wage initiatives.

Objective 1:

▶ Supporting wage setting mechanisms

▶ **Objective 1: Supporting wage setting mechanisms**

- ▶ Output 1. **Minimum wage settings** are based on relevant indicators of the needs of workers and their families and economic factors.
- ▶ Output 2: Social partners use information on the needs of workers and their families for meaningful and informed **collective bargaining of wages**.
- ▶ Output 3: **Compliance** with statutory and negotiated wages is improved.

► Some activities include:

- 1) **Reviews** of minimum wage setting systems and collective bargaining of wages frameworks.
- 2) **Studies** on prevailing wages to inform minimum wage setting and collective bargaining of wages mechanisms, as well as on compliance with statutory or negotiated rates.
- 3) **Training** to governments and social partners on the use of evidence on the needs of workers and their families and other indicators in wage setting mechanisms.
- 4) **Consultations and workshops** to promote evidence-based wage setting mechanisms and to promote compliance.

Objective 2:

▶ Enabling higher wage growth

▶ **Objective 2: Enabling higher wage growth**

- ▶ Output 1. **Productivity and wage** are improved in selected enterprises in the supply chains.
- ▶ Output 2: **Better understanding of the macro factors and institutions** that support and enable rising wages.

► Some activities include:

- 1) **Studies** on the macro factors and institutions that support and enable wage growth, as well as on wages and productivity in selected enterprises .
- 2) **Training** to selected enterprises on ways to increase productivity and wages, and support them in implementing identified changes.
- 3) **Document and disseminate** good practices on linking wages and productivity.

Objective 3:

▶ Strengthening living wage initiatives

▶ **Objective 3: Strengthening living wage initiatives**

- ▶ Output 1. Governments and social partners have **a better understanding of living wages**.
- ▶ Output 2: **International and national living wage initiatives** are informed about the needs of workers and their families and economic factors.

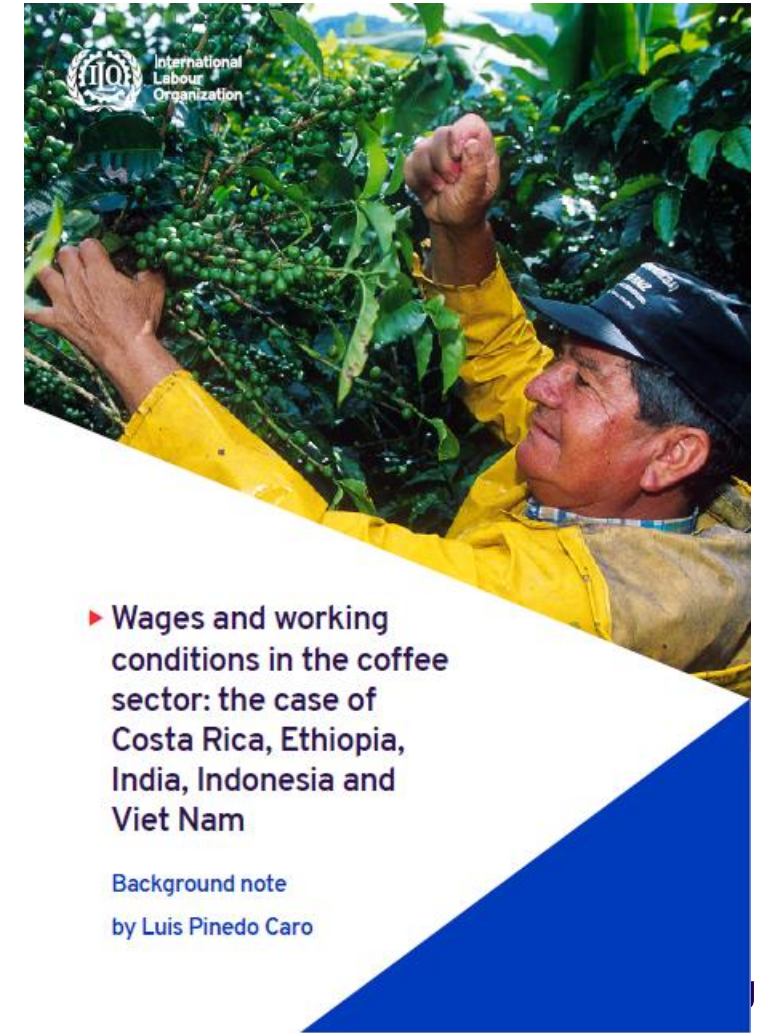
Some activities include:

- **Carry out research** (“contribute to a better understanding of living wages by undertaking peer-reviewed research on concepts and estimations in that respect, ...”, ILC, 2022).
- At national level, support the development of **roadmaps or industry commitments** towards living wages (“...provide assistance to Member States, upon request”).
- Develop a **framework and guidance materials**, disseminate them at the country level, and engage in global, regional or sector living wage initiatives.

▶ ILO support to setting adequate wages in the coffee sector

ILO study on wages in the coffee sector

- In 2020, the ILO carried out a study on wages in the coffee sector using household and labour force surveys in five countries: **Costa Rica, Ethiopia, India, Indonesia and Viet Nam.**
- The objective was to contribute to a better understanding of the prevailing wages in the coffee sector to **feed into the knowledge base for setting of adequate wages.**



Wages in the coffee sector: *some highlights...*

- In all countries average coffee wages are far below average country wages and lower than the averages wages paid in the agricultural sector.
- Own-account workers earn more per hour than employees in all of the countries.

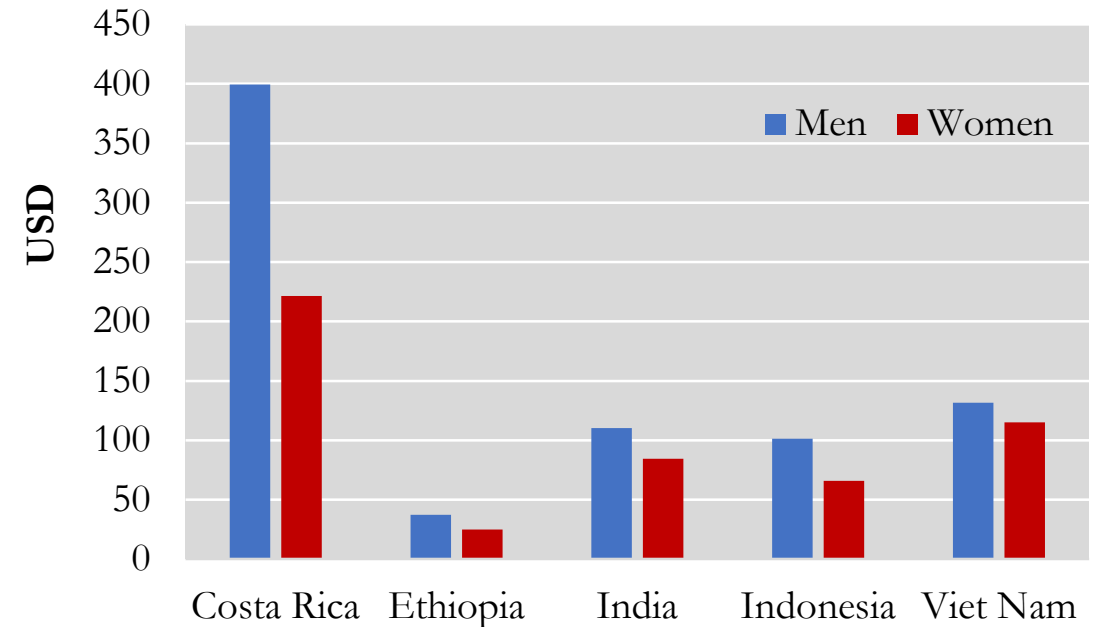
Average hourly wages in the coffee sector in 2020 in USD

	Hourly wages (employees)			Hourly wages (own-account workers)		
	Coffee sector	Agriculture sector	Total country	Coffee sector	Agriculture sector	Total country
Costa Rica	2.53	2.87	4.51	2.16	2.34	3.23
Ethiopia	0.18	na	0.9	0.21	0.3	0.32
India	0.49	0.37	0.74	0.8	0.7	0.72
Indonesia	0.51	0.77	1.29	0.67	107	1.17
Viet Nam	0.77	0.75	1.1	1.28	0.87	1.09

Wages in the coffee sector: *some highlights...*

- Women in the coffee sector earn substantially less than men.
- With the exception of India and Ethiopia, wage gaps are higher than the national average gaps.

Average monthly earnings of employees in the coffee sector in 2020 in USD



Wages in the coffee sector: *some highlights...*

- Costa Rica has a national minimum wage that applies to all regions, but Viet Nam, India and Indonesia use regional minimum wages. In Ethiopia, there is no minimum wage.
- In India and Viet Nam, a majority of coffee workers earn the minimum wage or more.
- Non-compliance is higher in Costa Rica, with an estimated 45.4 per cent of workers earning less than the minimum, and especially in Indonesia, where only 9 per cent of the coffee employees earn the minimum wage or more.

Minimum wage compliance of employees in the coffee sector

	Minimum wage compliance		
	<95%	95%-105%	>105%
Costa Rica	45.4	14.3	40.3
India	17.7	0	82.2
Indonesia	91	2.8	6.2
Viet Nam	25.9	4.8	69.4

▶ **Moving forward: some ILO actions on the coffee sector**

- Estimation of needs-based wages in coffee sector and assessment of gaps with respect to minimum wage and prevailing wages (Côte d'Ivoire).
- Training provided to social partners and other stakeholders on collective bargaining of wages, including on information and indicators that may support CBAs of wages in coffee sector >>>> International Knowledge exchange of good practices.
- Information campaigns on minimum wage level with the aim of promoting compliance in the coffee sector (Côte d'Ivoire).
- Evaluation of factors that affect improvements in productivity at the enterprise level in the production of coffee (Costa Rica).

For more information:

- ▶ Website on SAW project
- ▶ Policy brief on living wages



Wages >

- 2030 Agenda for sustainable development > [+]
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- Employment promotion > [+]
- Employment security > [+]
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- Forced labour, modern slavery [+]
- and human trafficking >
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- Indigenous and tribal peoples > [+]

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Technical Cooperation Project

Setting adequate wages

When: 1 October 2022 - 30 September 2026

Development partner(s): Ministry of Foreign Affairs of the Netherlands

Project code: GLO/22/08/NLD

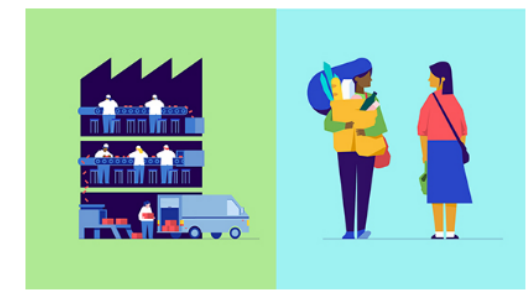
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Background

The setting of adequate wages is an essential mechanism to enable decent living standards for workers and their families, while at the same time ensuring the sustainability of enterprises which create the jobs for these workers.

The project thus supports Costa Rica, Côte d'Ivoire, India and Vietnam, in making a stronger use of data and evidence on the needs of workers and their families and economic factors in their social dialogue and wage determination mechanisms, including minimum wages and collective bargaining.

The project also supports these countries' engagement in global or regional living wage initiatives, which seek to ensure that wages, including in supply chains, are sufficient for workers and their families to afford a decent standard of living.

▶ Thank you!

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