



Living Wages in the Banana Supply Chain

Project Report

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Contents

Summary	3
.....	
Introduction	6
.....	
Living Wages	9
.....	
Lidl "Banana Living Wage" Project	13
.....	
Insights and Outlook	26
.....	
Sources and Links	28
.....	

Summary

Summary

"Acting fairly" is a strategic focus area for Lidl. In-depth human rights impact assessments (HRIAs) have identified the issue of underpayment in the banana sector as a material risk. Living wages are key to a decent standard of living.

For this reason, in May 2022 Lidl became the first German retailer to set itself the goal of closing its own living wage gap. In 2023 Lidl Belgium has set the same goal.

Highlights

- **Lidl the pioneer:**
Wage gap completely closed for 10,000 plantation workers
- **Breakthrough in wage calculation:**
Lidl and IDH develop pioneering tool to calculate living wage premiums at more than 200 banana plantations.
- **Collaboration with producers:**
Lidl introduces innovative action to bridge the wage gap in all four producer countries.

By working closely with our partners IDH and FLOCERT, and with the producers at local level, Lidl Belgium succeeded in closing its share of the wage gap in the banana supply chain in 2023.

This involved a four-step project cycle:

1. **Empowering producers** in Colombia, Ecuador, Guatemala and the Dominican Republic to apply the IDH Salary Matrix and pay living wages
2. **Capturing data** to measure the total wage gap
3. **Data verification** and validation in on-site audits
4. **Paying Lidl's share of the wage gap** through a living wage premium via wages/salaries, vouchers or cash



Six challenges emerged during the project cycle in 2022:

- **Harvest-related fluctuations during the year** at a number of producers
- **Retroactive calculation of the wage gap** due to use of salary data from the previous full calendar year
- **Changes in plantation staff**, for example where there are migrant workers
- **Calculating Lidl's share** of the total wage gap
- **Measures to pay** the living wage premium to workers
- **Country-specific social security systems**

Solutions to all the challenges were found and adopted, as set out in detail in this report.



The Lidl "Banana Living Wage" project shows that **closing the wage gap is challenging, but possible.**



"We are very pleased to have the support.
We are already looking forward to the next bonus."



Cana Group worker
Dominican Republic



"We love the bonus. It's a great help.
Now we can count on it to pay our grocery bills."



Gloria Marín
Las Delicias Farm,
Unibán Magdalena



"I'm happy to say on behalf of the whole team **what a blessing the bonus is for us all.**
Thank you from the bottom of my heart."

Introduction

Introduction

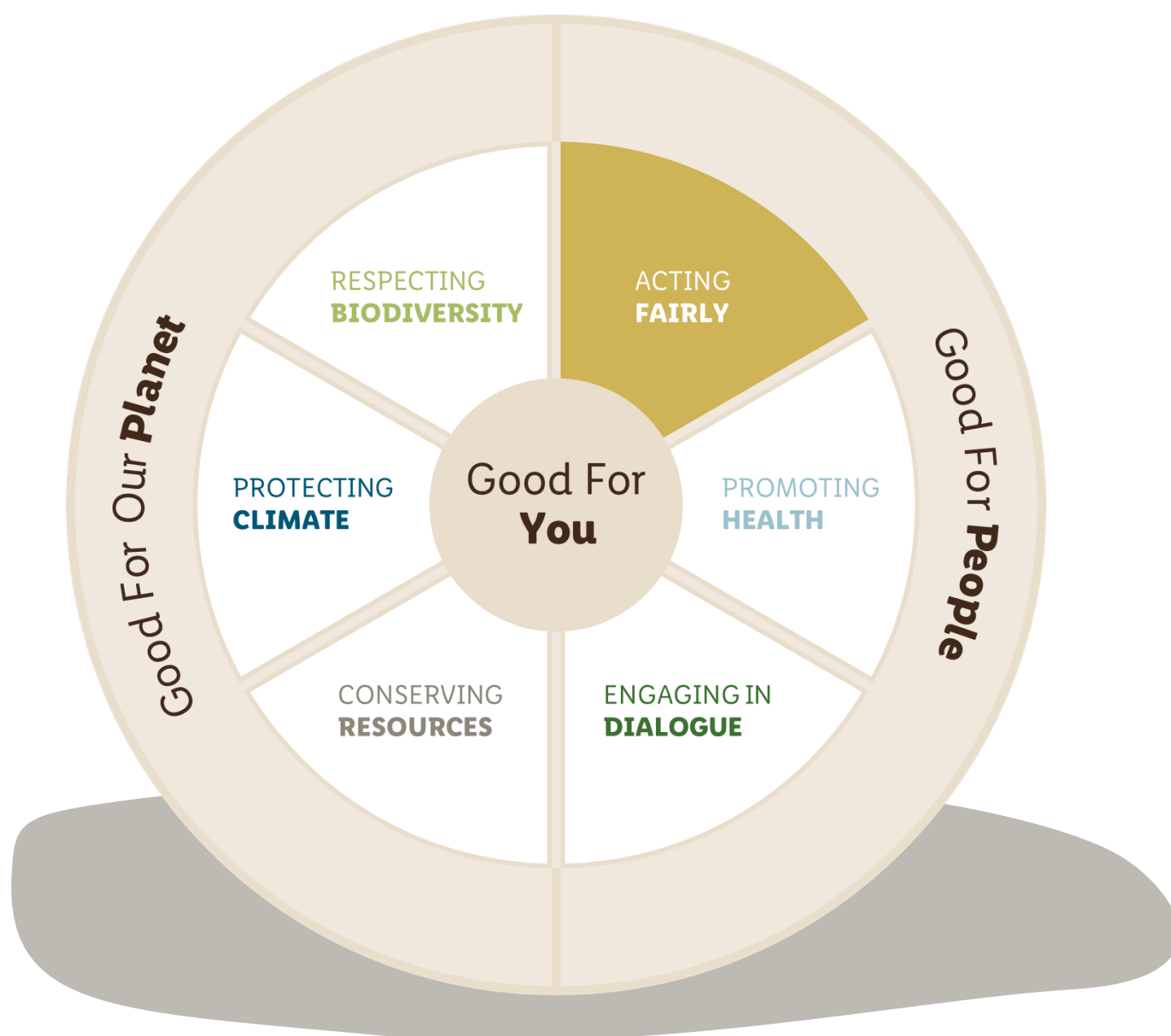
Underpayment in the banana supply chain is a major challenge and also poses the risk of additional human rights violations.

The latest surveys show that plantation workers often do not earn enough to provide them and their families a decent standard of living.¹ Around 80 percent of people living in extreme poverty are in rural regions, and two-thirds of them work in agricultural supply chains. Underpayment can often lead to child and forced labour.²

Aside from governments, businesses in particular also bear responsibility for respecting human rights in their supply chains.

Lidl Belgium takes this responsibility seriously. "Acting fairly" is a focus area in the CSR strategy, which gives us clear guidance in fulfilling our commitment to act responsibly.

👉 [Human rights in the supply chain](#)



At Lidl we have committed to complying with our **human rights due diligence obligations** throughout our value chains, and thereby to ensuring that labour law standards are upheld and decent working conditions provided.

Our human rights due diligence approach forms the **necessary basis**, comprising extensive risk assessments, targeted impact assessments, risk-based sustainability certifications and social audits, joint projects and partnerships with civil society organizations, and commitments to establishing a grievance mechanism.

We have identified living wages as a strategic action area.

Our **Code of Conduct** forms the basis of the contractual agreements with our respective business partners. As such, requirements relating to wages and working hours are a key component of these agreements.

Our objective is:

to cover the cost of living for workers if the statutory minimum wage is too low.³



Stefan Haensel
Member of the
Management Board
Lidl Stiftung & Co. KG

"Lidl Belgium is the first Belgian retailer to close the wage gap for plantation workers in our banana supply chain."

"Acting fairly" is a key focus area for us. The project demonstrates specific solutions to safeguard the livelihoods of plantation workers in the banana sector.

We plan to continue doing so on a systematic basis going forward in the interests of the producers and the workers.

We hope that, as pioneers along with our partners FLOCERT and IDH, we have set an ambitious industry standard for the long term.

Living Wages

Living Wages

A **living wage** is a material human right (Article 23 of the United Nations' Universal Declaration of Human Rights):⁴

"Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity."



Living wage

(as defined by the *Global Living Wage Coalition, GLWC*):

"The remuneration received for a standard workweek by a worker in a particular place, sufficient to afford a decent standard of living for the worker and her or his family."

The many elements of a decent standard of living include:

- housing and clothing
- healthy and varied food
- savings for emergencies and social security.

Living wages vary from country to country and even from region to region within a country, due to differences in the cost of living.⁵



A **living wage** is initially calculated by determining the cost of a basic but decent lifestyle in a particular region.

This includes food, housing, education, healthcare, transportation, clothing, and other essential family needs including provision for unexpected events.

The exact costs are reflected in the price of local products, such as basic foodstuffs, children's clothing and school materials. It is important to align the reference components closely with the local conditions in order to reflect real life at that location.

This is because the reference values differ not only from country to country, but also from region to region within a country.

The total costs for a family are then divided by the number of working adults. This figure indicates the necessary wage for a worker, in other words the net wage required to cover living costs in a particular region for one month.

Taxes and deductions are then added to this net wage to reflect the full extent of costs.⁵

Calculating the living wage

Monetary basis for a decent family standard of living:



Collecting the input data

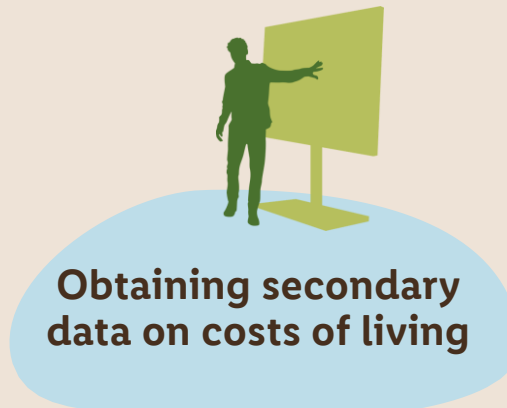
A range of different methodologies have been developed for calculating living wages. In our case, the **Anker living wage methodology** as applied by the Global Living Wage Coalition (GLWC) is particularly relevant. **Four key aspects** are included in the calculation:



Institutions and civil society organizations, such as trade unions, are involved in the process to increase credibility and acceptance among stakeholders.



Housing costs are estimated based on international and national standards for decent housing.



This involves detailed documentation and analysis of real costs, including critical appraisal of available secondary data (press releases, information from NGOs, etc.) and adjustments to this data where required.



A combination of current local data (food prices, costs of education, health care, transportation, etc.) and available secondary data determines how much is needed to afford these basic necessities.

The non profit organization IDH, used the Anker living wage methodology as a basis to develop its **IDH Salary Matrix**, which has gained worldwide recognition. The matrix has two main components, firstly determining the real paid wage, and secondly assessing the extent to which a living wage is being paid to workers based on the Anker Benchmark.

The IDH Salary Matrix has become the **market standard** and is used by retailers around the world to calculate wage transparency in their value chains.

The tool is updated annually using regional living wage benchmarks, and therefore reflects **pay reality** in the referenced countries.

Different country-specific remuneration systems can also be integrated into the calculation.

Bonuses and **in-kind benefits** can be included **in addition to fixed salaries**. The methodology is used based on the premise that payment of a living wage can be confirmed only when it has been verified by an independent auditor.⁶



Lidl Project **Banana Living Wage**

Lidl Project

Banana Living Wage

Background

In order to develop our living wage strategy, we first conducted a risk analysis covering all products, to identify human rights risks.

👉 [Human rights in the supply chain](#)

The analysis showed that within the fruit and vegetable product group, tropical fruits are associated with a **particularly high risk of underpayment**.

Bananas are the most consumed of the tropical fruits sold at Lidl in Belgium. Lidl Belgium conducted a Human Rights Impact Assessment (HRIA) in the Colombian banana supply chain in 2021 to gain a better understanding of the risks and challenges associated with the banana supply chain.

The analysis revealed **a number of risks** including gender discrimination, non-compliance with occupational health and safety measures, and underpayment of plantation

workers. By focusing on the issue of achieving living wages in the banana supply chain, Lidl is seizing the opportunity to **reduce several risks and develop a strategy that is viable for the long term**.

- 👉 [HRIA Bananas](#)
- 👉 [Banana action plan](#)

As one of the largest Fairtrade partners for many years, Lidl Belgium offers a range of organic Fairtrade bananas, Fairtrade bananas and Rainforest Alliance certified bananas.

In May 2022, **Lidl Germany became the first retailer** to set itself the goal of closing its own living wage gap. **Lidl Belgium joined in 2023**. This applies to the entire range of bananas.

Lidl Belgium currently sources its bananas from four producer countries: Ecuador, Colombia, the Dominican Republic and Guatemala. The bananas are grown on **over 200 plantations, where more than 10,000 people are employed** and should benefit directly from the premium.



HRIA

(Human rights impact assessment)

A human rights impact assessment is a **process for identifying how projects, business approaches and political decisions can impact human rights**. The main objective of a HRIA is to detect human rights risks and identify ways to prevent or mitigate negative impacts.

Lidl Belgium – banana supply chain

Lidl's share of wage gap calculated and closed for:

plantations

>200



workers

+10,000

producer countries

4

- Ecuador
- Columbia
- Dominican Republic
- Guatemala



Process

In 2022, Lidl worked with all affected business partners, Fairtrade, and the Fairtrade certification company FLOCERT to develop a process to verify the data in the IDH Salary Matrix. This is designed to ensure that plantation workers receive the correct living wage payment from Lidl and its business partners.

The process essentially comprises four steps:

1. Empowerment

The first step is to train all relevant business partners, their upstream suppliers and the producers in how to use the IDH Salary Matrix. This ensures that the existing pay reality is depicted as accurately as possible.

2. Data capture

The data necessary to calculate the wage gap and calculate the premium is documented in the IDH Salary Matrix and provided to Lidl and FLOCERT for review.

3. Data verification

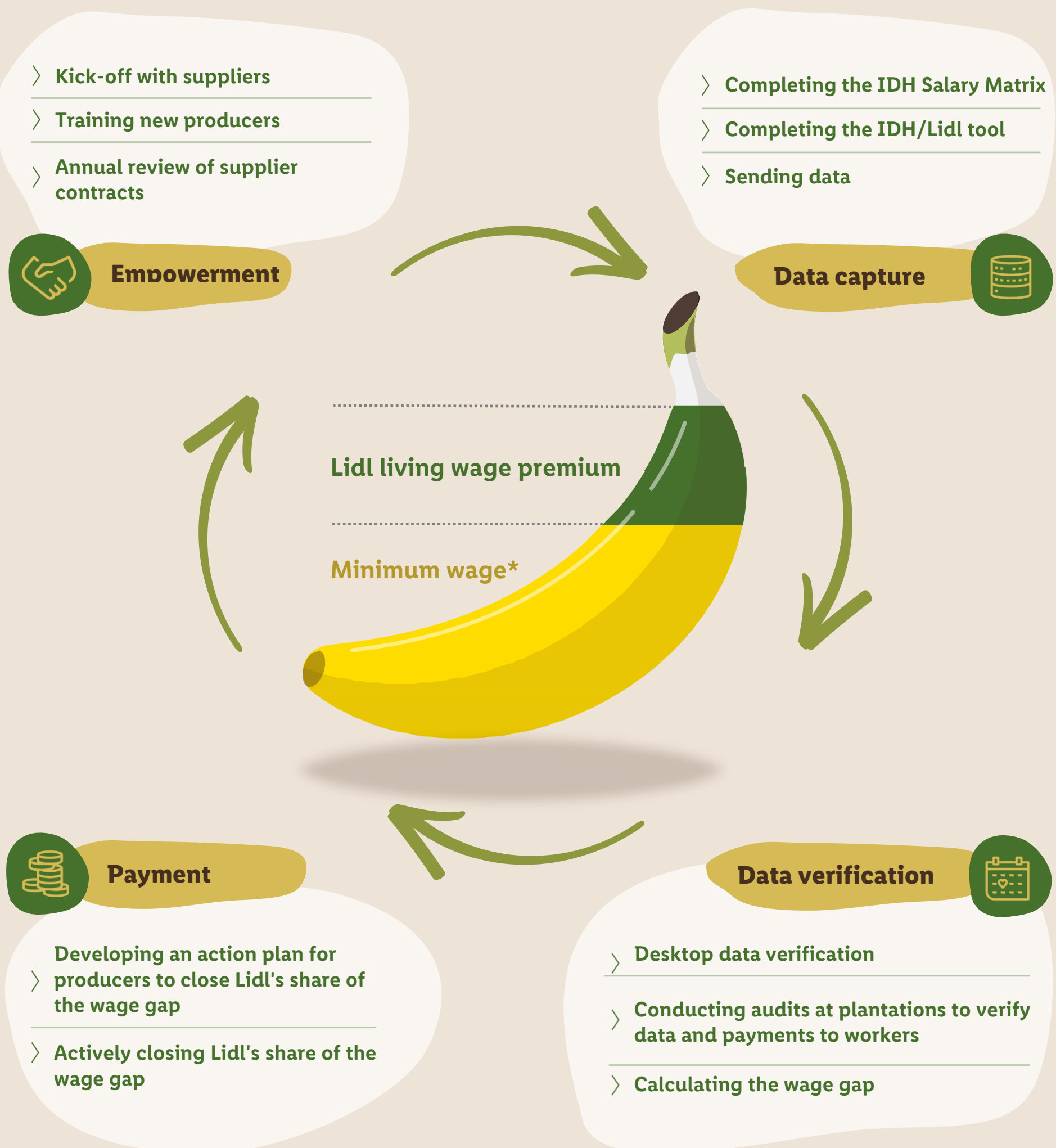
The audits (specifically developed for Lidl) are carried out by specifically trained FLOCERT auditors on a sample of plantations. These audits ensure that the wage data from the plantation operators is complete, consistent, and accurate. As part of the audit, documents are manually compared with the wage data available at the plantations.

4. Payment

Lidl's share of the wage gap and the premium for the living wage are calculated specifically for the relevant plantations and producers. The producers and suppliers then select and implement suitable means of payment to close Lidl's share of the wage gap through premiums.

2023 project cycle to close Lidl's share of the wage gap

Lidl succeeded in closing its share of the wage gap for Lidl Belgium's bananas by taking action and further developing its project cycle in 2023.



* The minimum wage associated with Fairtrade certified bananas is at least 70 percent of a net living wage

"Lidl Stiftung is strongly engaged in addressing living wage risks in their supply chains.

FLOCERT is pleased to work with Lidl to validate living wage data from their trade partners and support Lidl's efforts towards a sustainable livelihood for banana plantation workers.

Lidl has been the first retailer to run a large-scale living wage verification with FLOCERT. Through this partnership, both parties have gained new insights in the field of living wage."

”



Katharina Wagner
Managing Director
FLOCERT



FLOCERT

(certification organization)

FLOCERT is a global **organisation specialised in verifying whether businesses and producers are acting fairly.** It checks whether these companies are complying with certain rules to ensure that pay is fair, working conditions are safe and the environment is protected. FLOCERT helps to make the Fairtrade logo credible, thereby supporting small-scale farmers and workers in developing countries.⁷

Challenges and solutions

The project presented a number of challenges, which we were able to overcome with our partners.



Change in the supply chain

Challenge

Solution

Despite Lidl's continuous efforts to establish long-term relationships in its supply chains, they remain very dynamic and are affected by a range of factors.

For instance, **climate change-related crop failures and natural disasters such as extreme rainfall and tropical storms** affected the availability of products in the banana supply chain in 2022.

This resulted in an increase in the number of **plantations from 120 in fiscal year 2022 to 200 in fiscal year 2023** to cover the banana volume required by Lidl Belgium.

Capacity had to be increased quickly to integrate the 80 additional plantations into the Banana Living Wage project.

Lidl was able to absorb the changes in the supply chain in 2022 and 2023 by working closely with its business partners and FLOCERT. **The new plantations were included in the project** and the necessary capacity added to complete the IDH Salary Matrix.

FLOCERT verified the data collection of the new plantations in the second audit cycle.



Determining the correct wage reference period

Challenge

Solution

The living wage **benchmarks can only be determined for the previous year** because a full year is used for the calculation in order to include factors such as inflation and changes in tax and social security contributions.

This means that living wages cannot be paid until the year following the reference period.

Lidl trained its business partners on the correct data period and agreed with them and the producers that any wage gaps would always be closed retrospectively to the preceding calendar year.

This means a constantly recurring project cycle was agreed to guarantee an ongoing living wage in the banana supply chain.



Challenge

Calculating Lidl's exact share of the wage gap

Solution

The IDH Salary Matrix has laid the foundation for measuring living wage gaps. The system calculates the wage gap for the entire plantation and for individual categories of workers based on the annual volume of bananas produced.

The next step is to convert the wage gap to the price per kilo of bananas in order to determine the premium required to close the wage gap.

This system can be used if one company sources the entire volume from the plantation. **However, banana plantations generally have more than one buyer.** They often produce for a large number of buyers who are then responsible for closing their share of the wage gap based on the volume of bananas they buy.

It was not possible, using the tools previously available on the market, to calculate the percentage premium to be covered by Lidl based on its banana volume.

Lidl therefore worked with IDH to develop an innovative tool to calculate the exact living wage premium required to close Lidl's share of the wage gap. This tool:

- determines the **volume bought by Lidl** from one plantation
- includes country-specific **taxes and social security contributions**
- includes the plantation's **additional project costs** (e.g., for hiring additional staff)
- calculates the **wage gap** broken down by whole plantation, individual worker category and individual worker
- develops **payment scenarios**, based on the Anker methodology, which are aligned with national requirements and the plantation's individual payroll system
- ensures direct **data imports** from the IDH Salary Matrix

Lidl piloted and optimized the tool with two banana suppliers in Colombia and the Dominican Republic in February 2023. All suppliers and producers then received training from Lidl and IDH on how to use the tool.

As the project continues, Lidl will be working with IDH on refining the calculation. One of the objectives of the collaboration with IDH is to **make the tool available to all market participants** and share the experience gained during the project in order to develop a **standardised process**.



Challenge

Personnel changes on the plantations

Solution

Many agricultural supply chains – including the banana supply chain – are dependent on **migrant and seasonal workers** who do not work on a plantation permanently, or do not return to the same plantation the following year.

The **premium paid is distributed among the current workers**, as it is not always possible to retrace the migrant and seasonal workers included in the calculation from the previous year if they no longer work on the same plantation.



Challenge

Payment of the living wage premium

Solution

Different countries – and sometimes individual regions – have their own requirements and laws that regulate payment of wages and salaries.

In addition, every plantation has its own payroll system, which third parties should understandably not interfere with. However, the individual workers must receive the premium paid in order for the wage gap to be closed.

It became clear, following extensive research and consultation among market participants and stakeholders such as Fairtrade, that there was **no system established on the market as yet** that could guarantee that the living wage premium paid would actually be received by the workers.

Lidl worked with its suppliers and producers to find and adopt individual solutions based on the regional circumstances and the needs of the plantations.

These currently comprise:

- **pay rises**
- **bonuses**
- **in-kind benefits**
(e.g., vouchers for local supermarkets)



Challenge

Country-specific social security systems

Solution

The Anker methodology does not include any mandatory social security systems for employers in its calculation of the living wage benchmark.

For example, employers in Colombia are required to pay unemployment insurance contributions. These payments known as *cesantias* are made to a government fund. Every employer pays one month's salary per worker into the fund per year, which the worker can then access in the event of unemployment.

Workers can also request a payout from the fund, for instance to make a down payment on property. These payments are not currently included in the Anker methodology because they function as unemployment benefit and do not support workers in their daily lives.

However, because the payments are made by the employer, international organizations are currently assessing the extent to which *cesantias* should nonetheless be included in the calculation. Many countries in South and Central America have similar employer-based mandatory social security systems.

Lidl is in constant contact with banana producers, local trade unions, IDH, NGOs and international organizations to find solutions to the regional challenges – such as plantations' additional costs due to social security payments like *cesantias* – and to foster dialogue.

Lidl follows the requirements of the Anker methodology, but takes the reality of plantation owners seriously. It was therefore decided to **include payment of *cesantias* in the 2023 project cycle** until an internationally recognized solution can be found to address the payment of regional social security contributions by employers.



Jordy van Honk
Global Director
Living Wage and
Living Income – IDH



“As IDH we support market players in their efforts to close living wage gaps in their supply chains, by bringing stakeholders together, and by offering expertise, guidance, and tools.

With Lidl we developed and tested a tool which made it possible to calculate the voluntary contributions necessary to close the living wage gap for their volumes, as well as to identify potential distribution mechanisms.

As far as we know, Lidl has been the first retailer to roll out a voluntary contributions approach that includes a specific distribution mechanism to workers with all their banana suppliers and producers. For us it's great to collaborate with partners like LIDL who are pioneering innovative practices.”



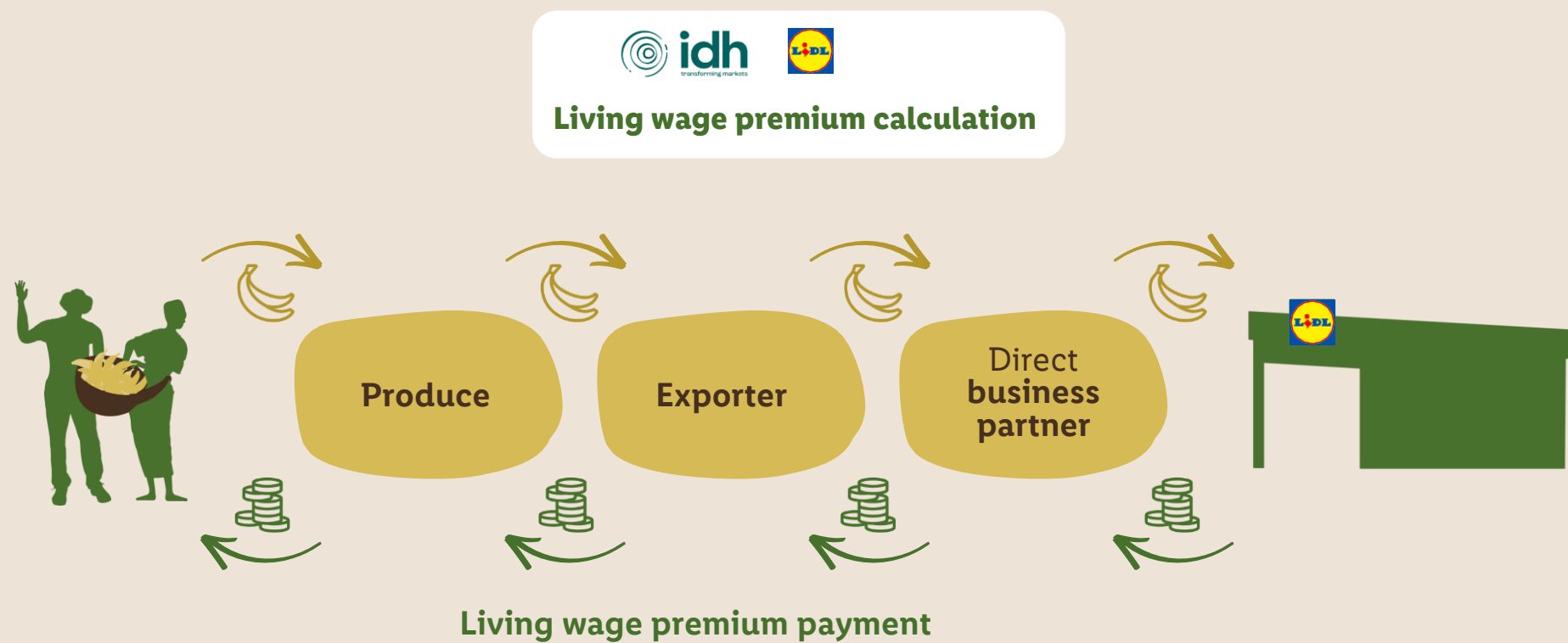
IDH is an **organisation that advocates for sustainable trade**. Its objective is to support businesses, governments and other groups in making products and services more environmentally friendly and fairer. IDH advocates for a positive transformation to facilitate better jobs, better incomes, gender equality and environmental protection. The initiative creates a network of partners who work together towards a more sustainable world.⁸

Results

Through the multiple steps in the process – plantations completing the IDH Salary Matrix, the verification of the correct data collection on all plantations and sample checks of the calculated wage gaps through audits of the plantations by FLOCERT, and application of the new tool – **Lidl are able to calculate and close its exact share of the wage gap for the total volume, for each individual supplier and for each plantation.**

This enabled **cost transparency** relating to the living wage benchmark in order to close the wage gaps for Lidl Belgium's total volume. The development and piloting of the tool helped Lidl, the suppliers and the plantation owners to find new solutions to close the wage gap on the plantations effectively.

Living wage premiums in the banana supply chain 2023



For instance, one supplier developed the innovative idea with Dominican Republic plantations to close wage gaps using shopping vouchers for local supermarkets. The supermarkets issued vouchers in the amount of each worker's wage gap, personalizing and digitalizing them with names and employee numbers to enable them to determine how much of the worker's budget remained to spend.

This very positive example in the Dominican Republic provided a **best practice for other business partners** to follow. All suppliers successfully integrated the tool into the banana supply chain and the 2023 living wage project cycle.

Specific action plans to close Lidl's share of the wage gap were developed and realized.

All suppliers for the entire Lidl Belgium banana supply chain received training on how to use the tool based on the experience from the pilot project and the tool developed with IDH.

Lidl was able to close the wage gap with the locally-defined premium. **In so doing, Lidl Belgium has set a new market standard for payments to plantation workers in the banana sector.**



Stefan Heine
Director
Afrikanische Frucht-
Compagnie GmbH



"The realization of the Living Wage project in cooperation with our partners is a very positive and educational experience.

The close contact and direct communication with our customer Lidl, our banana producer and IDH enables the implementation of the tool, an accurate living wage gap calculation and the application of effective measures.

Living Wage is a complex and relatively recent concept, hence leaving room for process optimization.

With this in mind, we are motivated and convinced to continue expanding our efforts in the future with strong partners at our side, and to work together on strengthening social sustainability in our supply chains."

Testimonial from a banana producer in the Dominican Republic

”

"We first heard about the IDH Salary Matrix and the living wage project at the end of 2021.

The project was very wide ranging to begin with, and quite confusing.

But with help from Lidl, IDH and our German exporters, we developed an effective method for **measuring and closing the living wage gap**.

It took **24 months** to develop this project, but now we have a fantastic tool that allows us to make monthly payments to our workers.

We use **grocery vouchers** from local supermarkets to close the living wage gap. The vouchers make a valuable contribution to the monthly expenditure of a Dominican family. Those in rural areas benefit in particular.

We found a great way to achieve our objective. First, we looked for supermarkets that were easiest for the workers to reach. Then we found a suitable **retailer** that was willing to work with us on the project.

The next step was to draw up **lists with the names and employee numbers of the workers** who would receive the vouchers, indicating the exact amount to close the wage gap.

The retailer used these lists to create the vouchers, which we then distributed to the workers. We organized information events to explain to the workers how to use the vouchers. **Every worker received their own separate voucher**, and signed to confirm receipt.

Now the workers can **spend their vouchers easily** by presenting them along with their ID at the checkout.

This way we ensure that the right person is using the voucher."





Insights and **Outlook**

Insights and Outlook

Every supply chain is dynamic and involves many stakeholders who have to work together to implement living wages in the supply chain.

Cost and wage transparency are key to the success of the project and can only be achieved with excellent data availability. Due to the increasing number of, and changes between plantations used, supply chain capacities need to be constantly expanded in order to provide this data.

The living wage is new concept for many of the stakeholders involved. In some cases payment systems first have to be set up at plantations to enable wage transparency. This makes systems like the annual data retrieval from the IDH Salary Matrix and on-site audits indispensable. The political, social and economic landscape is also in a state of constant flux.

Regular analyses of the supply chain and ongoing training for suppliers and producers should therefore always be integrated into the project cycle, primarily to prepare producers for data collection and audits.

Lidl Belgium has set out the next steps clearly:

- 1 Continuation of the project cycle
- 2 Ongoing data collection training for producers
- 3 Further development of the IDH/Lidl tool to improve project outcomes and share our practical knowledge with all market participants
- 4 Implementation in the supply chains of other Lidl markets
- 5 Dialogue and active sharing of insights with stakeholder groups for a better understanding of living wages
- 6 Expansion of the project to include closing the gender pay gap



Sources and **Links**

Sources and **Links**

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Original Quotes

Page 5 *"Nos caen muy bien estos bonos, es una muy buena ayuda! Tenemos algo más con que contar para la compañía de las comidas."*

Cana Group worker, Dominican Republic

"Yo hoy, en esta mañana, que he recibido este bono, he sentido una alegría tan grande, porque es una bendición grande que Dios me ha enviado a cada uno de los que estamos acá. Y de mi corazón les doy mil gracias,..."

Gloria Marín, Farm Las Delicias, Unibán Magdalena

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