

## Terms of Reference

### Development of RSPO Decent Living Wage Definition and Methodology

#### Background and rationale

The RSPO P&C 2018 Draft (“Draft”) for public review contains a new indicator on providing a decent living wage to workers, stated as such:

**6.5.5 A decent living wage shall be paid to all workers including those on piece rate/quotas, for whom the calculation shall be based on achievable quotas during regular work hours.**

**Note: Where there are no national laws on decent living wage, growers may refer to a credible methodology to measure the living wage which will be developed by RSPO and should be based on the Global Living Wage Coalition.**

There was a general recommendation from the P&C Task Force to provide more detailed information on what a Decent Living Wage entails and how it can be calculated within the oil palm sector, as it is indicated in the Draft. While it was acknowledged that benefits and compensation beyond the basic wage are already being provided by many growers, it was recommended to include specific decent living wage elements – i.e., food, water, housing and accommodation, health care, transportation, clothing, contractual bonuses, and other needs – as part of the indicator, to provide more clarity on what is being proposed.

The Global Living Wage Coalition (GLWC), which is referenced in the proposed indicator, defines living wage as *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. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events*<sup>1</sup>. The suggested methodology takes into consideration specific country-level variables, as well as geographic location (and economic zone, whether in urban or rural zones), and how many people in the basic family unit are employed. Beyond these elements included in the GLWC methodology, there may also be sector-specific factors that should be considered, the Task Force suggested including guidance on parameters for calculation (i.e. what family size to consider; where to get numbers for equivalence of housing costs, etc), and how national union negotiated wages are considered in relation to Decent Living Wage.

The Living wage discussion has been ongoing for several years now. The recommendation from the Task Force is to commission a consultant to assist RSPO in coming up with a Decent Living Wage definition, and develop or adopt a methodology that is appropriate to the sector and relevant to the setup of plantations; while also taking into consideration the capacity of smallholders and small growers. Moreover, the methodology should incorporate National Living Wage rates where member companies have plantations, taking into consideration whether and how these cover elements of existing decent living wage definitions.

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<sup>1</sup> <https://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

## Current Challenges and Context

- There is a need to develop a sector-specific set of definitions and methodology that the RSPO can present for public consultation, and eventually for adoption, in the new P&C. There are various definitions, methodologies, and references on Decent Living Wage (DLW) that are available in the public domain. There is a need to understand and determine which among these methodologies would best suit the oil palm sector.
- One of the key contributions of the sector to social development is job creation and livelihoods. While a move to provide decent living wage is commendable, there is a need to take into consideration the risk of creating “perverse incentives” (i.e., pushing employers to casualize labour, or lead to greater mechanization, hence, lower headcount), in order to avoid provision of unaffordable compensation and benefits packages. There is thus a need to study the potential impacts of implementing a living wage calculation on employment and employment relationships.
- Plantations and farms operate in various geographic locations, under different socio-economic contexts, which have to be factored-in in the assessment of workers’ living standards:
  - Availability of plantation-sponsored services and benefits
    - Some workers are provided housing accommodations; others opt to live outside the plantation premises, on their own
  - Existing state-sponsored services
  - Alternative sources of income, resources, and livelihood that are available
  - Various work processes in plantations requiring various categories of and employment relationships with workers
  - Family setup, family size; number of family members employed in paid work
  - How national level union negotiated pay is considered within the calculation

## Tasks and Deliverables:

The overall task of the consultant is to develop recommendations for a definition and methodology, and options for implementation, of a sector-specific decent living wage standard, for public consultation and consideration by the RSPO / P&C Task Force.

At a minimum, the consultant is expected to perform the following activities in order to come up with the recommendations:

- Identify specific variables and factors for consideration in the development of a decent living wage definition
  - i.e., minimum basic needs (“basket of goods”) calculation developed by countries for specific regions/districts (i.e., Indonesia)
- Survey existing definitions, methodologies, tools and references; including national living wage regulations and national level union negotiated wages
- Conduct consultations, interviews, with key respondents and stakeholders
- Produce case studies – indicating best practices and challenges of implementation

**Qualification:**

- Individuals with a proven track record, or expertise in the subject of decent living wage
- Individuals who are not affiliated with any of the organizations in the Global Living Wage Coalition, and of other initiatives under review
- Understanding of the oil palm sector is an advantage

**Timeframe: September – October, 2017**

- The final report should be delivered before the start of TF 3 (mid-November)
- An initial report of findings should be delivered by start of public consultation (by end of September)

Please send in your proposal and quotation together with a complete profile to Kamini Visvanathan at [kamini.v@rspo.org](mailto:kamini.v@rspo.org) and Julia Majail at [julia.majail@rspo.org](mailto:julia.majail@rspo.org).