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Establishing a basis for the remuneration of labour in the waste value chain as part of ValuCred's new plastic credit pricing model

Position Paper

1. Introduction

According to estimations of UNEP, over 3 billion people don't have access to proper waste management services – this is nearly half of the world's population. Especially in low-income countries, the collection of recyclables depends almost entirely on the informal sector. Informal waste workers are amongst society's most marginalized groups with no recognition of their valuable services, often being deprived access to sustainable income sources and basic social services (UNEP, 2015). Thus, systematic improvements of waste collection and treatment services are urgently needed, which include the development of infrastructure and adequate remuneration for all workers along the waste value chain.

To address this challenge *ValuCred*[1] strives for the development of an international *Standard Process Model* (SPM) that aligns and connects interdependent stakeholders in the ‚Plastic Credits' market, specifically producers and distributors of plastic packaging and local service providers, thus enabling mid-term and long-term financing solutions, ensuring value chain transparency, and strengthening the corporate sustainability debate in the 2030 Agenda for Sustainable Development.

Plastic credits can serve as new financial instrument to help disadvantaged countries fund initiatives to improve waste collection and treatment. For the transparent calculation and valorisation of plastic credits, a new and innovative approach is needed. Instead of transferring the project-based accounting mechanisms of the CO_2-emissions trading, *ValuCred* is developing a management system compatible SPM that aids to determine appropriate resource allocation and can be replicated internationally, supported by a digital solution. It aims to align the interests of national stakeholders and promote the collaboration amongst existing initiatives in the Plastic Credit markets. The *ValuCred* SPM is based on global best industry practices such as the ISO and the GRI standards, it incorporates the relevant metrics of the UN SDGs, and refers to and considers the relevant international regulatory framework as the Basel Convention and national *Extended Producer Responsibility* (EPR) schemes.

It is our intent to, as part of the SPM, establish a basis for adequate remuneration of all workers that sustain waste collection and treatment services in the Global South. To this end, *ValuCred* has scrutinized a variety of existing measures and concepts, aiming to identify a basis for devising adequate remuneration that assure sustainable income levels. As such, in this position paper we outline four identified measures of orientation, as well as *ValuCred*'s respective position.

2. International Poverty Line

At *ValuCred*, we believe that remuneration of labour cannot be considered decent or adequate if the resulting income is insufficient to afford basic needs at the very least. We thus require a remuneration model that guarantees workers an income large enough to guarantee a stable, financially secure livelihood. In this regard, an initial consideration for *ValuCred* was that workers' remuneration through the SPM must exceed the World Bank's International Poverty Line (IPL).

Generally, a poverty line can be defined as the threshold below which the satisfaction of basic needs is difficult or impossible, due to monetary constraints. As such, household incomes that are too low to allow the household to afford its minimum needs are defined as below the poverty line (World Vision, n.d.).

The IPL is regarded as a dominant poverty measure. As such, it is regularly applied in the design, monitoring and evaluation of poverty alleviation efforts at the national and international level (Gweshengwe, 2019). The line is currently set at $1,90 a day in 2011 Purchasing Power Parity (PPP), meaning that incomes below this are classified as extreme poverty. Besides this, the World Bank also uses two additional poverty lines: the lower middle-income ($3.20/day) and upper middle-income ($5,50/day) poverty line, accounting for more economically developed contexts in which higher incomes are required to afford basic needs (World Vision, n.d.).

The IPL has however been widely criticized for a number of reasons. While a full summary of critiques would exceed the scope of this document, concerns have been raised in regard to the calculation of the IPL based on a small number of country samples, questionable PPP estimates, and a lack of grounding on an empirical assessment of human needs (Gweshengwe, 2019; Hickel, 2015; Joliffe & Prydz, 2016). As a result, the IPL often has very little correspondence with individual national poverty lines (Dotter, 2013), masking country-to-country variance in cost of living. Furthermore, the IPL focuses exclusively on the monetary domain of income, excluding non-monetary dimensions of poverty in reductionistic fashion (Desarrollo, 2004; Headey, 2006; Human Development Report, 2010; Ravallion, 1996; Sen, 1976; 1999; Weerahewa & Wickramasinghe, 2005). Based on these critiques, and in light of *ValuCred*'s ambition to establish a SPM that allows for adequate, context-sensitive remuneration of labour in the waste value chain, the IPL unfortunately provides little guidance for *ValuCred*'s purposes.

3. Ethical Poverty Line

The *Ethical Poverty Line* (EPL), devised by Peter Edward (2006), may pose a more meaningful reference. The EPL builds on the linkage between income, individual consumption, and health/life expectancy (Edward, 2006). It assumes that life-expectancy is unaffected by individual consumption above a certain threshold. Below this point, life-expectancy reduces significantly with reducing individual consumption. The EPL is thus set at this point of 'sufficient' consumption.

For *ValuCred*, a remuneration of workers in the waste value chain would thus have to guarantee a level of income that allows for such adequate consumption, at the least. Currently, the EPL is set at $7.40 a day, 3.9 times higher than the IPL (Edward, 2006). However, similar to the IPL, the problem of the EPL lies in the use of a single global poverty line. Similar issues as for the IPL arise, as the same income level translates to varying living standards in different national and sub-national contexts. For this reason, and due to the lack of regular adjustments of the EPL, it cannot serve as a meaningful reference for the *ValuCred* SPM.

4. Rights-Based Poverty Line

The *Rights-Based Poverty Line* (RBPL), coined by David Woodward (2005), is a country-specific outcomes-based approach of measuring poverty. The RBPL approach is based on the estimated statistical relation between income and indicators of well-being. These indicators frame a variety of economic and social rights (health, nutrition, education, etc). To calculate a RBPL, a human right is operationalised by one or more indicators. For each indicator a universal threshold level (the same for all countries) is set, defining at what level the right is considered achieved. Finally, the income required to meet the indicators' threshold level is established for each country. As a result, the RBPL approach produces multiple poverty lines, each corresponding to a different human right. This allows for a definition of poverty lines for each country, which differ in the level of income but pertain to an equivalent standard of living across all countries. Thus, the RBPL circumvents the issues arising from "input-based" approaches (the cost of accessing what is needed to fulfil basic needs – e.g., the IPL and EPL), resolves the problems inherent in any global poverty line defined in terms of incomes, and allows comparability between countries (Woodward, 2005).

While the RBPL appears to be a promising approach, allowing for a context-sensitive and normatively based remuneration of labour, the lack of data renders it insufficient for an application in the *ValuCred* SPM. To date, the RBPL has only been set for six countries, and has received relatively little attention since its conceptualisation.

5. Global Living Wage Coalition (GLWC)

The *Global Living Wage Coalition* (GLWC) is a knowledge-action partnership between the *Anker Living Wage* and *Research Institute and the Action Network*. The GLWC regularly publishes high quality, detailed, and transparent estimates of living wages that are both normative and specific. The GLWC defines a living wage as:

> "*Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and 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*" (GLWC, n.d.)

For the estimation of living wages GLWC uses the *Anker Methodology*. Developed by Richard Anker (formerly ILO) and Martha Anker (formerly WHO), the methodology has been applied to estimate living wages in rural, urban, and peri-urban areas across 42 countries. In its work the GLWC applies a participative approach, gathering data from local population and organisations, while to some extent relying on existing data. Living wage estimations are based on context specific cost of basic but decent life for a reference size family. As described above, this comprises cost of food, cost of decent housing, cost of other essential needs (healthcare, transportation, education), and a margin for unforeseen events. Most importantly, the *Anker Methodology* allows for both, international comparability, and local specificity. As such, the living wage estimations are devised for specific sub-national areas, and often even for workers of specific sectors. Thus, the estimates by GLWC are highly context sensitive and reliable.

A potential caveat of applying GLWC living wage estimates in the *ValuCred* SPM lies in the availability of waste sector- and location-specific data. While the estimates are regularly updated by GLWC, they are only available for some sub-national areas and often relate to selected sectors. For example, the available GLWC estimates for Ghana concern workers in the banana sector of the Lower Volta River area – a peri-urban environment (see Appendix 1). Since the cost of housing in this region may differ from the urban environment of Accra, the estimated living wage for the lower Volta River area may not sufficiently cover the cost of decent housing in the capital. Furthermore, it should be noted that GLWC living wage estimates are calculated as monthly wages, based on four standard work weeks. GWLC determines the work hours comprised in a standard work week in consideration of sector-specific practices and without overtime pay (GLWC, n.d.). However, many workers in the waste value chain, and informal waste pickers in particular, rarely work standard full-time equivalents but often adjust their work hours to additional obligations (UNEP, 2015). Thus, GLWC living wage estimates will be converted to hourly wage figures for ValuCred's purposes, allowing for a multiplication with actual hours worked by individuals to derive a sector-specific remuneration value.

In the long-term, this could limit the GLWC estimates' applicability in the SPM, which requires clear, contextually relevant data for the remuneration of workers in the waste value chain. However, issues of informality, marginalisation, and exploitation are common among both, groups for which concrete GLWC estimates exist, and workers in waste collection and treatment services (GLWC, n.d.; UNEP, 2015). As such, some transferability of GLWC estimates to workers of other sectors exists. Finally, the GLWC estimates are, to our knowledge, the most context-sensitive, comparable figures available. We

thus argue that, in absence of more sector- and location-specific data, the GLWC estimates currently pose the most viable basis for the calculation of worker remuneration in the *ValuCred* SPM. Furthermore, *ValuCred* will collect additional data on living expenses of workers throughout the pilot stage of the SPM, which will allow for a continuous evaluation and improvement of the initial remuneration model.

6. References

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Appendix 1

Exemplary juxtaposition of GLWC estimated living wage (for workers in Lower Volta River area banana industry) with other poverty line wages.
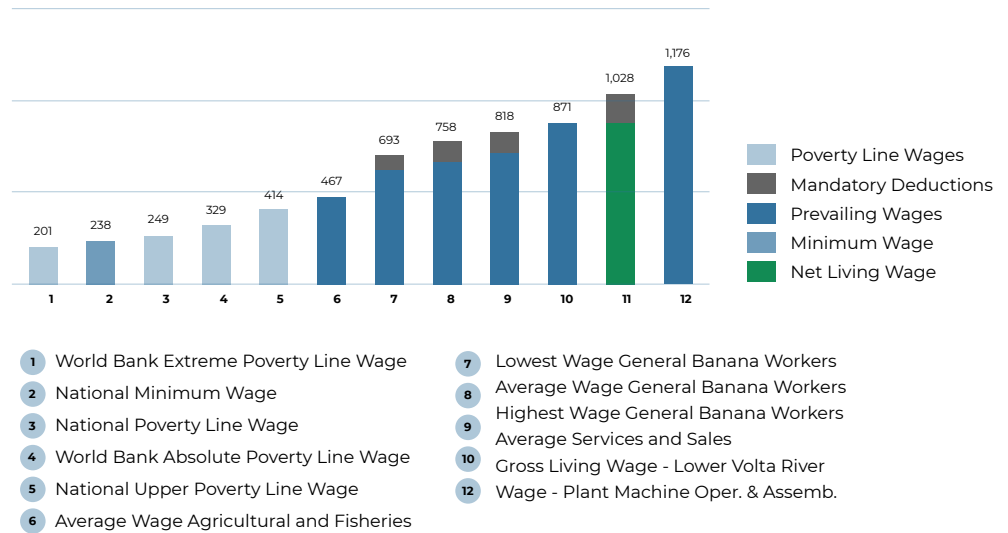
Context Provided for Lower Volta River Area Banana Industry

Key Values and Assumptions

📅 40 Hour Work Week

👨‍👩‍👧 Family Size of 4,5
2 Adults, 2,5 Children
1,78 Workers per Family

Total Monthly Living Wage:
((Food + Housing + Non-Food, Non-Housing + Provision for Unexpencted Events) ÷ Number of full-time Workers in Family)
+ Mandatory Deductions from Pay

Wage Ladder for Ghana in Cedis

Legend:
- Poverty Line Wages
- Mandatory Deductions
- Prevailing Wages
- Minimum Wage
- Net Living Wage

Bar values: 201, 238, 249, 329, 414, 467, 693, 758, 818, 871, 1,028, 1,176

1. World Bank Extreme Poverty Line Wage
2. National Minimum Wage
3. National Poverty Line Wage
4. World Bank Absolute Poverty Line Wage
5. National Upper Poverty Line Wage
6. Average Wage Agricultural and Fisheries
7. Lowest Wage General Banana Workers
8. Average Wage General Banana Workers
9. Highest Wage General Banana Workers
   Average Services and Sales
10. Gross Living Wage - Lower Volta River
12. Wage - Plant Machine Oper. & Assemb.

Source: GLWC, 2019, own Illustration

Authors: Ina Ballik, Moritz Kolbe, Konstantin Muenchau

Layout: Theresa Wolf

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