SOCIAL IMPACT SCAN OF ROSES

Social Impact Scan of roses sourced from Kenya

December 2020 – Final report
SOCIAL IMPACT SCAN | CONTENTS

Results of the Social Impact Scan of Roses sourced from Kenya

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Introduction
As part of its Human Rights policy, Jumbo has defined a due diligence process, which, among other steps, includes researching the social impact of their suppliers. This includes select farms in Kenya. These farms supplies directly to Jumbo.

Actionable and reliable information on social impact can be difficult to collect and analyse. This lack of robust information can result in uncertainty when implementing interventions for improvement.

How can Jumbo work together with the suppliers of their roses to measure the social impact and implement effective interventions for improvement?

As part of the CSR Africa initiative, Impact Institute has developed a Social Impact Scan (SIS) specifically for the Kenyan horticulture sector. The SIS offers a developed methodology for collecting and analysing the impact and drivers of social externalities. This report will offer the results of the SIS of a Kenyan farm, including an analysis of the drivers of its social impact and recommendations on how to improve them.
Approach
A Social Impact Scan involves the quantification and monetisation of the social and human impacts included in a true price (excluding the environmental impacts).

True Pricing, the method of calculating a true price, uses human rights as its starting point. A true price quantifies the extent to which the creation and sale of a product violates the human rights of all stakeholders involved, including the environment and society-at-large.* These costs are then monetised (exchanged from footprints to monetary units) using established monetisation factors.

Monetised impacts give an actionable perspective for improvement. Presenting impacts in monetary units allows us to directly compare impacts to a product’s market price and other products. It highlights the relative urgency and drivers of the different impacts. Based on the monetary values, resources can be allocated to reduce the highest costs in the most efficient manner.

Using the social impact of standard roses from the CSR Africa benchmark analysis as an example (on the right), the Social Impact Scan highlighted the relatively high cost and prevalence of harassment in rose production. With this knowledge, the farms involved can work to reduce their social costs by allocating resources towards ending worker harassment.

The true price method is in line with the OECD Guiding principles on Business and Human Rights. It serves as a tool for human rights due diligence and provides information on reparation and compensation costs (remedy) and the costs of prevention.

Case example: previous CSR Africa scans
Together with Hivos, Impact Institute performed a Social Impact Scan of a standard rose, calculating the social cost of a benchmark rose from Kenya.

It was discovered that, on top of the retail price of €1.11, the social costs amounted to €0.12 per rose. The largest drivers of this impact are harassment (€0.06) and wages and social security (€0.02).

Further information on our methodology and a selection of resources can be found towards the end of this report, or through this link.

*More information on True Pricing’s relation to human rights due diligence can be found in Annex I.

*CSR Africa is an initiative to provide African entrepreneurs with quantitative information on the social performance of their sector and a library of resources for improvement, beginning with the Kenyan horticulture sector.
The social impact scan follows a three step process

The social Impact Scan follows a developed process to reach monetised results representing the social impact involved in the production of roses. This process follows three general steps: impact scoping, data collection and analysis.

Impact Scoping

The first step in the SIS is impact scoping. Impact Institute (through its sister organisation, True Price) has a standard list of social impacts that can be involved in the process of production. Of these impacts, some may not be seen as relevant for the product being analysed and will be left out of scope. For example, in the SIS of roses, child labour and forced labour were left out of scope, as the certifications earned by the farm ensures that it does not employ this kind of labour.

Data Collection

Second, primary data on the production of roses is collected from the farm. For this project, data was collected by Impact Institute’s local partner, Ufadhili trust. If the collected data is incomplete, secondary data is researched or assumptions are made to fill in necessary gaps.

Analysis

The final step to reach results is data analysis. In this step, the data is processed into monetised results, representing the social impacts involved in production. Impact Institute and True Price have published multiple open-source documents on this process; more information on it can be found in the Appendix.
# Approach | Impacts in Scope

The first step was defining the impacts in scope; this Social Impact Scan has seven impacts in scope, based on their expected materiality.

<table>
<thead>
<tr>
<th>Gender discrimination</th>
<th>Lack of freedom of association</th>
<th>Negative effects on employee health and safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>The value of the pay gap between female and male employees along the value chain</td>
<td>The impact of denying workers the right to join unions or other work-related organizations</td>
<td>The occurrence of accidents in the value chain and cost of workers performing work in unsafe conditions</td>
</tr>
</tbody>
</table>

**Underpayment in the value chain**

The gap between workers’ wages, the local minimum wage and the local living wage

**Lack of social security**

The cost of not providing legally required social security benefits

**Excessive and unpaid overtime**

The value of unpaid and excessive overtime worked

**Occurrence of harassment**

The occurrence and cost of sexual and non-sexual harassment towards workers in the value chain

*More information on True Pricing’s relation to human rights due diligence can be found in Annex I.*
The Social Impact Scan is based on primary data collected through two questionnaires: one directed at workers and one directed at farm management. For this study, Impact Institute’s partner, Ufadhili Trust, collected data locally.

Most of the collected data was complete, with few omissions. However, there were two gaps that required assumptions to be made.

The first was employee wages. While a comprehensive breakdown of the wages of permanent employees and managers was provided, the wages of temporary workers and supervisors were omitted. To fill this gap, data from previous CSR Africa SIS’s was utilized to create a ratio of the percentage of permanent employees’ wages that temporary employees in the same position are paid.

The second data gap was the breakdown of employees per position and contract type (permanent versus temporary). No indication of the number of temporary employees that work at the farm was given, yet multiple workers responding to the worker questionnaire self-identified as temporary workers. To resolve this gap, ratios representing the percentage of all workers that had permanent or temporary contracts were created, also utilizing data from previous CSR Africa SIS’s.

It was assumed that the total producer-given number of male and female workers represented the total workers at the farm. This total was multiplied by the temporary and permanent worker ratios and the resulting values were further broken down according worker roles.
Results
RESULTS | BREAKDOWN OF THE SOCIAL COSTS

The Social Impact Scan resulted in a calculated total social cost of €0.031 per rose

Total social cost: 0.031 €/stem

- € 0.017 Gender discrimination
- € 0.008 Underpayment in the value chain
- € 0.006 Lack of social security
- € 0.001 Negative effects on employee health & safety
- € - Occurrence of harassment*
- € - Excessive and unpaid overtime*
- € - Lack of freedom of association*

* These impacts were measured, but resulted in no social costs. A detailed explanation of what this entails for the farm can be found in the Conclusion section below.
# Gender Discrimination

The external costs of Gender discrimination are 58% of the total social costs.

The impact Gender discrimination is the single largest social impact. It measures the extent to which female workers are paid equally for the work they perform (in respect to male workers) and the amount of maternity leave provided (in contract and in reality).

**Drivers**

The external costs from Gender discrimination amount to €0.017. This result is driven mainly by the overall wage gap between men (€1.997 per FTE) and women (€1.546 per FTE), which results from the relative lack of women in higher paid positions. To exemplify this, 48% of workers are female (290) and 52% are male (318). However, there are only 9 female managers to 46 male (16% of managers), 5 female supervisors to 23 male (18% of supervisors).

The data points to the fact that while the employee population is nearly half female, and women get paid equally for equal work, women are not being given the same opportunity for higher paid positions that men are.

<table>
<thead>
<tr>
<th>Gender discrimination breakdown</th>
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</thead>
<tbody>
<tr>
<td>0% Female workers without maternity leave provision</td>
</tr>
<tr>
<td>0.5% Value of denied maternity leave</td>
</tr>
<tr>
<td>32% Wage gap from unequal pay in similar position</td>
</tr>
<tr>
<td>67% Wage gap from unequal opportunities</td>
</tr>
<tr>
<td>1% Cost of auditing the labor force for discrimination</td>
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</table>
RESULTS | UNDERPAYMENT IN THE VALUE CHAIN

The SIS indicates that the second largest social impact is underpayment in the value chain

The second largest social impact on the farm is underpayment in the value chain. This impact amounts to €0.008 per stem, 26% of the total social impact.

Drivers

Underpayment in the value chain is calculated in two steps. First, the gap between workers wages and the legal minimum wage is assessed, then the gap between workers wages and the living wage is assessed. More information on living wages can be found in the recommendations section.

Underpayment at the farm is driven by workers who are paid above minimum wage but are paid below the living wage, as no workers are paid below the Kenyan legal minimum wage.

Recommendations for Impact reduction

The living wage gap can be reduced in various ways. The most straightforward is to pay workers higher wages, such that all workers are paid above the living wage.

<table>
<thead>
<tr>
<th>Underpayment in the value chain breakdown</th>
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</thead>
<tbody>
<tr>
<td>0% Wage gap workers earning below minimum wage</td>
</tr>
<tr>
<td>98% Wage gap workers earning above minimum wage but below decent living wage</td>
</tr>
<tr>
<td>2% Cost of auditing the labor force for insufficient wages</td>
</tr>
</tbody>
</table>
RESULTS | LACK OF SOCIAL SECURITY

The impact of Lack of social security is 19% of the total social impact

The impact Lack of social security measures the extent to which legal social security contributions are provided. This includes the provision of unemployment, annual leave, sick leave and other contributions.

Drivers

The external costs from Lack of social security amount to €0.008. This result is driven by workers without legal social security. According to our analysis, the largest contributor is a lack of unemployment payments (61% lacking unemployment payments). The other contributor is workers with a lack of pension payments (4% without).

Recommendations for Impact reduction

To reduce this impact the farm could set up better auditing processes to ensure that all social security contributions are paid to all workers. Additionally, the farm could ensure that all workers know what benefits they are entitled to and which they are receiving under their contract.

Lack of social security breakdown

- 98% Workers without legal social security
- 0% Value of denied paid leave
- 2% Cost of auditing the labor force for insufficient social security
RESULTS | NEGATIVE EFFECTS ON EMPLOYEE HEALTH & SAFETY

The external impact of Negative effects on employee health & safety is 3% of the total social impact

The impact Negative effects on employee health & safety measures the extent to which workers comply with legal health and safety regulations and accidents are sufficiently avoided or otherwise compensated fairly.

Drivers

The external costs from Negative effects on employee health & safety amount to €0.001. This result is driven mainly by work performed in violation of health and safety standards. This cost is driven by 2% of the workforce, or 13 workers, that does not have proper health and safety training. The total cost is also partly driven by insured accidents occurring in the workplace, 5 accidents over the course of 2019.

Recommendations for Impact reduction

To reduce this impact, the farm can ensure that all workers are provided with adequate health and safety training and are aware of all health and safety protocols. Additionally, increased training for all workers might reduce the number of accidents that occur.
Recommendations
RECOMMENDATIONS | GENDER DISCRIMINATION

The SIS indicates that gender discrimination is the largest social impact

The largest social impact is gender discrimination. The impact amounts to €0.017 per stem, or 58% of the total social costs.

The gender wage gap

The impact gender discrimination is primarily driven by unequal opportunities; an underrepresentation of women in high paying positions.

This underrepresentation also significantly raises the average male wage, creating a gender-based wage gap between the average male and female wage.

Suggestions for improvement

In this report, we suggest three interventions that can help reduce the gender representation of high-paying positions. The first is to track the length of time male and female employees are in similar positions and promote them in a similar timeframe as men. The second is to advertise high paid positions (when hiring) specifically towards women or otherwise alter posted positions so that they attract more female applicants. A third intervention is to strengthen the gender committee (see box on the right).

Strengthening the gender committee*

A gender committee can make women workers voices heard and their needs addressed. This is necessary to guarantee that employment benefits male and female employees equally.

- Involve the gender committee in an effective grievance mechanism.
- Make sure that the side benefits of employment benefit women as much as men.
- Offer training to committee members on their role, leadership skills, communication skills and how to efficiently handle harassment cases.

* See www.csrafrica.com for more information about gender committees
RECOMMENDATIONS | UNDERPAYMENT IN THE VALUE CHAIN

Underpayment in the value chain is primarily driven by workers earning below the living wage for the area and can be improved through higher wages or more inclusive benefits

Underpayment in the value chain is calculated in two parts. First, the gap for workers paid below the minimum wage is calculated and second, the gap for workers paid above the minimum wage but below the living wage for the area is calculated.

What is a living wage?

A living wage is the wage a worker would need to be paid to afford a decent household, decent necessary non-housing, non-food necessities (such as clothing), a decent and varied diet and to be able to save enough for emergencies. The living wage used for this SIS was €1,897 per full-time equivalent (FTE), adapted from the Anker & Anker living wage for the area (Mt. Kenya). This living wage is based on an average family size of 5.5 persons with 1.71 workers.

Suggestions for improvement

As previously noted, the most straightforward way to improve the impact of underpayment is to pay all workers above a living wage. However, since this can prove difficult, workers can be provided with other benefits, such as food or housing, that can help close the gap but potentially cost less than raising wages.

Moreover, the farm could petition the end client, alone or in a coalition with other suppliers, to pay a premium for ‘living wage roses’, on the condition that all workers involved are paid a living wage.*

*More information on living wages and how to reduce the gap of underpayment is published by organisations like the Global Living Wage Coalition and the Living Income Community of Practice.
Three impacts, occurrence of harassment, excessive and unpaid overtime and lack of freedom of association all resulted in no social costs

While the farm did have a social cost resulting from four impacts, it is noteworthy that three impacts resulted zero social costs. Occurrence of harassment, excessive and unpaid overtime and lack of freedom of association all had no social cost after the SIS analysis.

Lack of freedom of association

This impact measures the extent to which workers feel threatened or unsafe due to discrimination against members of trade unions. No workers indicated that they felt any such pressure from the farm and are determined to have sufficient freedom of association.

Excessive and unpaid overtime

This impact measures the extent to which workers perform excessive (over the maximum limit of working hours per week) or unpaid (less than the legally required 150% share of regular wage for overtime work) overtime at the farm. While not all worker respondents provided input for the related questions, those who did respond indicated that they work an acceptable amount of overtime and are fairly compensated for this work.

Occurrence of harassment

It is especially noteworthy that there were no reported cases of harassment, verbal, physical or sexual, at the farm. Harassment is a prominent issue for many of the farms analysed throughout the course of the CSR Africa project, and normally constitutes one of the largest social costs.

The evident lack of harassment at the farm is a great accomplishment and suggests effective training among workers and a safe working environment.
Appendix
APPENDIX | ABOUT IMPACT INSTITUTE

Impact Institute enables organizations to measure, report and steer on impact

Vision
We believe one of the greatest opportunities of the 21st century is the realization of the impact economy: an economy in which work, entrepreneurship, innovation and technology engender a better world.

Mission
Our mission is to empower organizations and individuals to realize the impact economy. We do this by providing organizations with the tools, data, training, and services they need to measure, report and steer on their impact.

Organization
Impact Institute – a spin-off of True Price – is recognized as a global leader in impact measurement and valuation. It has contributed to international frameworks such as the NCP and the TEEB framework. It developed the first methods worldwide for true pricing, the integrated profit & loss, and impact statement.
True Pricing enables companies to do quantitative human rights due diligence

Over 70 years after the adoption of the Universal Declaration of Human Rights, organisations with international value chains are still struggling to ensure these rights are being respected by all members in the chain.

In-depth studies into production chains can help to create an integrated picture of a particular value chain, but do not provide insights into the human rights violations that occur at different chain members. Beyond this lack of knowledge, there is a lack of consensus on the relative importance of different violations and the harm they create. These issues make it difficult to objectively measure human rights violations and track progress towards their improvement.

True Pricing offers a unique methodology for exactly this. With either a full true price or a social impact scan, the human rights violations prevalent in a product’s value chain can be quantified, monetised and reported in reference to the market price. This highlights the extent to which certain violations are harming society and how prevalent they are in the chain.

The true price method is in line with the OECD Guiding principles on Business and Human Rights. It serves as a tool for human rights due diligence and provides information on reparation and compensation costs (remedy) and the costs of prevention.
APPENDIX | METHODOLOGY AND RESOURCES

These resources detail the development and use of the True Pricing methodology

Impact Institute works together with the organisations True Price to apply True Pricing. Part of the vision of True Price is to make it a standard for all products available. To do this, the process for conceptualising true prices and the methodology for calculating them needs to be made public. True Price is in the process of making these open-source, together with a.o. Wageningen University, ABN AMRO and Rabobank.

The four publications presented on the right detail the conceptualisation, vision and monetisation of true price impacts. Examples of these methodologies in use can be seen in the variety of case studies published on impactinstitute.com.

Principles for True Pricing
This publication sets out the underlying principles of True Pricing as a methodology. It explains how true prices utilise human rights and other international conventions as the basis for their quantification and monetisation.

A roadmap for true pricing
The roadmap details the vision of realising a sustainable economy through True Pricing. It is the first in a series of open-source publications about True Pricing.

Monetisation Factors for True Pricing
The monetisation factors utilised to exchange quantified impacts into monetary values. All factors are researched and established by external organisations.

Framework for Impact Statements
Here, the Impact Pathway methodology for determining the impacts created by an organisation are set out, as well as an indicative list of standard impacts.
CONFIDENTIALITY REQUEST AND DISCLAIMER
Information, data, and drawings embodied in this document are confidential and are supplied with the kind request that they will be held confidentially and not disclosed to third parties without the prior written consent of Impact Institute.