

# Fair wages for farm labourers?

*Fair trade in search of better employment conditions in the weakest link of its value chain*



Fair tea plantation © Photo Didier Gentilhomme

**Consumers relate fair trade to products of ‘small farmers’ who work in cooperatives. This image is not really correct because already in 1994 a first large tea plantation became fair trade certified. Twenty years later fair trade labels source bananas, tea, flowers and wine from large farm businesses, while the debate whether this is the way to go is still raging. Central to the debate is the living wage concept, a fair wage for all workers – including seasonal workers.**

## **SPOs and HLs**

For the main fair trade products – coffee, cocoa and sugar – the Fairtrade criteria of Fairtrade International (FI, which is represented in Belgium by Fairtrade Belgium, formerly known as Max Havelaar Belgium) specify that only *Small Producer Organisations* (SPOs) can be certified. The members of such organisations are chiefly farmers who work on their own piece of land, often with the help of their whole family. Some more labour-intensive crops require the hiring of temporary seasonal workers.

Labelling organisations soon discovered that there were limits to the concept. For instance, bananas and tea are labour-intensive crops with the major part of global production originating in plantations in excess of 10 hectares.

The work is done by permanently employed farm workers as well as seasonal workers. Low wages and unsafe working conditions are the rule rather than the exception.

That is why FI decided to include farm workers in its Fairtrade model. This resulted in the *Hired Labour* (HL) standard which is applicable to tea, banana, flower and wine producers, among others. It can pertain to plantations, *multi-estates* with several production sites, or companies processing raw materials into added-value products.

## **Impact**

In 2012, the Center for Evaluation (CEval) published a fair trade impact study, which was commissioned by Swiss and German FI members. Kenyan *flower farms*



## Fairtrade criteria for Hired Labour (HL)

Since July 2014 a new version of these criteria applies. A few basic principles:

- All International Labour Organisation (ILO) Conventions apply. Companies must also comply with national legislation. If both differ, the highest standard is to be applied.
- For each criterion there are 'core requirements' and 'development requirements'. For the latter a minimum threshold is defined and over the years further progress must be achieved.

There are five categories of criteria:

- General requirements: the company accepts the audit procedure, allows unannounced audits, allows Fairtrade International representatives to talk with workers...
- Social criteria: the company installs a Fairtrade Premium Committee (FPC) with elected workers. They determine and manage social projects that are paid with the Fairtrade Premium. Appointed advisors from the management of a plantation do not have the right to vote in the Committee. A new rule stipulates that a maximum of 20% of the Fairtrade Premium can be handed out in cash to all workers as a kind of bonus on top of wages.
- Labour conditions: the ILO Conventions ban discrimination at the workplace and prohibit forced labour, forced overtime and child labour. Workers can join trade unions and enjoy freedom of collective bargaining. Minimum legal wage and social security requirements are complied with, and wages are increased to a living wage.
- Environmental criteria: the company undertakes to respect sustainable pesticide use and water management, energy consumption and waste practices.
- Trade criteria: the company uses strict traceability rules, sells its products at the fair trade minimum price and correctly uses the label.

and Indian *tea gardens* were also studied. The final report was positive for the flower business case: labour conditions at fair trade plantations are significantly better than at surrounding companies, particularly concerning health and safety, and training and gender. While in the sector fewer than 20% of workers have a permanent employment contract, at certified plantations this amounts to 85%. The Fairtrade Premium is used for projects that benefit workers of the certified organisations as well as the wider population. The wages, however, hardly differ from those of non-certified companies. It is difficult to persuade the plantation management to increase wages, which means the living standard remains extremely low. In the *tea gardens* the results appeared minimal, in part because only 2% of production was sold under fair trade conditions.



500.000 people work in tea production in Assam © Roger Burks

## Politics versus business

Within the fair trade movement there has always been criticism about FI's step. In short, certifying plantations does not lead to economic and social change because there is no change in who owns the land or who is doing business. In contrast to farmer's cooperatives – at least successful ones – improved conditions for farm workers at plantations do not change the traditional balance of powers in rural areas. Or as it was stated in the ARTE documentary *Le business du Commerce Equitable* of Donatien Lemaire about banana plantations in the Dominican Republic: this kind of fair trade is not a political project any more, but business.

For Rodney North of American fair trade organisation Equal Exchange, certification of tea and banana plantations has offered importers an easy solution. They are not forced any more to set up supply chains with farmer cooperatives as used to be done in the 1980s and 90s in the coffee and cocoa sector. This has led to competition for slices of fair trade pie; a competition which cooperatives can hardly win from the plantations. For Rodney North that kind of fair trade no longer pursues the original mission – making the market accessible to small producers. "Fair trade is designed to change commerce. We shouldn't be changing fair trade to accommodate commerce."

FI counters this criticism by stating that 12 years after the first banana plantations were certified, two-thirds of all Fairtrade bananas still come from small farmers' organisations.



Workers at a banana plantation in Ghana © FI Nathalie Bertrams

## Yet more criticism

The positive impact on wage labour was further challenged by a four-year study conducted by SOAS, a reputable department of the University of London. They studied the employment market in twelve rural areas in Ethiopia and Uganda, in three value chains: coffee, tea and flowers. They took in-depth interviews of 1,700 workers. In some areas there were fair trade certified producers, in others not. Sometimes it concerned SPOs; in one instance it concerned a major plantation.

The main conclusion of the report is that there is more wage labour, often seasonal, than thought. A second finding is that people who depend on wage labour are extremely poor, especially the women. A third point is that there is hardly any difference between fair trade certified production sites and others. Even worse, in some cases fair trade fared worse, especially in areas with SPOs. A general conclusion is that larger companies often pay better and can offer more days of work to seasonal labourers. *Community projects* funded with the fair trade premium were not always accessible to the poorest wage labourers.

Professor Christopher Cramer, the study's main author, said that even though consumers have always been told that buying fair trade coffee, tea or flowers made a difference, "fair trade has not been an effective mechanism for improving the lives of wage workers".

The reason according to the researchers lies with the self-imposed focus – both in SPO and HL standards – on producers and their organisation forms. Wage labour, let alone seasonal labour, was neglected. The fair trade movement's image of cooperatives is overly romantic. The distinction between SPOs and HL is challenged because both use wage labour. In general, the message of labels should be more modest. Researchers plead for an adaptation of the standards, for more controls and for more research into methods to compare wages.

## Layer after layer

Fairtrade International reacted immediately, saying the report's conclusions were generalised and appear to be based on distorted comparisons between farms and organisations of dramatically different sizes. "The Fairtrade Mark does not mean that the product comes from a few hand-selected sites where conditions are perfect," wrote Harriet Lamb, CEO of FI, in *The Huffington Post*. "Fair trade is a complex *work in progress*. Layer by layer, we are unpeeling the intertwined and entangled impacts of poverty in trade. However, every time we make progress, we uncover another problem. First we focused on farmers and later we included workers. Many studies have proved the positive impact of our work. Climate change is one such next layer of challenges waiting to be uncovered. Or, the issue of how to effectively reach casual workers and migrant labourers.



Water project through the Fairtrade premium © Candico

We strongly disagree with the wildly generalised and sensationalist conclusions SOAS has made but we appreciate the insights their research gives. Trade unions have not reached casual workers and migrant labourers, nor have companies, governments, or NGOs. So, what can fair trade do? If small-scale farmers are not earning enough to feed their families, how will they ever raise wages for the workers they hire? If a plantation sells less than 1% of its tea under fair trade terms, what difference can it make?"

## Strategy

Already in 2010, i.e. long before the SOAS study, FI decided to reconsider its strategy on the position of the approximately 170,000 workers at Fairtrade certified farms. This resulted in three actions which are included in the renewed HL standard of 2014.

First, the '**freedom of association**' and the right of labourers to collective bargaining were strengthened. For that purpose, FI will work with trade unions more closely in certain regions. It is a way to counter criticism that certification is a *soft option* for plantation owners who could improve their image without involving trade unions.

Secondly, the criteria for **distributing the Fairtrade Premium** was adapted and can now, maximum 20% – 50% – if migrant workers form a majority – be distributed among workers as a kind of bonus on top of their wages.

But the major point is the elaboration of the **living wage** concept. A living wage is what a worker needs to provide for his/her family with respect to water, food, clothing, housing, education and health care, including a provision for unexpected events. According to the new standard, "for certification at least the legal minimum wage has to be paid; this is increased annually to close the gap with living wage".

## Not far enough

Others claim FI does not go far enough. A few years ago a fierce debate started within the American fair trade movement. Probably because of the pressure from competing labels – such as the Rainforest Alliance and Utz – Transfair USA, the American branch of FI, wanted to open the door to coffee plantations to attract huge companies such as Wal-Mart and Starbucks. European partners did not agree and the Latin-American cooperatives were furious, which led to the exit of the Americans. Meanwhile, newly founded Fair Trade USA – with the appropriate 'every purchase matters' baseline – started 12 pilot projects at coffee plantations worldwide.



## Challenge

But how do you decide on a benchmark for a living wage? To answer that question FI asked Richard and Martha Anker, former experts of the International Labour Organisation and the World Health Organisation to apply their *living wage* methodology to the situation of farm workers. Research teams went to South African wine grape farms, Dominican Republic banana farms, Malawi tea farms and Kenyan *flower farms*, visited markets where workers shop for food and had discussions with workers. The first reports with concrete figures were published in June. In South Africa the gap between national minimum wage and the *living wage* is moderate for permanent workers but large for seasonal workers. Elsewhere, the difference is substantial for all workers.

“Finally we have clear numbers on what is a living wage, and the gap we must work towards closing,” said Wilbert Flinterman, FI’s Senior Advisor on Workers’ Rights and Trade Union Relations. “Now we are beginning the large

task to set rural living wage levels around the world where we operate. And the even bigger work will begin: tackling ‘how’ farms can transition to actually paying a living wage... Employers and unions play a key role in this respect.” Meanwhile other labels, such as the Rain-forest Alliance and Utz, have joined the bandwagon and sectoral multi-stakeholder platforms, such as the World Banana Forum or the Ethical Tea Partnership, have followed suit.

“Ultimately, paying workers a living wage must be a journey for us all”, concludes Wilbert Flinterman. “It needs everyone in the supply chain – the local plantations, exporters and importers, brands, retailers and everyday shoppers – to be willing to pay a little more so that workers at the far end of the supply chain can receive a living wage.”

Trade for Development Centre, September 2014



South African farm certified for its lemons and oranges © Fair Trade Label South Africa

R.E.: Carl Michiels, BTC Hoogstraat 147, 1000 Brussels



**BTC TRADE FOR DEVELOPMENT**

[WWW.BEFAIR.BE](http://WWW.BEFAIR.BE)

**THE BELGIAN  
DEVELOPMENT COOPERATION**



The opinions expressed in this publication do not necessarily reflect those of BTC or of the Belgian Development Cooperation.

### Sources:

Fairtrade International: [www.fairtrade.net](http://www.fairtrade.net), [www.maxhavelaar.be](http://www.maxhavelaar.be)  
Fairtrade Standard for Hired Labour, 2014 version.

Center for Evaluation, Fairtrade Impact Study, Commissioned by Trans-Fair Germany and Max Havelaar Foundation Switzerland, 2012.

Le Business du Commerce Equitable, documentary of Donatien Lemaire, ARTE, 2012. <http://www.arte.tv/guide/fr/047127-000/le-business-du-commerce-equitable>

Fair Trade Certification doesn't do for Plantations what it does for Co-ops, Rodney North (Equal Exchange), 2012. <http://magazine.good.is/articles/fair-trade-certification-doesn-t-do-for-plantations-what-it-does-for-co-ops>

Fair Trade USA: [www.fairtradeusa.org/products-partners/coffee-pilots](http://www.fairtradeusa.org/products-partners/coffee-pilots)  
Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda,

SOAS, 2014, [www.ftpr.org](http://www.ftpr.org)

Reaction of Fairtrade International: <http://www.fairtrade.net/single-view+M5a2383b864f.html>

Harriet Lamb, Unpeeling the Impacts of Poverty, 28/5/2014, [http://www.huffingtonpost.co.uk/harriet-lamb/fairtrade\\_b\\_5402176.html](http://www.huffingtonpost.co.uk/harriet-lamb/fairtrade_b_5402176.html)

Wilbert Flinterman, Journey towards a Living Wage, April 2014, <http://www.fairtrade.net/single-view+M5e839c395a1.html>

New Living Wage Benchmarks Point the Way Forward, June 2014, <http://www.fairtrade.net/single-view+M5fc5b408f70.html>

Allistair Smith, Banana industry's progress on living wages, 2013, <http://www.ethicaltrade.org/news-and-events/blog/alistair-smith/banana-industry%27s-progress-living-wages>