Global Coffee Value Chains, labour standards and social sustainability in developing countries

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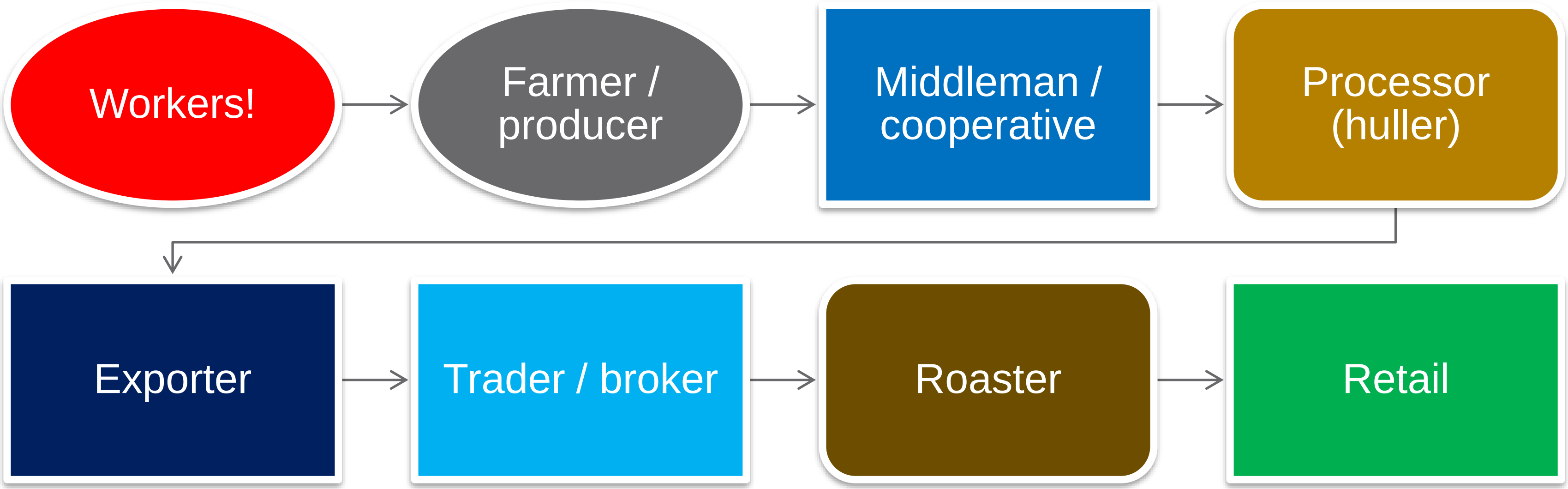
Overview

- The global value chain in coffee and the working poor
- A review of relevant evidence on certification
- Reflections and recommendations

A basic description of a coffee value chain



Producer income or wage employment?

- Much emphasis is placed on smallholder farmers and their families
- Indeed, much of global coffee production comes from ‘smallholder’ farms
- But we cannot assume only family labour is used on these farms
- Casual and seasonal wage employment of the very poorest is widespread in coffee producing sites

Different categories of workers

Family workers

(youth and women)

Casual wage workers in smallholder farms

Seasonal wage workers in smallholder farms

Casual wage workers in plantations

Seasonal and permanent wage workers in plantations

Seasonal and permanent workers in processing stations

Research on Fairtrade in Ethiopia and Uganda 2010-13: Headline findings

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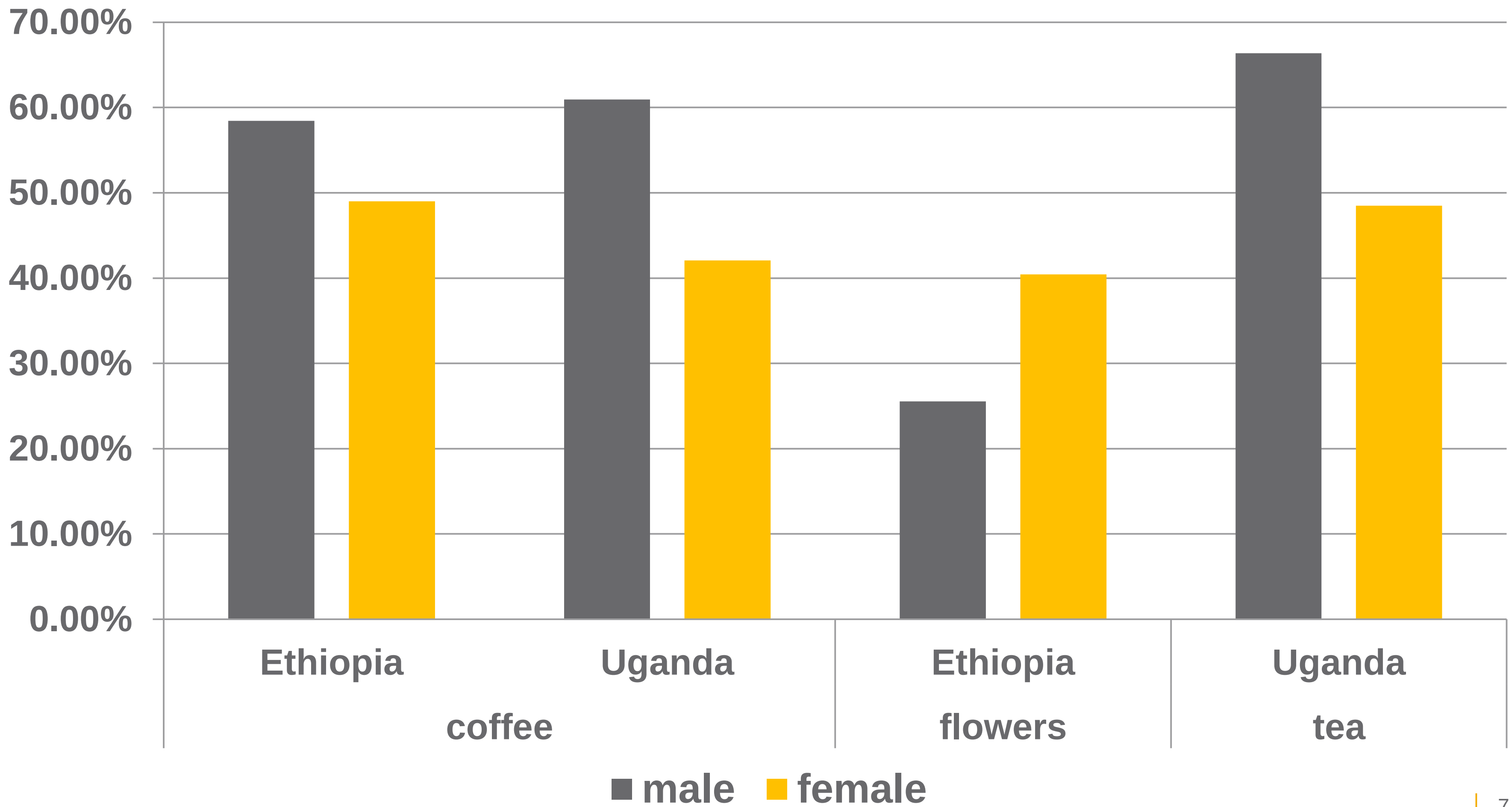
- Wage employment is far more prevalent than commonly acknowledged
- Agricultural wage workers are extremely poor
- There is a wide range of working conditions and forms of employment in agricultural export commodity production
- **There is no evidence Fairtrade improves conditions for wage workers – either in ‘hired labour situations’ or in ‘small producer organizations’**

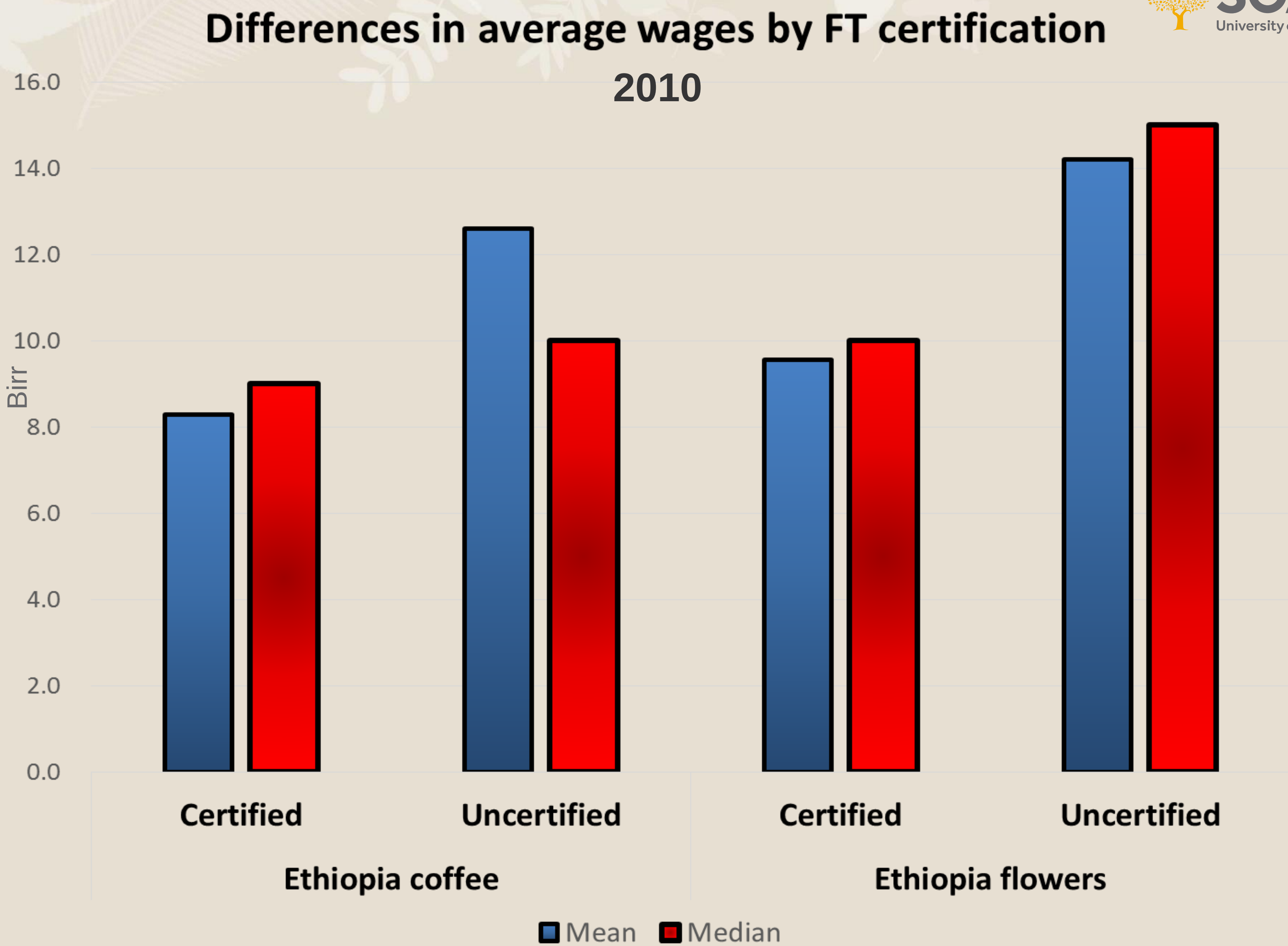
More information at www.ftepr.org

% of adults participating in wage labour in sector X in the past 12 months



The working poor: low wages and casual labour

- Wages were low by national standards
- Particularly low for casual wage workers (harvesters)
- Piece-rate systems → Remuneration depends on state of trees: productivity, quality of berries
- Remuneration systems often → long hours (10-12h in peak periods)
- Livelihoods depend on number of days of work they can secure
- Ethical certification does not seem to be associated with higher wages for the poorest



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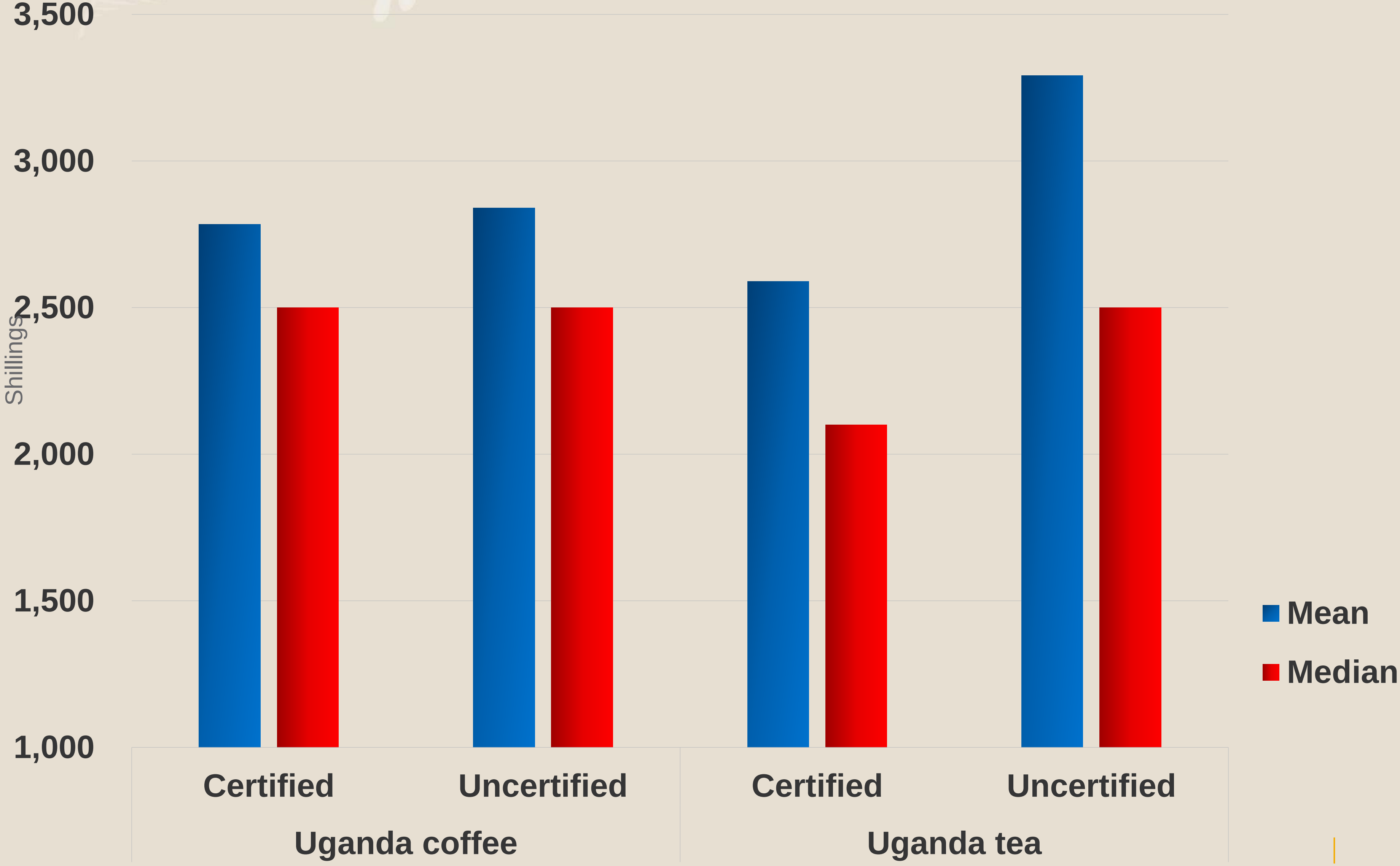
Differences in average wages by crop and FT certification, 2011



Proportion of workers with wages below 60% of median wage (FT Certified v Uncertified)

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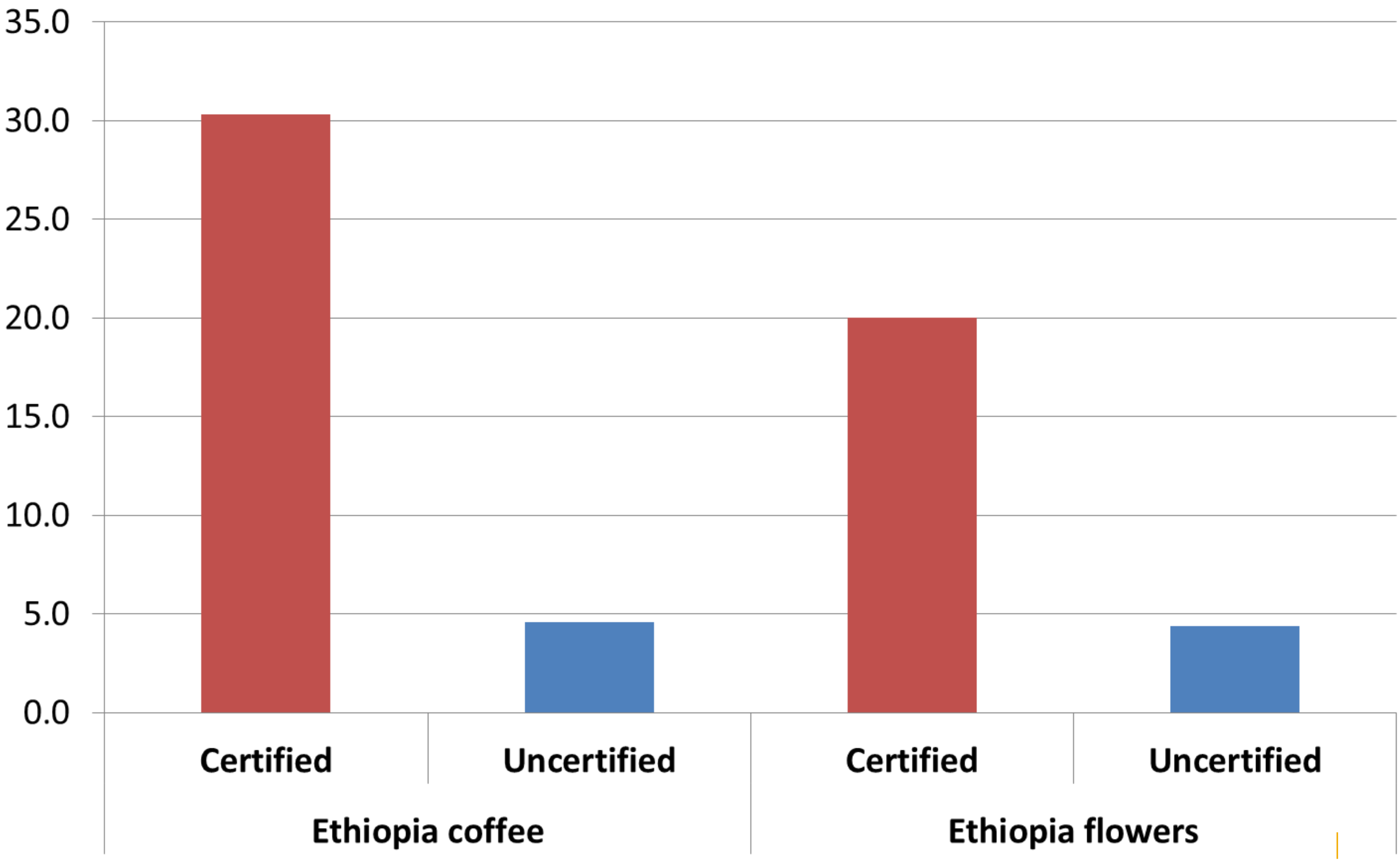

Job duration in Ethiopian coffee

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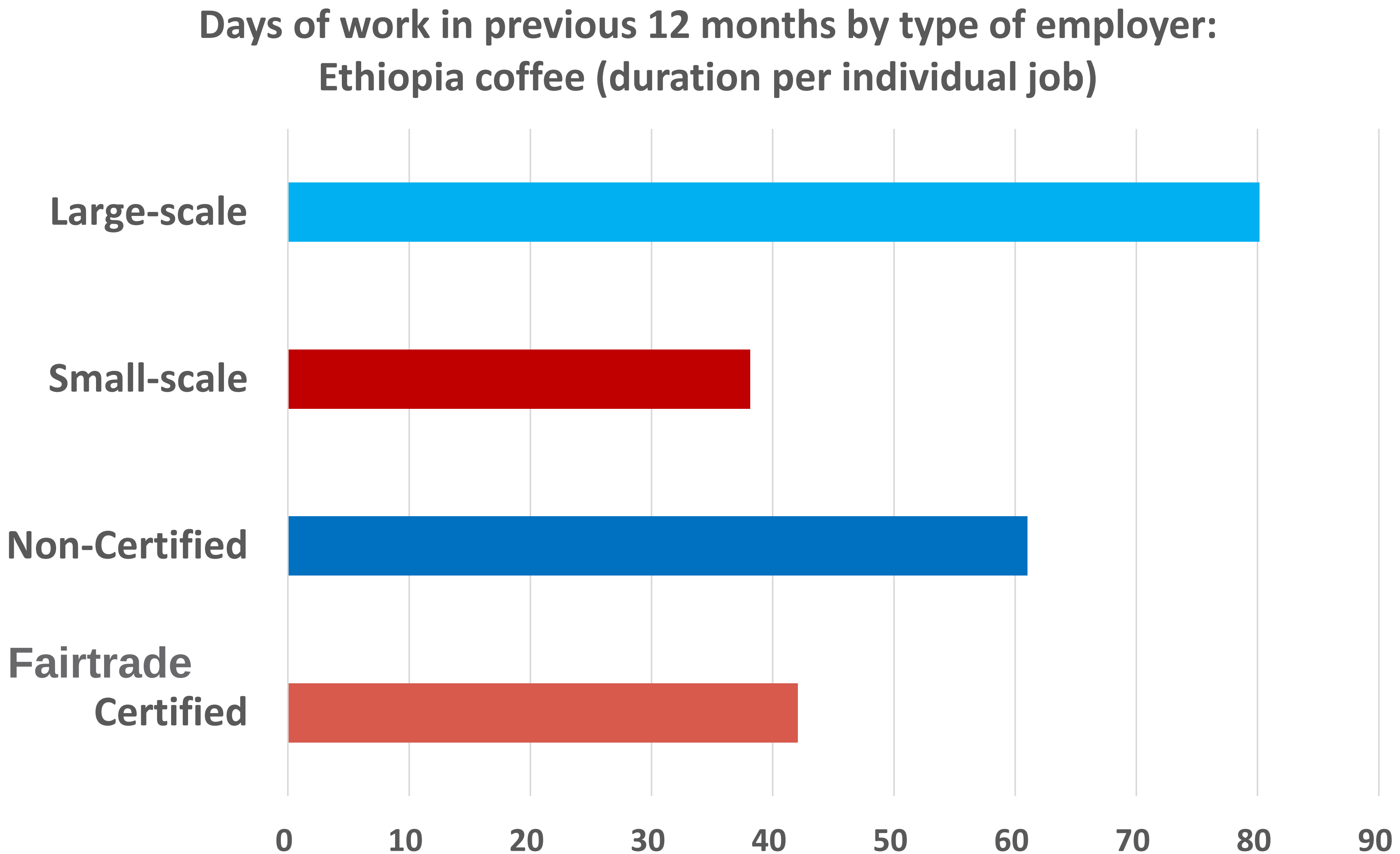
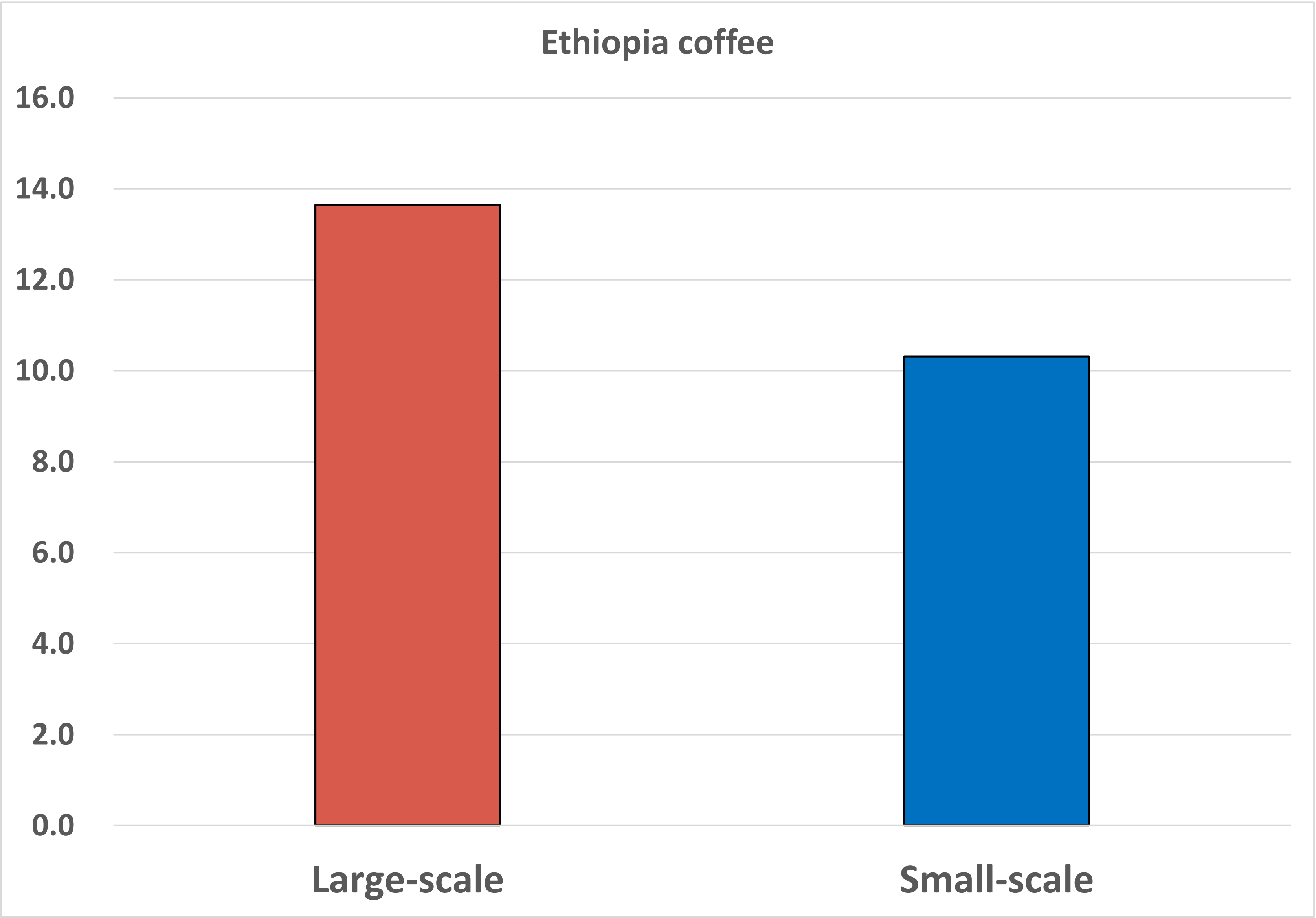


Production scale and mean daily wages



Other non-wage dimensions: coffee Uganda

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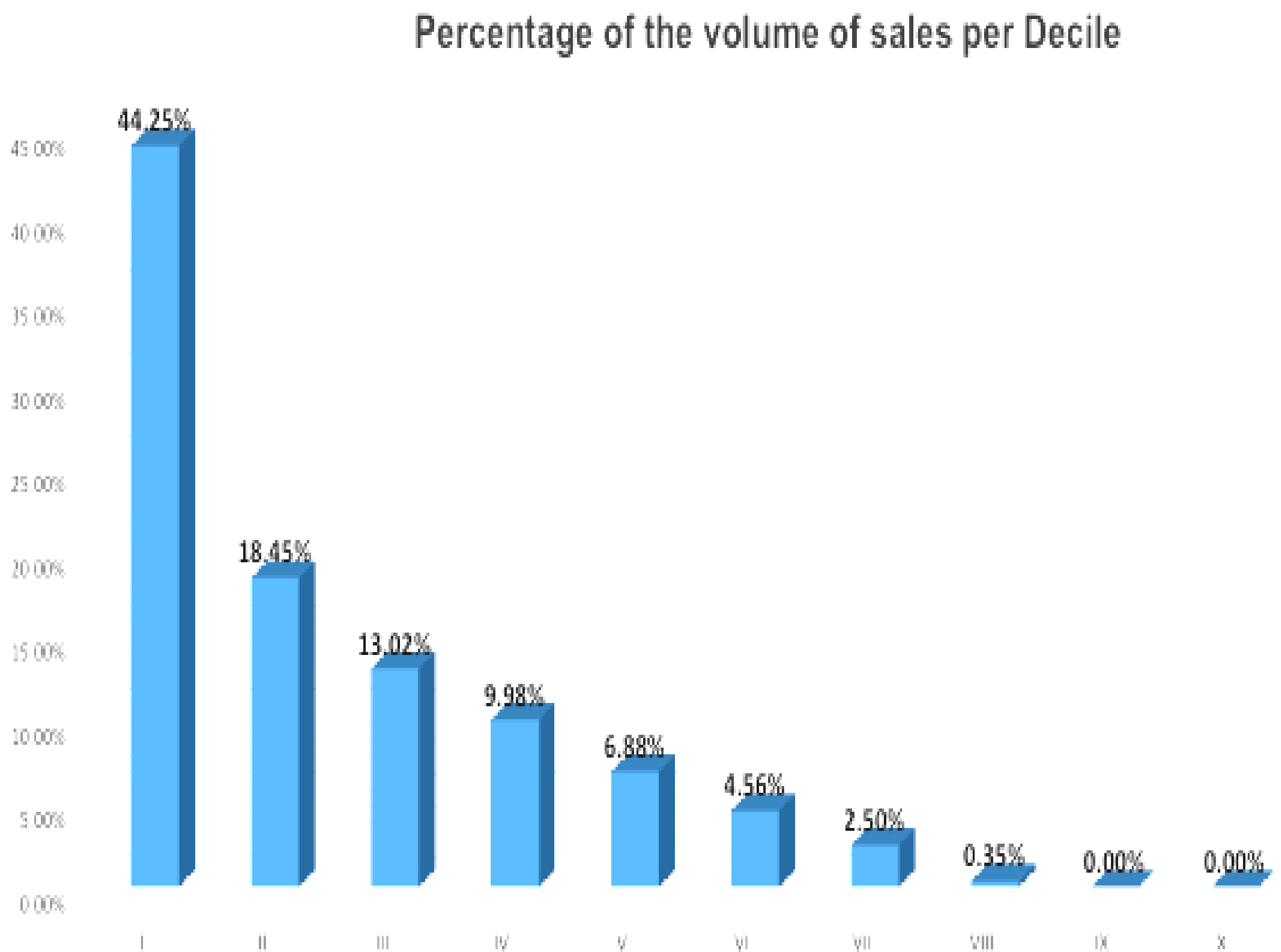
	Certified	Uncertified
Free meals	**28%**	**63%**
Clean toilets	**20%**	**82%**
Showers	**0%**	**21%**
Overtime compensation	**7%**	**94%**
Payment delays	**38%**	**40%**
Paid medical care	**0%**	**20%**
Loans / wage advances	**36%**	**19%**

Myth of homogenous smallholders

- Often narratives of poor producers and vulnerable smallholder farmers predominate
- Producer organisations / cooperatives are promoted to help smallholders face global value chain pressures
- But “smallholders” are a highly heterogenous category
- And cooperatives are not “equal” spaces of production
- Therefore, need to pay more attention to labour relations in smallholder farms and how GVC dynamics affect employment in smallholder farms

Unequal cooperatives - Distribution of the Volume of Coffee Sales to a Ugandan Fairtrade Certified Co-operative in 2011, by Decile



UNFAIR?

Revenue per kg

Small coffee producer vs **Supermarket in UK** = **10x greater**

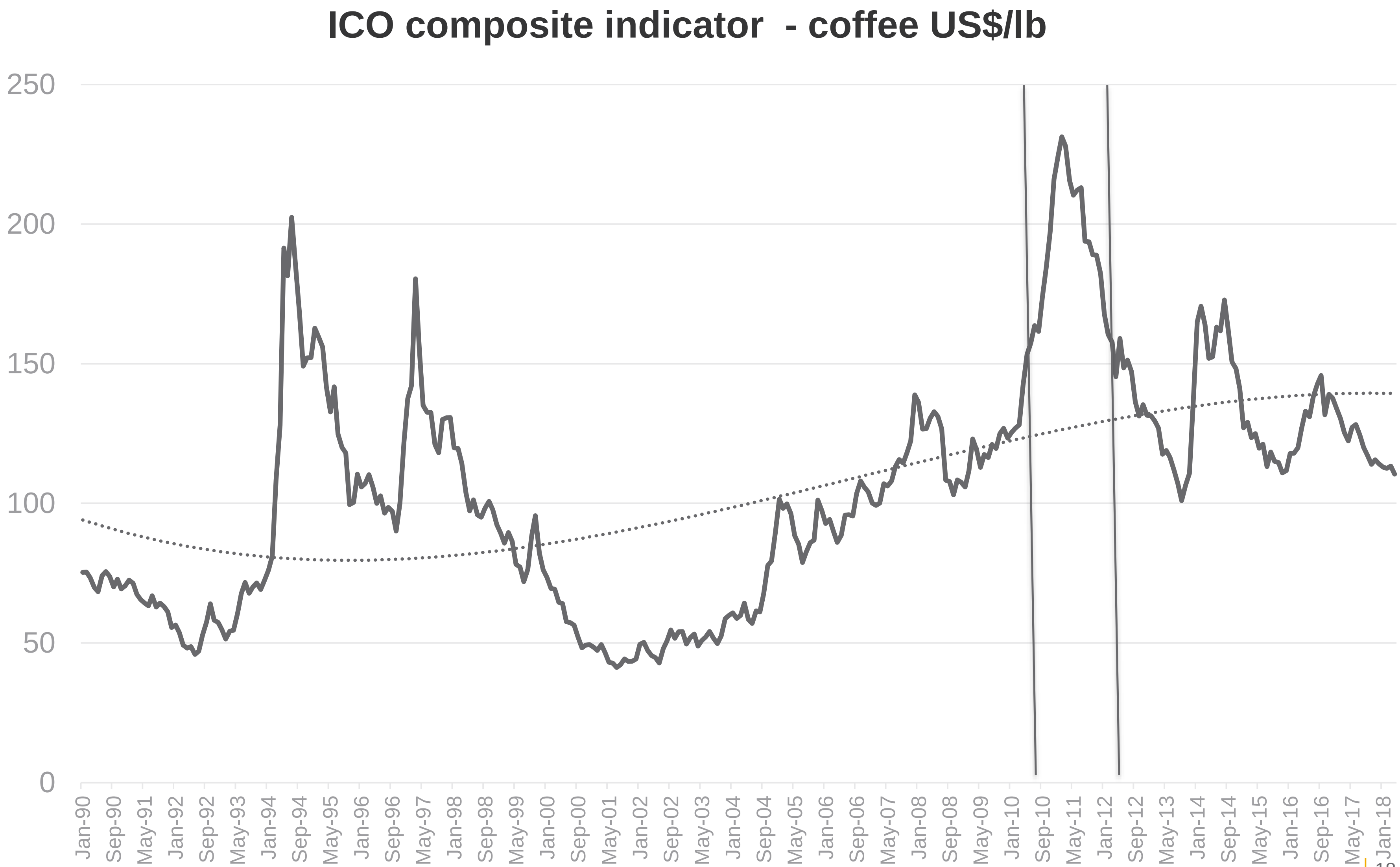
Wages per day

Coffee picker Ethiopia vs

Coop official = **36x** GREATER

Fairtrade Official in the UK = **1000x** GREATER

Trickle down? Price and wage dynamics



Sticky wages…

Table 3.15: Percentage Change in Ethiopian Coffee Workers Real Wages (2010-12), by Certification

	Sample 1	Sample 2	Sample 3
Fairtrade	-19.9%	-20.1%	-23.5%
Non-Fairtrade	-19.4%	-12.3%	-12.0%
Overall	-24%	-16%	-17%
N	437	220	183

Source: FTEPR

A systematic review of evidence on impact of agricultural certification (2017)

- Systematic review of all quantitative/qualitative evidence 1990-2016
- Only rigorous impact evaluations on socio-economic effects
- Evidence on both producers and wage workers
- Different value chains, but coffee dominates the literature
- Different certification systems but Fairtrade predominates
- Despite hundreds of relevant studies only 46 met eligibility criteria for quantitative effects

More information at
https://www.3ieimpact.org/evidence-hub/publications/systematic-review-summaries/effectiveness-agricultural-certification

Highlights

- Impact on yields is mixed
- Prices for certified products have increased
- Income from the sale of certified products is slightly higher overall
- Workers' wages do not increase
- Average household incomes and asset ownership of farmers do not increase
- School attendance impact varies significantly between Africa and Asia

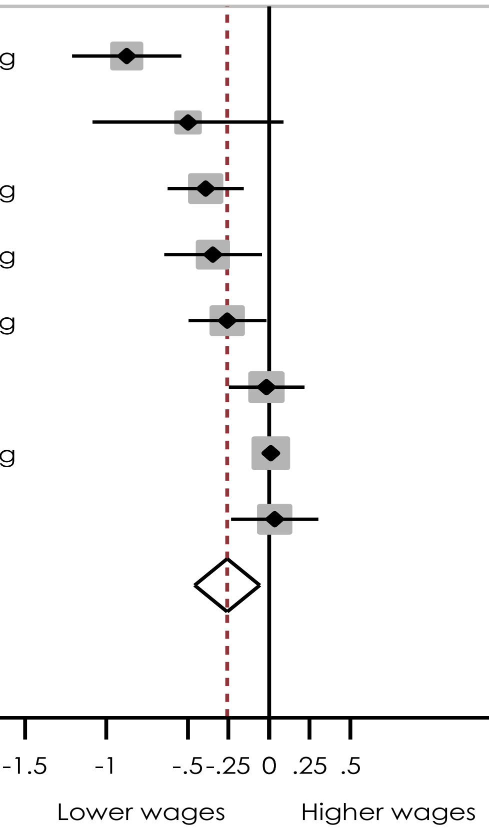
… and context matters, of course: wide range of contextual factors related to implementation, characteristics of actors, local economic and social context, features of supply chain, relations between actors, etc

Key Findings of statistical meta-analysis

Outcome	Effect size (standardised percentages)	Statistically different from zero?	Number of respondents	Number of studies	Studies with high risk of bias	Studies with moderate risk of bias	Studies with low risk of bias	Standardised Mean Difference (95% CI)
Yield	–20%	No	1,431	5	2	2	1	–0.42 (–1.23, 0.39)
Price	**+14%**	**Yes**	3,310	4	1	3	0	**0.28 (0.09, 0.49)**
Income from certified prod.	**+11%**	**Yes**	2,758	10	5	5	0	**0.22 (0.03, 0.41)**
Wages	**–13%**	**Yes**	44,968	8	2	5	1	**–0.26 (0.46, –0.06)**
Total household income	+6%	No	2,516	8	4	4	0	0.13 (–0.06, 0.32)
Assets/wealth	+3%	No	917	2	1	1	0	0.05 (–0.15 0.26)
Illness	–7%	No	500	2	2	0	0	–0.15 (–0.32, 0.03)
Schooling	**6%**	**Yes**	45,446	5	3	2	0	**0.12 (0.01, 0.24)**

Wages and certification

Study	Crop	Certification	SMD (95% CI)
Cramer et al., 2014 (Ethiopia)	Horticulture	FT or FT & org	-0.88 (-1.21, -0.54)
Colen et al., 2012 (Senegal)	Horticulture	GlobalGAP	-0.50 (-1.09, 0.09)
Cramer et al., 2014 (Ethiopia)	Coffee	FT or FT & org	-0.39 (-0.63, -0.16)
Cramer et al., 2014 (Uganda)	Tea	FT or FT & org	-0.35 (-0.65, -0.04)
Cramer et al., 2014 (Uganda)	Coffee	FT or FT & org	-0.26 (-0.50, -0.01)
Schuster & Maertens, 2014 (Peru)	Horticulture	Various	-0.02 (-0.25, 0.22)
Dragusanu, 2014 (Costa Rica)	Coffee	FT or FT & org	0.01 (0.00, 0.02)
Ehlert et al., 2014 (Kenya)	Horticulture	GlobalGAP	0.04 (-0.23, 0.30)
Overall			-0.26 (-0.46, -0.06)



In a nutshell…

- Generally poor labour standards especially for poorest and most vulnerable workers in coffee supply chains
- Third-party certification systems do not seem to improve conditions, especially wages
- Partly because of invisibility of casual wage workers in smallholder farms - Overall focus on the “producer” so labour relations in smallholder farms remain a blindspot
- While organizations for smallholder farmers are promoted wage workers remain unorganised
- Labour standards only monitored for a fraction of wage workers in contexts of weak labour legislation enforcement

When are conditions better?

- Much depends on production systems and links with buyers, for example

  1. Quality premium → higher wages
  2. Higher productivity → higher wages and more work
  3. More vertical integration from buyers → more visibility, less downward pressures from multiple actors and better conditions

- Local context matters a lot: better infrastructure that improves product and worker mobility, alternative employment opportunities that tighten labour markets, whether workers are organised, etc.