

Frequently Asked Questions: 9th June 2014

1. What accounts for the large and surprising differences between wages and conditions in rural areas growing the same crops?

Scale generally matters, and positively, as large-scale employers overall offered better effective daily rates and better work conditions. However, there is also an important role for location and producer specific, highly idiosyncratic factors in determining levels of pay and conditions of employment.

For example, when comparing smallholder coffee sites better conditions were found in one important example in Ethiopia to coincide with the presence of a washing station that had for a long time been at the centre of an area of coffee production characterised by good cultivation and harvest practices, sustained higher than average prices paid to the washing station for final output, and a prolonged close relationship with an international coffee roasting company, rather than the Fairtrade market.

The study found that, on average, wages were lower in research sites defined around Fairtrade certified producer organisations than in sites without Fairtrade certified producers. In some areas dominated by Fairtrade certified cooperatives workers did appear to have greater access to some fringe benefits (e.g., free meals in two sites, or on other sites more access to loans) than workers in areas without Fairtrade certification. Even here, though, these were marginal and exceptional differences as other aspects of work conditions were typically worse.

The study discusses many possible reasons for Fairtrade's failure to improve wages and working conditions. For example, years of failing to acknowledge the significance of wage employment in smallholder farming areas, and the obvious weakness in the capacity to audit wages and working conditions, seem in part to account for why the benefits of Fairtrade have not flowed to the poorest people in these areas. Fairtrade has been slow and ineffective in grappling with the situation of wage labour, especially on small farms, and instead there has been an obsessive concentration on supporting producers/employers and their organisations.

2. How can we be sure the workers in the area containing a Fairtrade producer organization worked for members of the Fairtrade producer organization?

Our detailed scoping allowed us to choose areas where most if not all smallholder employers mentioned in Fairtrade "areas" were actually members of a Fairtrade-certified cooperative. We were careful in scoping and site selection precisely so that we could identify areas like this – as Fairtrade does not certify individual farmers and because workers themselves certainly do not know what kind of cooperatives their employers belong to. However, workers reported names of employers in the villages where they worked and in the vast majority of cases these names could be compared to our own lists of smallholder employers compiled during scoping qualitative research and from the lists of

cooperative members from cooperative stations. Indeed, in many cases some of the most frequently mentioned smallholder employers were well-known members of the cooperative society and some were the leaders of these organisations.

3. Does the percentage (%) of FT sales matter to assess labour outcomes?

Small Producer Organisations (SPOs) as well as Hired Labour Organisations (HLOs) that are certified often do not sell all of their output through Fairtrade channels. This is partly because these organisations aim to serve different market outlets as well as because of demand constraints in Fairtrade markets (although Fairtrade sales have expanded rapidly, they remain a tiny share of world trade for most commodities). For example, only 6 per cent of tea grown by Fairtrade certified producer organisations is globally sold through Fairtrade channels. This means that at many tea estates only a small amount of Fairtrade Premium is received to spend on “social” projects. There is substantial variation across certified organisations/firms in the percentage of sales that goes through Fairtrade channels, but most certified organisations tend to sell low percentages of their output under Fairtrade terms. In this sense, the site with certified tea production in the FTEPR does not really depart from these average figures. The percentage of sales of the FT certified SPOs in coffee production in the FTEPR sites in Ethiopia and Uganda was relatively high by the usual standards (50% or more according to most cooperative managers). However, does it matter for the working conditions of wage workers? Although the Fairtrade Foundation reports that a study in Malawi shows that a higher proportion of sales under Fairtrade terms benefits workers, the evidence is far from convincing as the samples used are incredibly small. In any case, and for the purposes of the FTEPR study, research sites dominated by Fairtrade organisations were not selected by reference to the percentage of sales under FT terms. Site selection criteria and the substantive work underpinning it are discussed in the main report. For labour standards what matters is whether an enterprise or organisation *is or is not* certified, as these organisations will be monitored and audited irrespective of the percentage of sales directed towards Fairtrade channels.

4. Isn't the research based on distorted comparisons?

No. First, the statistical analysis (regression and propensity-score matching) controlled for size and many differences between workers and sites, and *still* found that FT certification made no positive impact. Second, if the fundamental interest of consumers is in making a difference through their informed choices, then it is also important to consider our wider findings where we compare all kinds of farm. Larger farms tended to pay better wages and have better working conditions and to offer more days of work. If these things matter to poverty reduction and the welfare of the poorest rural people, then it is highly relevant.

5. How did we calculate wages?

We worked carefully to calculate the daily equivalent of a wide range of payments. Many studies assume particular forms of payment or take for granted wage rates reported by employers, without properly triangulating the information. We tried to be more precise. We took pains to try to calculate daily equivalents of task wages, which was quite challenging given the variety of tasks and time taken to complete tasks. A lot of information about time spent in each task, nature of tasks and overall pay was collected to convert wages into daily rates. Qualitative research was also triangulated with the quantitative survey evidence in

order to cross-check the information on task and piece-rates in order to produce consistent and reliable estimates both before and after surveys were conducted. The various forms of payments were converted into comparable ('equivalent') daily rates across sites and crops within each country.

Moreover, for the areas where repeat surveys were conducted 1-2 years after the first surveys (coffee sites in Ethiopia and Uganda), nominal wages were converted to real wages by using monthly food price indices. Each job was associated with a particular time period as reported by workers (i.e. we did not assume that the job reported was contemporaneous to the time of the interview) and a relevant food price index was applied. Qualitative research evidence was also used to triangulate information on relevant food prices and their changes over time during the periods considered.

6. How much child labour did we find?

The quantitative study did not set out to study child labour as commonly defined internationally, and therefore focused on those aged over 14. However, when wage workers currently aged over 14 years were interviewed, a very large proportion of them said they had been working since the age of 10, or even earlier. It was clear that, while a very small percentage of this work was carried out in school holidays, most of this work was carried out by children who did not attend school and who were often bringing in a crucial income for the rest of the family. From this it was clear that very significant numbers of young, school-age children must work for wages, in the production of agricultural export crops, including Fairtrade certified commodities. Qualitative work was less restricted by the parameters of the quantitative survey and again researchers came across several child workers. In fact, in trying to sample for the life's work interviews we tried explicitly to avoid young workers (for reasons of research ethics and also because we expected them to have less detailed knowledge to impart) but this proved rather difficult. And we were struck by how widespread child wage work in school time seemed to be. We cannot, and did not intend to, quantify this but it is important. It takes place in areas dominated by Fairtrade certified producer organisations and elsewhere.

7. Why do we argue that the poorest were often unable to access Fairtrade-premium supported facilities?

Our quantitative and initial qualitative surveys provided a picture of limited access to health facilities, sanitation, schools etc. However, we wanted to confirm this and so after drafting the research report, we did more research on this issue. From this we conclude that the much lauded 'social projects' paid for (at least in part) with funds from the Fairtrade premium did not seem to be of equal benefit to all in the 'community'. SOAS researchers found that many of the poorest, even if they have been workers for certified producer organisation members, do not have access to these facilities. In one Fairtrade tea cooperative, the premium has been used to fund a dining room, improved toilets and a health clinic. However, the dining room is only for factory staff (not fieldworkers). The modern toilets funded with the premium were exclusively for the use of senior co-op managers, while the clinic is only free to permanent workers at the tea factory. Temporary workers and other local people must pay. We interviewed clinic staff, local residents, temporary and permanent workers and found that the clinic fees put off all but the

wealthiest local residents. For example, James is desperately poor and lives with his elderly father in an inadequate shack very close to the tea factory. Despite the fact that his father was once a temporary worker at the tea factory, James is charged fees at the tea factory's Fairtrade health clinic. He cannot afford them and instead, although he only has one leg, he hobbles a distance of more than 5 kilometres to receive free treatment at a government clinic.

In another case at a Ugandan coffee cooperative supported by Fairtrade, very poor children were turned away from the Fairtrade supported school as they owed fees. This was despite the fact their mothers were working for members of the cooperative. In this case, the Fairtrade premium went not to support the very poor but to build houses for the teachers. We found similar stories about lack of access to Fairtrade-supported schools in Ethiopia, where the poorest people struggle to buy uniforms and pay school-related costs, and so their children are unable to attend. At the Fairtrade certified flower farm in Ethiopia at the heart of one of our research sites, a dispute running for years had meant that a large sum of money had accumulated in a fund fed by the Fairtrade premium but that aside from one early expenditure on a grain mill the fund had not been spent at all.

8. Isn't it the case that the Fairtrade certified flower producer in this study was in fact decertified and that another producer in the study, with better wages and conditions, has become certified? Doesn't this show that the Fairtrade monitoring system works very well?

When we did the research and throughout the fieldwork period there was only one Fairtrade certified flower producer in Ethiopia, though there is a different system of certification that is much more widely applied to the sector. The implication is that during this period – and presumably before – consumers were being sold Fairtrade certified flowers from Ethiopia that were produced by workers suffering from very poor conditions. This flower producer was not 'de-certified'. In fact, there were great problems on the farm and in working out how the Fairtrade system could function in a 'hired labour situation' in the Ethiopian context. Eventually, the enterprise wrote to Fairtrade and announced that it no longer wished to be audited – in other words, it withdrew from Fairtrade. Fairtrade themselves were unable to provide the researchers with any information on this story. Meanwhile, after the research was concluded, one of the other flower producers in the sample did indeed secure Fairtrade certification. However, the better wages and conditions (relatively) on this farm were clearly well-established before (and thus not as a result of) Fairtrade certification. Further, it is not clear that the process through which the enterprise was awarded Fairtrade certification included looking at the evidence (found in the SOAS research) of sexual harassment and exploitation at the workplace. Nor is it clear that Fairtrade auditors were able to understand the level of control at the workplace: the PR representative of this foreign owned agri-business brought a delegation of local security officials with him and detained SOAS and Ethiopian researchers for many hours, taking the Ethiopian researchers for interrogation to the local police station and insisting that the appropriate way to do research on working conditions was to ask the foreign owner of the company for permission to interview his selection of workers at the Ethiopian headquarters of the company.

9. What did we learn from the qualitative research?

The role of qualitative research was central throughout the project. It helped us identify appropriate research areas, illustrated the context within which labour was hired, told us about individual employment histories, and illuminated intra-household relations. Importantly it was qualitative research that gave depth to our understanding of employers' power and discretion, local commodity market dynamics and the relevance of state and private regulation for workers' conditions. Qualitative research was central to understand the complex pathways of individual workers and their families in their life and employment histories. Their insights were critical to shed light on long-term processes of change and how labour market dynamics affects different categories of workers, depending on their own origins, circumstances, relative bargaining power and relations. Overall, qualitative research both informed the design of the quantitative surveys and added depth and different dimensions to the evidence generated in the quantitative surveys.

10. Why were experimental methods not used? Would this have solved the attribution problem (causality)?

This is a claim often made by advocates of experimental methods for impact evaluation, who have faith in the capacity of experimental methods (i.e. Randomised Control Trials) to address questions of causality. This issue is indeed discussed in the report and readers are encouraged to read the relevant sections carefully. A few points are worth making to summarise our views on RCTs.

First, this was not an "impact evaluation" study in its strict sense. It was an academic research project primarily aimed at exploring and developing an understanding of variation in working conditions across different forms of production, in different places, across different export commodities and with or without Fairtrade certification. FTEPR research questions go beyond the usually narrow scope of the parameters of interest in social experiments through RCTs. A mixed-method approach was certainly more appropriate for the purposes of this project.

Second, the report repeatedly reminds readers that we provide substantial evidence to show that in our research sites there is no evidence Fairtrade certification is associated with better working conditions, even when we take into account longitudinal comparisons through repeat surveys. The report does not claim a negative causal link running from Fairtrade certification to worse conditions (i.e. that the certification, in itself, causes worse conditions). FTEPR research does reject the hypothesis that there is a positive causal chain between Fairtrade certification and working conditions.

Third, the way Fairtrade certification works (and many other forms of certification of agricultural commodities) precludes the use of an RCT to address the problem of the 'counterfactual'. For example, in Small Producer Organisations (where all the Fairtrade certification happens), individual farmers are *not* individually certified. Instead, the organisations (e.g. a cooperative of several thousand members) are certified, and never randomly. In the ideal world of RCT/experimental research, rational individuals make decisions that would create a self-selection bias, hence randomisation avoids this bias and

solves the attribution problem. In this case an ideal control-group cannot be created. The method is not applicable, at least not applicable following the gold standard principles of RCTs. One can only try to select the most appropriate research sites and sampling methods for suitable comparisons and use different techniques to try to compare like-with-like as much as possible. It is not surprising that hardly any impact evaluations of Fairtrade use experimental or quasi-experimental methods.

Finally, in common with many well-known economists and non-economists (Deaton 2010, Basu 2013; Cartwright 2012), we have serious doubts about the power of experimental methods in evaluation (RCTs) in social sciences to actually reveal causal links. Rather 'what RCTs do usefully and well is to describe. They give us ways to describe static features and also temporal features' (Basu 2013: 21). We believe that the methods adopted in FTEPR were one alternative, and in the context appropriate, way to provide both descriptive evidence and grounds for analytical insights into variations in labour market conditions in export agriculture.