

Response to Fairtrade Statement on FTEPR Final Report 31st May 2014

Fairtrade (the Fairtrade Foundation and Fairtrade International) have issued statements on their website and to the press, as well as issuing comments through social media, attacking our research. While we prefer that readers download our full report and appendices, read them with care, and make their own minds up, not everyone has the time to do this. So we try here to clarify some of the issues raised, since in our view Fairtrade have seriously misrepresented our research in an effort to deflect attention from the serious issues raised in our findings and discussed in our report.

Fairtrade was well aware of the main findings of this research in late 2013 and read a draft of the full report in early January this year. Fairtrade employees have been to several presentations by SOAS researchers. Their reactions have been antagonistic since the beginning. We are therefore very pleased that their statement 'welcomes' our research.

However, given how long they have known its contents and findings, we think it is time that they began to address the issues raised in our research. Instead, all their responses to date have been defensive: the statement they released to the press contains misinformation; their tweets allege that we are biased and politically motivated; and we have also been issued with a vague threat of legal action by their Director of Policy & Public Affairs.

Obviously, the Fairtrade statement contradicts itself. The statement emphasises how much they welcome the research and how important it is but then dismisses it entirely by claiming it is seriously flawed. One of their statements also contains bizarre comments such as that the SOAS researchers 'failed to find Fairtrade certified farms for half of its research sites'. Given that Fairtrade know our methodology very well, this is bordering on deceitful. We did not 'fail to find' anything. As they well know, the research sites where there was no Fairtrade certified producer organisation are a key part of our research, as they provide comparison data on wages and working conditions. Consequently, for every certified tea, coffee and flower site, we have two non-Fairtrade certified comparator sites.

As for the 'distorted comparisons' they accuse us of making (given that our comparisons included areas with larger scale coffee and tea farms as well as areas containing predominantly smaller scale producers), this is not only misleading, but also reveals something very important about the Fairtrade 'model'. First, our statistical analysis controlled for size and many differences between workers and sites, and *still* found that Fairtrade 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 they are highly relevant to the choices consumers make.

In a radio interview, Fairtrade extended this criticism of our sampling method to say that our research was distorted because we had not gone to all certified sites in each country. Their argument was that we could have chosen one of several other certified cooperatives or tea factories; and that these other sites sold a greater proportion of their output through fair trade channels. Our response to this is in three parts. First, it is important to recognise that we chose our Fairtrade certified research sites because they were regarded by experienced commentators as being very good and of long standing. Indeed, one of them is a prize-winning operation. Second, there is no

evidence that their argument holds true, i.e. that the wages of the casual workers employed by the members of these other co-ops are higher. Third, we do in fact have some evidence on conditions in other Fairtrade certified producer organisations. For example, at our Ankole and Kabale research sites we did interview some wage workers for "smallholders" supplying tea to Igara and to Kyonza (both Fairtrade certified). We also found that at Igara, for example, the Fairtrade Premium has been spent on teacher housing, rather than to ensure that poor children are not excluded for failing to pay fees.

More generally, Fairtrade believes that 'there are significant flaws in this study' and for that reason discounts our results. However, we would argue and Fairtrade should acknowledge that this is by far the most rigorous study of the impact of Fairtrade on workers to date. The Fairtrade Foundation's own reports make claims based largely on work they have commissioned. We believe that this commissioned work is often shoddy and we provide two examples below.

The paltry number of wage workers interviewed in a recent study of a Fairtrade certified tea estate in Malawi, for example, is no foundation for learning anything significant about working conditions. The study was carried out by the Fairtrade Foundation's 'research partner', the NRI (2013). In assessing Fairtrade tea in Malawi, the study conducted interviews at three producer organizations: one cooperative with more than 6,500 smallholder members, an outgrower scheme with more than 5,000 members, and an estate employing 4,200 workers. Evaluators interviewed four workers (apparently in the presence of the Human Resources Manager) out of the 4,200 on the estate and not a single worker for any of the cooperative or outgrower scheme farmers.

Another evaluation has frequently been cited by Fairtrade (CEVAL 2012), and aims at 'deepening our understanding of whether and how Fairtrade certified producer organizations contribute to poverty reduction and rural development'. This impact study makes claims to a rigorous method, using 'quasi-experimental' methods to compare (for each of six products) a 'treatment group' and a 'control group' to isolate the effects of certification. Such claims turn out to be misleading in ways that are all too typical. For some products the researchers were unable to find proper comparable real contrasts and ended up, for example, 'contrasting' two tea plantations managed by the same company. They were also constrained by not wishing to stay the night outside the capital, Nairobi, or going further than a four hour daily drive from there, when studying the impact of certification on flower production in Kenya. Another weakness is the use of 'selected' respondents. The researchers for the CEVAL study felt it was wise to let management organise group discussions and interviews with workers, which were conducted at the workplace. The German impact study ends up stating clearly how little it learned. Conducting 3,750 interviews across six products in just 30 days, it is unsurprising that they could not, for example, learn anything about worker organization or welfare on large estates, despite the fact that 'these are important pillars of Fairtrade'.

While Fairtrade argue that many academic studies find that poor workers do benefit from certification, this is not the view that emerges from independent reviews of impact studies. In 2010, 3ie (2010) concluded that it was not clear that certification improved conditions for workers on farms. Similarly, in a rigorous literature survey, Terstappen, Hanson and McLaughlin (2012) highlight a failure to look at labour in impact studies and argue that the few

studies that exist show limited benefits for labour. In the same vein, one earlier systematic review of the certification literature found that 'most of the studies reviewed deal with the producer as a self-employed individual and with producer cooperatives' (International Trade Centre, 2011: 19). Indeed, the Fairtrade Foundation itself commissioned a review of 33 case studies, which concluded that: 'there is limited evidence of the impact on workers of participation in Fairtrade, and more research is required ...' (Nelson and Pound, 2009: 35).

Finally, the Fairtrade statement points to the fact that the Fairtrade certified flower producer in our study was in fact decertified and that another producer in the study, with better wages and conditions, has become certified. The statement suggests that this shows that the Fairtrade monitoring system works very well. However, the facts suggest otherwise. When we did the research and throughout the fieldwork period there was only one Fairtrade certified flower producer in Ethiopia. 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 their relationship with this flower farm. 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.

In conclusion, it appears that Fairtrade has either misunderstood or willfully misrepresented our evidence and that from other studies. Rather than distributing a mix of aggressive and defensive responses, Fairtrade would do better to consider how best to respond to its failures and better serve the needs of the very poorest.