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Fair for whom? Why poverty reduction efforts must not ignore labour

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The international development community has invested tremendous effort and finance in the goal of ending global poverty. Especially in low-income countries across Africa, this has produced countless projects and policies to boost productivity, livelihoods, incomes, and liberties for those who have to eke a daily living out of US$1.90 or less. While these development initiatives[1] vary greatly in scope, ambition, and method, it is possible to identify a common trait: most target beneficiaries in a capacity as existing or prospective self-employed producers, such as farmers or owners of micro, small and medium enterprises.

This focus stems from the notion that most poor people's livelihoods come from informal self-employment, as purported by national statistics in low-income countries, particularly in sub-Saharan Africa. However, a growing part of the development literature highlights the need to appreciate socio-economic differentiation in poor communities (for example, Oya 2010). This differentiation manifests itself in highly uneven distribution of productive assets (mainly capital and land). A logical consequence is greatly varying livelihood strategies of households.

As a result, a large number of poor people – especially at the lower end of the poverty scale – rely on income from wage work, since they do not own sufficient capital, land, or other productive assets to succeed in self-employed activities such as own-account farming or micro-businesses. A growing body of research, as summarised by Mueller and Chan (2015), is revealing that particularly the poorest households, typically derive the majority of their annual income from highly casual, insecure, indecent, but gainful (if only in a survivalist sense) wage work.

How, then, do development projects that target productivity enhancements and marketing efficiency for self-employed entrepreneurs and farmers benefit households heavily dependent on (typically unrecorded) wage work for survival? Unfortunately, no comprehensive study on this question exists, but there are some pointers. This article highlights a particular case: ethical trade certification.

Fairtrade's promise on poverty reduction…

Daily, millions of consumers try to buy ethically sourced products to contribute to help reducing global poverty. The most recognisable ethical trade label is arguably the Fairtrade Licencing Organisation International, commonly known as Fairtrade International, a trusted brand that supposedly allows consumers to 'reduce poverty through their everyday shopping' (Fairtrade International, nd)

The idea is that a voluntary mark-up in prices gives poor and disadvantaged producers a fairer deal when international prices fall below a certain threshold, and an additional social premium allows their communities to finance social projects. Fairtrade International is a certifying organisation that awards Fairtrade certificates to cooperatives and other producers which meet certain regularly audited standards of ethical practices (economic, social and environmental). In return, these may label their products Fairtrade and receive the Fairtrade price and premium.

But our understanding of the actual impact of Fairtrade on poverty reduction remains limited, and evidence has not kept pace with the rapidly increasing number of standards (Nelson and Pound 2009). How are poor households affected who are not established primary producers and instead rely on income from wage work on certified farms? A recent study on Fair Trade, Employment, and Poverty Reduction (FTEPR) in Ethiopia and Uganda (see Cramer et al. 2014 and 2016) assessed Fairtrade's effect on wage workers and employment.

… and how it affects the lives of poor agricultural workers

More than 1000 person-days of quantitative and qualitative fieldwork[2] compared rural areas dominated by Fairtrade certified producers with areas where Fairtrade is absent, in coffee, tea, and flower production in Ethiopia and Uganda. It yielded three key findings. First, the study confirmed that agricultural wage employment is indeed very widespread in all studied areas, explicitly including those characterised by smallholder agriculture. Generally, across these sectors, about 40% to 60% of respondents in a large, random and representative sample reported having worked for wages in the previous 12 months.

Second, the findings confirmed that households which are engaged in agricultural wage labour are likely to be among the poorest in their communities. Unsurprisingly, their levels of educational attainment, dietary diversity, and asset ownership were consistently below their communities' average, and considerably lower than those of households without wage work.

The third main finding proved the most controversial: we found Fairtrade certification to be virtually irrelevant to the wellbeing of poor households relying on agricultural wages. Put bluntly: at best, Fairtrade certification had no statistically significant positive effect on the working conditions of manual agricultural wage-workers. At worst, certified production tended to offer lower-paying, less secure, and less decent jobs than uncertified

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peers did. For example, regular access to work is one of the most important factors for poor workers' wellbeing, but Fairtrade producers on average provided the fewest days of work and paid lower wages.

These results hold after controlling for factors beyond certification that may affect wages and working conditions, such as scale of production, type of jobs, education, seniority, experience, and non-wage benefits. They are further corroborated by a wealth of qualitative evidence about a range of decent work deficits observed at – but certainly not exclusive to – Fairtrade-certified producers and cooperatives.

The FTEPR study does not claim negative causality between Fairtrade certification and working conditions, but it provides strong evidence that Fairtrade mostly fails to positively affect the poorest members of the beneficiary communities. It is difficult to reconcile the three main findings with Fairtrade International's promise to its customers of poverty reduction

Poverty reduction must actively target wage workers

Why did Fairtrade fail to benefit wage workers in Ethiopia and Uganda? Factors range from the limited effectiveness of audits to weak transmission mechanisms between farm output prices and wages, to rent-seeking behaviour by some producers/cooperatives who misappropriated social premium funds, and scale effects allowing larger, often uncertified producers to offer better conditions.

However, an overarching element is, arguably, the assumption that poor people's livelihoods are based on self-employment such as own-account small-scale farming. The FTEPR findings confirm that this is a fallacy, yet Fairtrade standards, especially the Small Producer Organisations standard are mostly designed to benefit farmers.[3]

It is worth mention that after initial reluctance, Fairtrade decided to take the FTEPR findings on board, and is working on better integrating labour issues in the Small Producer Organisations standard. But concerns remain over the certifying organisation's ability to effectively monitor compliance. At the end of the day, solutions that truly benefit the poor in their capacity as (informal) wage workers will have to go beyond mechanisms to tweak producer output prices.

To alleviate poverty for poor rural Ethiopians and Ugandans, we have to look beyond technical productivity, access to markets and finance, or entrepreneurship skills. A host of alternatives can be named, all of which are covered by the four pillars of the ILO's Decent Work Agenda. Two in particular stand out:

The promotion of wage-employment creation to combat oversupply of cheap labour and resulting downward pressures on wages and working conditions. Creating decent work amidst a large pool of prospective labour market entrants, as is commonplace in most rural African settings, will always be an uphill struggle until policies and programmes focus on creating productive and sustainable employment opportunities that go beyond micro- and small-scale self-employment.

The improvement of overall conditions, supporting freedom of association, collective bargaining and increased unionisation specifically for casual and seasonal agricultural workers. For example, the FTEPR team witnessed how active trade union struggles in Ethiopia's flower sector can lead to tangible improvements for workers.

As long as there is no shift in focus beyond self-employed farmers and entrepreneurs to include wage workers as primary beneficiaries, real poverty reduction will remain elusive.

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****The views expressed herein are those of the author and do not necessarily reflect the views of the International Labour Organisation.***

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Footnotes

1 Here, we refer to initiatives around productive, economic income-generating activities, rather than on social development through public services, redistributive systems, or humanitarian support.

2 Section 2 of the FTEPR report details the methodology.

3 The exception is the Hired Labour standard, which focuses on large-scale plantations relying mainly on hired labour. The FTEPR study, however, found that this standard is weak in monitoring labour standards as well. Certified employers were found to easily evade the standard and engage in rife misconduct with regard to worker treatment.

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