

## Fairtrade Q&A on SOAS report 'Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda'

20 May 2015

**NOTE: FOR FAIRTRADE'S OFFICIAL RESPONSE TO THE REPORT, PLEASE SEE OUR 'Statement on SOAS Report'**

### How does Fairtrade effect poverty reduction?

Fairtrade works to improve the position of disadvantaged small-scale farmers and workers in global supply chains. This is an important role in the fight against rural poverty, to promote development and slow rural-urban migration with its tremendous social, economic and environmental strains.

By definition farmers who produce commodities for export are not the poorest of the poor. However with an average production area in 2012 of 0.8 and 0.4 of a hectare respectively, Fairtrade coffee and tea smallholders in African countries number amongst the poorest on the globe, highly vulnerable to price volatility and new threats from changing climate.

For these farmers, the Fairtrade Minimum Price serves as a vital safety mechanism to cover at least their average costs of sustainable production; and the Fairtrade Premium enables farmers to invest in social, environmental and business-development projects. In Northern Colombia, CODER found that for certified small banana farmers, *"Fairtrade has improved smallholder cash flow because it has increased income and income stability, promoted a savings culture, lowered banana-production costs, and improved access to credit and emergency funds."*<sup>1</sup>

Fairtrade supports farmers to build strong organizations which can bring scale, reduce costs, provide a structure for crop improvement and joint investment, and allows farmers to negotiate from a position that would otherwise be beyond their reach. Finally, Fairtrade facilitates the creation of sustainable trading relationships that enable producers in rural areas to access export markets and provide the predictability producers need to grow their businesses sustainably.

A recent study by the Centre for Evaluation (CeVAL), based on extensive qualitative and quantitative data analysis based on six case studies of six different producer organizations with target and control groups in South America, Africa and Asia, associated Fairtrade certification with better livelihoods and increased control over supply chains and for small farmers, and better working conditions for plantation workers.

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<sup>1</sup> Coder (2014) "An Evaluation of Fairtrade Impact on Smallholders and Workers in the Banana Sector in northern Colombia", p.5



In addition to regular audits to check working conditions, farm workers in the Fairtrade system have benefited from millions of Euros in Fairtrade Premium investments into education, health care, career development and community projects. Fairtrade is now turning our attention to better support workers to strengthen their collective organizing and to address the needs of more vulnerable workers (more details below).

Fairtrade is a continuous improvement system. Solutions to tackle deeply embedded issues of poverty, exploitation and discrimination are not developed overnight. However, a growing body of research shows that Fairtrade can have a positive impact for small-scale farmers and workers and in raising the voices of the more marginalized to make trade fair. [LINK]

### **What evidence is there of Fairtrade impact for workers?**

An increasing body of research has demonstrated positive benefits of Fairtrade certification for wage workers on commercial farms and in processing factories for Fairtrade smallholder production. For example, a recent report evaluating the poverty impacts of voluntary sustainability standards in the Kenyan tea sector found that in certified tea factories, Fairtrade had supported better working conditions including overtime payments, sick leave and improvements to relations with management.

Another study on three Fairtrade certified banana plantations in Colombia by CODER stated that *“Fairtrade impact at the hired worker and household level includes better labour conditions such as higher salaries, payment of legal and extra social benefits, and greater job stability.”* A further study on certified Ecuadorian flower farms by independent researcher Angus Lyall found that workers there consistently reported positive indicators of empowerment such as the ability to express themselves in the workplace, economic security, and successful negotiation through Fairtrade certification.

Fairtrade certified plantations received €12.35 million in Fairtrade Premium in 2012. Over half (55%) of this was spent on direct support for workers and their families (e.g. educational support, subsidized goods, etc.) while 25% was spent on wider community projects such as education, health-related investments. [LINK]

However, Fairtrade also experiences challenges and obstacles in achieving the depth and breadth of impact we would like to see for workers, particularly in sectors with inadequate minimum wages, historical power imbalances and low Fairtrade sales.

Thus we have introduced an updated Hired Labour Standard (LINK), leading on from the adoption of Fairtrade’s workers right strategy. The Standard now includes stronger protection for freedom of association, clearer requirements on living wage, and more. Fairtrade has lead the development of a methodology to calculate rural living wages. [LINK]

Impact reports also show that workers within small producer organizations have in some cases benefited from Fairtrade Premium projects such as health and community projects. However Fairtrade is committed

to doing more, recently launching a new project to understand how we can improve the situation of workers within small farmer organizations. [LINK]

### **How does Fairtrade ensure robust auditing and certification?**

Checking compliance with the Fairtrade Standards is conducted by [FLOCERT](#), an independent company which is ISO 65 accredited for Fairtrade certification. ISO 65 is the leading internationally recognized quality norm for bodies operating a product certification system. FLO-CERT follows the norm in all certification operations and is subject to external audits of the German Accreditation body [DAKKS](#).

FLOCERT auditors are experts in their field. They are familiar with the local and sector-specific realities they are facing on-site. They are also conscious of the elements in the Fairtrade Standards that carry the highest risk for non-conformities. Auditors receive regular training on identification and response required to mitigate those risks. Content and documentation of these trainings are included in the auditing process of FLO-CERT's ISO 65 accreditation. There are also strict rules around selection of interviewees, location of interviews, and rotation of auditors.

Interviews with workers are an integral part of the FLOCERT audit process. Auditors are regularly trained on interview techniques and the following are some of the fundamental rules for interviews of workers. Not only are auditors trained on these important rules regularly, but auditors are also evaluated on site on a regular basis to ensure that they adhere to these rules:

- Always chose the interview partners yourself, never interview workers suggested/brought to you by management
- Always ask the workers you intend to interview for their consent prior to proceeding with the interview
- Do not take names of the interviewees
- Explain to the interviewee why you are there and what the objective of the interview is
- Explain to the interviewee that a considerable number of workers will be interviewed, that their name shall not be taken, and that management will under no circumstance be informed of what they say
- Conduct interviews in a place where the workers feel comfortable and at ease; never interview them within sight of management, in management offices etc since this will intimidate them

While no certification system can offer a 100% guarantee, there are strict and transparent allegation procedures in place and every allegation is followed up by the FLOCERT Quality Management department according to a standard operating procedure. Depending on the severity of the allegations made, FLOCERT conducts a document check, includes the topic into the next regular audit or conducts an unannounced audit to investigate the allegation.

In 2012 FLOCERT suspended a total of 141 producer organizations and 41 traders, with 35 and 12 decertified, respectively.

## **What protection does Fairtrade offer to vulnerable adults, including women, and children in its supply chains?**

The Fairtrade Standards have strict minimum criteria which protect workers on Fairtrade certified farms on the core international labour rights of the ILO Conventions, including trafficking and forced labour, child labour, sexual harassment and abuse, freedom of association and discrimination of any kind. Any non-conformity in the area of a core Fairtrade principle, such as those embedded in the core ILO Conventions, can lead to suspension and ultimately decertification of the producer organization.

Fairtrade regards exploitation and abuse of anyone in Fairtrade producer operations as totally unacceptable. Fairtrade Standards uphold ILO Conventions on these matters, especially relating to the worst forms of child and forced labour, using a rights-based framework to interpret and respond to them.

Accordingly, while we cannot guarantee that breaches of our Standards will not occur, we do guarantee that we follow-up on every reported case and where evidence of this is found, we will take decisive action towards protecting children and vulnerable adults. Fairtrade protection policy and procedures not only guide our decisions when children and adults rights to protection is violated, but also ensure that any actions taken by us does not lead to further harm or insecurity of impacted populations.

We can therefore confirm that any or all reported findings in the draft study presented to Fairtrade involving these issues have triggered follow up with SOAS to ensure they act in alignment with their own protection processes and should they not exist, Fairtrade would act according to ours. Despite several requests, having not obtained details from SOAS on their allegations relevant to Fairtrade's protection policies and actions, reportedly due to compromising SOAS "ethics of research," Fairtrade had no choice but to act on information available in the draft study sent.

Fairtrade also contributes to long-term change by working to address underlying power dynamics in many of the communities in which we work. We conduct targeted training to producer and worker communities on specific issues such as abuse and exploitation, sexual violence, child labour prevention and remediation, and we work with producer organizations to support them to put preventive measures in place. Fairtrade will conduct targeted training with producer organizations identified in the SOAS study, and will also encourage producers to build self-governing systems to ensure community based monitoring and remediation in partnership with expert partners where they exist.

## **How does Fairtrade ensure its work is relevant and has impact?**

Fairtrade's interventions are informed by the reality of farmers' and workers' lives, and by a continuous learning loop. It is our deep connection with Fairtrade farmers and workers, who now own 50% of the Fairtrade system, which allows us to understand these dynamics and work to address them in ways that can bring about change.

Standards lie at the heart of our development approach. Every standard change includes consultation with producers through on the ground research, face-to-face workshops and remote surveys and consultations. This feedback is used to continually improve the relevance and appropriateness of



Fairtrade's model. Our new Hired Labour Standard, for example, was hotly debated by over 500 workers themselves, as well as by international labour experts.

Fairtrade is committed to monitoring and evaluating our work regularly both as a measure of accountability to stakeholders and to learn and improve. Our monitoring system is currently being expanded to include regular data collection on core poverty indicators such as income levels and wages of farmers and workers.

Our recently published Theory of Change [LINK] explains the social changes Fairtrade seeks to make and how our interventions and approach should support this process. Farmers and workers directly provided us with new perspectives on how they see change happening for them, through workshops and consultations covering 19 countries.

Understanding the next generation is also key. Fairtrade has conducted rights-based focus groups with over 500 children and young people in Fairtrade organizations across twelve countries. Children can teach us about their lives, the impact of farming work on themselves and their peers and the alternatives as they understand them.

We also learn through regularly commissioning in-depth research from independent researchers or academic institutions of high repute who have adopted methodologies that were consistent at the time with the focus of the evaluation, the resources at our disposal and have been clearly spelt out in the respective studies. These reports have been published in full and unedited versions under the authorship of the relevant researchers as a commitment to full transparency, accountability and to foster learning. [LINK]

While many studies have adopted the case study approach, more recent impact research has also worked with academic best practice of studying a counterfactual as well to draw robust accurate about Fairtrade's impacts. Fairtrade also welcomes and is open to learning from insightful and rigorous research by external institutes and individuals.

### **How was Fairtrade involved in this research?**

Fairtrade was not involved in this research. Fairtrade's monitoring and evaluation team were made aware of this project during an academic research workshop held in London in November 2012 following which we approached the SOAS research team to learn more about their focus and methodology, and expressed our interest in hearing their findings. We were made aware of the fact that the fieldwork and primary data collection for the project had been completed in December 2012 and that SOAS were keen to begin sharing insights in 2013 with the aim of completing the report in December 2013.

Although the study draws several conclusions about the role of certification and the impact of Fairtrade, the SOAS research team's independent approach expressly ruled out engagement with Fairtrade organisations at either the design or fieldwork stages. The research team did not attempt to understand the Fairtrade model, scope of certification, producer organizations' relationship to the certification cycle or specific interventions of the Fairtrade system being undertaken during the period of field research, and their impact of such interventions on the outcomes at both farm level and for workers.



The SOAS FTEPR team shared a draft report with Fairtrade International in January 2014, following which we submitted detailed factual corrections, a number of questions of clarification and further comments regarding both the tone of the report, and the methodology applied to draw conclusions. However, we are disappointed to see that, in our view, the majority of these were not reflected in the final report, and several factual inaccuracies and questions still remain.

For example, the study compares wages and working conditions of workers in areas where small-scale Fairtrade certified tea and coffee farmer were present with those on large scale plantations in the same regions. The one Fairtrade certified plantation (an Ethiopian flower farm) included in the study actually withdrew from certification shortly after SOAS fieldwork was conducted, while the 'non-certified' farm cited has in fact been Fairtrade certified since 2012. (see Fairtrade's response statement for further details)