



1. Introduction

Workers and farmers integrated in global supply chains often do not earn enough to achieve sustainable livelihoods. The ILO estimates that 19% of workers earn less than their country's legal minimum wage, while 16,6% of workers in all low- and middle-income countries live in households that fall below the international poverty line. In response, Fairtrade International, with funding from the EU, has developed a Policy Roadmap to help policymakers create an environment that enables a decent standard of living for farmers worldwide. This document introduces that Roadmap.

Why does this matter for policymakers?

The European food and drink industry is a powerhouse of economic activity, generating €1.1 trillion in turnover and €229 billion in value added. However, this industry is deeply reliant on steady agricultural imports from outside the EU. When producers and workers are underpaid, these supply chains face increased risks, including child labour, deforestation, and unsustainable farming. Enabling fair wages and incomes not only reduces these risks, but also strengthens long-term supply chains, supports human rights compliance, and enhances competitiveness in global markets.

In March 2024, the ILO has adopted conclusions highlighting the importance of social dialogue, collective

bargaining and adequate minimum wage setting for operationalizing the living wage concept. This marked a significant milestone, offering a reference pillar for legislations implementing living wages.

So, how can policymakers create an enabling environment for living incomes and wages?

The Policy Roadmap seeks to support policymakers in this endeavour. It provides a strategic framework for translating commitments into actionable steps, focusing on three areas where governments can make a difference: as regulators, as economic actors and as partners in stakeholder collaboration.



2. Governments as regulators

Ensuring living incomes and wages is not solely a corporate responsibility. Corporate success depends on an enabling environment, underpinned by a coherent regulatory framework that cleverly combines voluntary, mandatory, national and international measures.

2.1. Risk-based due diligence

A growing call for international due diligence standards has inspired an increasing number of companies to address due diligence within their global supply chains. Risk-based legislation plays a key role in driving the implementation of these standards, as they enable companies to take well-considered actions and pursue continuous improvement. Legal certainty and the creation of a level-playing field are additional advantages of such a risk-based approach. Beyond their role as mandatory due diligence regulators, policymakers are providers of support and guidance, lowering the corporate implementation burden.

Strong national supervisory authorities, with the support of civil society organisations, are essential enablers of effective implementation. They can help develop, execute and monitor implementation guidelines. Additionally, attention should be given to supporting producer countries and raising consumer awareness. For EU Member States, a balance between ambition and harmonization is key. In the absence of consensus across all Member States, a coordinative approach with like-minded countries can serve as an effective way forward.

2.2. Labour policies

To support living incomes and wages, governments must create an enabling legal framework and support structures that protect union rights and collective bargaining. Adequate minimum wages are fundamental as a first step towards achieving a living wage. They must be reviewed, enforced and monitored regularly. Both the formal and informal sectors of the economy should be covered, in order to improve wages for all workers.

2.3. Competition policy

Competition law has often been cited by companies as a barrier to collective action on fair incomes and wages for farmers. However, competition policy can support sustainability objectives by allowing companies greater freedom to collaborate for sustainability purposes, by authorizing pre-competitive cooperation aimed at social and environmental protection, and by making competition policy coherent with sustainabil-

ity objectives pursued in other policy areas. The EU's UTP Directive could drive such change, by blacklisting selling and buying below the sustainable cost of production, ensuring fairer supply chain relations.

2.4. Trade, investment and industrial policies

Trade, investment and industrial policies can set requirements on the way products are produced. These requirements can be used to regulate imports of goods whose production is linked to human rights and sustainability issues, such as child labour, forced labour and deforestation. By using social and environmental market access conditionalities, these policies can incentivise responsible production practices. Strengthening mechanisms like the EU's Generalised System of Preferences or trade and sustainability chapters in free trade agreements can be ways for trade policy to promote fair prices and wages in global value chains.

2.5. Tax policies

Tax incentives, rebates or subsidies can be used to reward sustainable production, while taxes on products with higher social and environmental costs can discourage harmful practices. Tax collection should be made transparent while revenues could be reinvested in the agricultural sector to benefit farmers. In addition, tax policies should be accompanied by measures to reduce the barriers to formalisation for farmers operating in the informal economy.

2.6. Policy options for producer countries

Enabling policies are particularly important in producer countries. They can define reference prices for agricultural commodities (e.g. the Fairtrade Living Income Reference Price), consider floor prices and strengthen supply chain management. However, pricing of agricultural commodities is only a part of the solution. Policymakers should also prioritise support for farmers to diversify their activities, to improve their business skills, to ensure land tenure, to invest in infrastructure, and to gain access to adequate services (e.g. technical assistance, prefinance, and quality inputs). Transitioning to agroecological practices is another key focus, as these practices result in higher prices and incomes, while securing sustainable production models.

2.7. Cross-cutting issues

Living incomes and wages are also an effective tool in advancing gender equality. Women face discrimination in land and livestock ownership, pay disparities, decision-making, and access to credit and financial services. This limits their ability to achieve a living wage/income. Policymakers can address these challenges through specific regulations and support for women.

Additionally, measures to improve data collection and uptake of digital tools is essential across all policy fields. Governments can incentivise farmers to provide

farm-level data while ensuring they retain ownership, improve the quality and availability of data for living income/wage estimations, and support farmers in adopting digital tools.

2.8. Policy coherence

An enabling policy environment for living incomes/wages requires coherence across various public policy fields. Governments could, for example, align wage and income related policies with international standards, or could nominate national Focal Points in a lead ministry to coordinate living incomes/wages initiatives.



3. Governments as economic actors

Many governments participate in market transactions as major buyers, employers, lenders or service providers. As such, they can send powerful signals to other market actors by committing to fair prices and wages in their own operations.

3.1. Public procurement

In many countries, governments are the largest buyer of goods, services and public works. In order to commit to living incomes/wages, governments should incorporate wage and income related social objectives into public procurement policies. Moreover, products that meet Fairtrade criteria and suppliers and contractors who respect living incomes/wages could be rewarded (e.g. by public tenders).

3.2. State Owned Enterprises, and the government as an employer

State Owned Enterprises (SOE) are among the largest corporations in some advanced and emerging economies. Governments should set an example by em-

bedding living income/wage commitments into the policies and business strategies of SOEs. Similarly, governments, as employers, should ensure that they pay decent wages to their workers.

3.3. Industry and trade promotion, and international development cooperation

Governments can leverage industry and trade promotion activities, as well as development assistance, to advance living incomes/wages. They can do so by making their financial or technical assistance conditional on the respect for human rights, including decent wages and prices paid by beneficiaries.



4. Governments as partners in stakeholder collaboration

Governments play a crucial role in facilitating multi-stakeholder initiatives and can act as catalysts for collective action on living incomes/wages in global supply chains.

4.1. Accompanying support measures to supply chain legislation

Due diligence requirements for companies may lead to unintended consequences for producer countries if companies prioritise de-risking their supply chains through divestment over meaningful engagement with suppliers. Governments must ensure that regulatory initiatives are accompanied by guidance and support. That goes from providing information to producers and companies, over capacity building, to creating an enabling policy and support environment in producer countries.

4.2. Enabling multi-stakeholder dialogue and leveraging membership in international organisations

Multi-stakeholder dialogue and engagement is an effective way to build consensus and find collective solutions to challenges in the agricultural sector. Governments can provide financial and political support to multi-stakeholder initiatives. They can bring relevant supply chain actors together, set common goals, and keep each other accountable to meet these commitments. Further, governments can leverage their role in international organizations (e.g. WTO, ILO, FAO) to influence priorities, mandates and budgets in support of living income and wage initiatives.



5 Conclusion

Policymakers have a wide range of options for action at their disposal to enable a decent standard of living for farmers and workers in global agricultural supply chains. The role of policymakers is essential in order to create the enabling conditions, while concurrent action from business is needed.



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by Dr Matthias Altmann,
Shivani Kannabhiran
& Franziska Altmann



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