

# FAIRTRADE RESPONSE TO 'FAIRTRADE CERTIFIED TEA IN THE HIRED LABOUR SECTOR IN INDIA AND SRI LANKA: IMPACT STUDY AND BASELINE DATA COLLECTION'

Response from the commissioning agencies, Fairtrade International, to an independent mixed-methods study conducted by International Institute for Social Studies of Erasmus University Rotterdam (ISS), The Hague, The Netherlands

## THE STUDY AT A GLANCE

### INTRODUCTION

Fairtrade International commissioned this study to better understand Fairtrade's impact for tea plantations in India and Sri Lanka, in advance of a review of the product-specific Fairtrade Standard for Tea. Researchers from ISS jointly with Centre for Development Studies (CDS), Thiruvananthapuram, India; Centre for Poverty Analysis (CEPA), Colombo, Sri Lanka and Department of Management, Amrita University, Kochi, India conducted a mixed-methods based study to explore the development of labour conditions and collective agency of workers in Fairtrade certified plantations compared to non-certified plantations, and the role of Fairtrade in that process.

### APPROACH

The researchers undertook a detailed literature review and then followed Fairtrade's Theory of Change for Hired Labour, which assumes that certification process of individual estates and Fairtrade's wider networking and advocacy activities contribute to long-term change in plantation workers' sustainable livelihoods and empowerment as well as fairer trade relations. These assumptions were thoroughly tested in this study to analyse possible pathways to impact. Both 'before-after' certification comparison within groups and 'with-without' comparison between certified and non-certified groups was explored. Fairtrade International's hypothesis that impact on workers directly correlates with Fairtrade sales (Fairtrade International and NAPP 2015), the sampling frame was stratified by high, medium and low share of certified sales.

### METHODOLOGY

The researchers adopted a mixed methods approach to primary research, integrating quantitative and qualitative methods. The primary research included qualitative interviews in the form of gender-segmented focus group discussions, semi-structured key informant interviews (e.g. representatives of workers, management and the Fairtrade Premium Committee) as well as a worker survey.

Two-stage sampling was undertaken separately for Sri Lanka, south and northeast India to ensure representativeness.

Eight certified and four non-certified estates were included as a part of this research, including three certified estates each for Sri Lanka and South India, and two for Assam (as certification of one of the selected estates in Assam was withdrawn in 2016).

For the worker survey, and qualitative interviews, both permanent as well as temporary field and factory tea workers, were included through simple random sampling.

Two focus group discussions per estate were conducted (with the exception of one estate).



## FINDINGS & RECOMMENDATIONS

The study findings fall into four major areas: industrial relations and labour rights; wages and Fairtrade Premium; working conditions; and social development. Each region is discussed separately (south India, Assam, and Sri Lanka), with some diverse findings across the regions. Key points are summarized below.

### Industrial Relations and Labour Rights

Freedom of association is guaranteed on all tea estates. A vast majority of survey participants are union members and most survey respondents see trade unions as defenders and promoters of workers' rights, although the history and current relationship of unions and workers varies across the three region. The Fairtrade Premium Committee, which is an elected group of workers who democratically decide on how to use Fairtrade Premium funds earned by the tea estate, is perceived by some workers as an additional way to express their needs (Sri Lanka) and dissatisfaction (south Asia), in addition to unions. The researchers suggest that Fairtrade and unions could work together, for instance to offer joint trainings on workers' rights, to strengthen representation of workers' interests and their associational power.

### Wages and Income

Fairtrade Premium has positive effects on disposable income. While small in scope, Premium investments reduce essential expenditure on Personal Protective Equipment (PPE), water and other infrastructure, education and transport. In addition, loans for income generation projects increase workers' disposable income, and consumption loans reduce income insecurity in lean period. Reported daily wages in certified and non-certified estates are in line with Collective Bargaining Agreements (CBAs) which is what is guaranteed in Fairtrade Standards; on the other hand, because wages are set by CBAs, certification has not resulted in wages exceeding these levels. Many workers across regions, both at certified and non-certified estates, express difficulties in making ends meet. Living wages are a key concern for tea plantation workers in India and Sri Lanka. Fairtrade's perceived focus and impact is more on social compliance on the estate than on redistribution in the value chain.

## Working Conditions

Fairtrade's impact on the working conditions has been unsystematic especially vis-à-vis issues pertaining to gendered roles for some tasks, or to entitlements like sick leave or maternity leave available to permanent workers may not be available to temporary workers.

Certified estates have stronger occupational health and safety measures than non-certified. There is room to expand beyond measures that impact tea quality (such as better management of agrochemicals and factory cleanliness), to include more measures that focus on workers.

## Fairtrade Premium and Social Development

Tea estate workers recognize the Fairtrade Premium earned through Fairtrade sales as enabling investments, which were especially in education, health, and infrastructure. Men and women alike benefit equally from these investments.

## Challenges

There are also important findings that underscore the structural challenges tea plantation workers are still facing, and on which Fairtrade certification appears to have limited to no impact so far. These include:

- Even Fairtrade certified estates are not yet paying a living wage.
- Wages are governed by regional collective bargaining agreements. This means that certified and non-certified estate workers earn the same. While the researchers did not find gender discrimination in terms of unequal pay for the same work on Fairtrade estates, the tasks given to women do not provide as much opportunity to earn incentive payments, therefore disadvantage women. Women's tasks often require longer hours of work.
- Women's involvement in trade unions is limited by their working hours and household responsibilities, as well as historical unequal gender dynamics.
- On some estates, Fairtrade Premium has been paid as productivity incentives which disadvantages women. Workers on temporary contracts get little benefit from the Fairtrade Premium.
- Trade unions are already strong in the regions, especially in Assam, but workers do not always feel represented by them.
- In addition to living wages, workers prioritize the quality and security of their housing, and children's access to education. Fairtrade Premium can and does fund education investments, and to a small degree housing improvements, but these are the responsibility of estate management and are issues that need to be addressed by government to ensure decent standards of living for all workers and address historical marginalization.

## RECOMMENDATIONS

**Worker-Driven Approach:** Fairtrade should develop more direct relationship with workers, rather than relying on mediation by plantation management. This can be done through

participatory social audits as well through increase in number of workers' representatives in governance bodies within Fairtrade.

**Joint Rights-Based Trainings:** The researchers suggest that workers' training on labour rights should be undertaken as joint activity of the Fairtrade Premium Committee and trade unions to underscore Fairtrade's commitment to support workers' organization.

**Gender Lens:** Effective implementation of Fairtrade's Gender Strategy can help to amplify women workers' voices and enhance their inclusion into and representation by trade unions. Possible actions include targeted investment of Fairtrade Premium funds to support women's skills training; broader awareness raising among management and staff on gender equality and women's empowerment; and specific changes requested by women, such as on health and safety issues.

**Forging Coalitions:** In order to address the concentration of power in the hands of few multinational tea brands and to redistribute value to tea plantation workers, transnational coalitional power needs to be used so that Fairtrade can help to secure livelihoods in the tea value chain. Action at the sectoral level rather than the individual estate or even national level is needed, especially on wage setting. Workers' political marginalization should also be addressed by ensuring workers' involvement in these coalitions. Greater attention is needed on labour justice in South-North trade relations, rather than only on labour governance at the level of the estate.

## **FAIRTRADE'S RESPONSE TO THE FINDINGS**

This study makes an important contribution to documenting systemic challenges for tea workers, on both Fairtrade and non-Fairtrade certified estates. It captured input directly from workers' themselves, and detailed the complex dynamics that exist between workers, trade unions, and management, and particularly how women are often left out of these dynamics. These details are important to understanding pathways to improvement.

We recognize that these findings, along with those from other independent studies, point to an urgent need to take action to improve conditions for workers, especially with regards to wages and livelihoods, workers' voice, working conditions and strengthening labour-management relations. Since many issues affecting workers cannot be resolved at the individual company level, we also recognize that certification schemes need to work proactively with other actors across the international tea sector and along the supply chain to truly drive change.

In terms of the study's comment on ongoing structural challenges that unions have thus far been unable to significantly improve, such as low wage levels, particularly in Assam, gendered work and disadvantages for women and worker involvement in trade unions, we undertook a separate analysis of the industrial relations landscape in the Indian tea sector. The intent of this work was to be able to better understand the determination of terms of employment in the Indian tea sectors and to inform development of a path forward in advocating for sectoral changes that will benefit all workers. Recommendations include training to support trade union committees at the plantation level, particularly on collective bargaining, among other things. This report will be published separately in late 2020, along with a discussion paper for the sector.

## **REFLECTIONS AND NEXT STEPS**

In light of this study as well as the additional industrial relations analysis, Fairtrade has taken action to review our own standards, target trainings and support to better meet workers'

expressed priorities. We recognize the opportunity to partner with trade unions to strengthen their ability to act on behalf of workers, and the importance of coalitions to mobilize the sector as a whole.

**Update of the Fairtrade Standard for Tea (Hired Labour sector):** The second and final round of our consultation on our tea standard was launched in October 2020. The consultation seeks full stakeholder engagement, including with producers, buyers, trade unions, civil society organizations and researchers. Many of the topics and proposals for consultation were informed by the findings of this and other studies.

**The consultation is currently open through 27 November 2020, and we invite input from stakeholders including the general public.** Materials are available here: <https://www.fairtrade.net/standard/tea-standards-and-pricing-review-2019>.

Topics include:

- Wage requirements – including a new proposal on setting wages pegged to the state minimum wage for agricultural workers (under which tea workers are traditionally not included)
- Other working conditions – including strengthening requirements on housing and sanitation, occupational health and safety, and others
- Anti-modern slavery requirements, related to decent jobs for young people, and temporary worker contracts
- Increased involvement of workers through a compliance committee and social development
- Fairtrade Premium management
- Women's empowerment and gender equality measures.

We expect a decision on the revised standard in March 2021.

**Trainings:** The Fairtrade Producer Network in the Asia Pacific region, NAPP, is implementing trainings at tea estates on the Fairtrade Standards, as well as on topics such as sexual harassment, child labour, workers' rights and grievance redressal, covering Fairtrade requirements as well as state law.

**Tailored programmes:** NAPP partners with companies to develop programmes that address issues such as livelihoods and women's health.

**Coalitions and advocacy:** NAPP continues to build connections with tea associations, labour unions, and state labour departments, while counterparts in other Fairtrade organizations also engage with NGOs acting and advocating on these issues.

**Ongoing learning:** The Fairtrade Monitoring, Evaluation and Learning community of practice and research task force, which sets research agenda and disseminates findings across the Fairtrade system, is also viewing these findings as an important input into internal work streams to better inform our actions.