



# The Role of Fairtrade Certification for Wages and Job Satisfaction of Plantation Workers



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## SUMMARY

Worker welfare and employment conditions in the agri-food-producing and processing sectors in the global south have become an increasing concern for consumers. Sustainability standards, such as Fairtrade, play an important role in agri-food markets of horticultural produce and may be a tool to address these concerns. However, so far the implications of Fairtrade certification for extrinsic and intrinsic employment factors of hired labor on large-scale plantations remain hardly understood. In this paper we assess its effect on workers' hourly wages and their level of job satisfaction with primary survey data from 325 randomly sampled workers from eight different export-oriented pineapple companies in Ghana. We apply a linear, linear mixed model, and instrumental variable approach to take into account the multi-level characteristics of our data and possible selection bias. Our findings show that both hourly wages and job satisfaction are indeed higher on Fairtrade-certified plantations. Factors of increased job satisfaction are likely driven by higher wages, permanent employment contracts, training opportunities, company services such as medical care and paid leave as well as established labor unions on Fairtrade-certified plantations.

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## 1. Introduction

Exports of high-value produce such as fresh fruits, vegetables, and flowers from developing countries have increased tremendously in the past couple of decades. Developing countries' share in global high-value agri-food exports<sup>1</sup> have quadrupled in value during 1995–2014 from 30.25 billion US\$ to 122.5 billion US\$ (Van den Broeck & Maertens, 2016). Horticulture exports constitute between one fourth and one third of total agri-food exports from developing regions (Van den Broeck & Maertens, 2016). These developments are linked to the expansion of large-scale horticultural and floricultural estates and processing plants catering for the export market. Diversification into export horticulture, often fostered by foreign investments, has become a strategy for employment generation and increased foreign exchange earnings for many developing countries (Barrientos, Dolan, & Tallontire, 2003). The quality of jobs on export plantations has been questioned by a number of studies pointing to insecure, badly paid, and hazardous jobs and risk of exploitation (Riisgaard, 2009; Barrientos *et al.*, 2003; Dolan, 2004). Plantation workers are considered one of the most vulnerable groups

in the global trade system as they are often exposed to discrimination, difficult working conditions, and at the same time lack bargaining opportunities. In recent years however, consumers have become increasingly aware of unfavorable employment conditions in the food-producing and processing industry. This awareness has been mirrored by the rise of private food and sustainability standards, such as Fairtrade. The Fairtrade movement is most well-known to support smallholder farmers with fair prices but it also supports plantation agriculture with the aim of empowering workers and economically developing their communities (Fairtrade International, 2014a).

In this paper we analyze the implications of Fairtrade certification for low-skilled workers on pineapple plantations in Ghana. As the pineapple export sector in Ghana experienced a recent shift from being partially smallholder based to being almost completely based on large-scale plantation production, the focus on workers in the sector is particularly pertinent. While there is a rather large literature on the implications of Fairtrade certification for smallholder farmers in various sectors, evidence on the implications of Fairtrade for plantation workers is very scarce. A handful of studies has analyzed the impact of Fairtrade on wages and workers' income (Cramer, Johnston, Oya, & Sender, 2014; Granville & Telford, 2013; Ruben & Van Schendel, 2009) but few studies have looked beyond wages at other employment characteristics and

<sup>1</sup> These products are considered high-value food items: fresh, prepared, or preserved vegetables; fresh, dried, preserved, or processed fruits; and cut flowers (Van den Broeck & Maertens, 2016).

job satisfaction—with the studies of [Ruben and Van Schendel \(2009\)](#) and [Raynolds \(2012\)](#) as notable exceptions. In this paper we take a broader perspective by incorporating extrinsic as well as intrinsic factors of employment, and by investigating the impact of Fairtrade certification on wages as well as job satisfaction. More specifically, we address the following two questions: (1) Does Fairtrade certification have a positive effect on wage levels of plantation workers? And (2) are workers on Fairtrade-certified plantations more satisfied with their jobs?

## 2. Literature review

### (a) Conceptual arguments

We rely on exchange theory ([Blau, 1964](#); [Homans, 1958](#)) and link it to Herzberg's two-factor theory of job satisfaction ([Herzberg, 1966](#)). Exchange theory is a prominent theory on social behavior that can be applied to understand job satisfaction. Exchange theory stipulates that individuals enter into social relationships with the expectation of rewards, benefits, and remuneration. To ensure the fulfillment of these expectations, they are willing to invest effort, time, skills, and education among other contributions. According to the two-factor theory of workplace satisfaction, rewards of employment can be either extrinsic and objective—including pay, job security, and quality of leadership—or intrinsic and subjective—including variation of tasks, new skills development, autonomy, empowerment ([Herzberg, 1966](#)). Workers experience satisfaction from both extrinsic and intrinsic rewards of their job, which are determined by the characteristics of the job and the employment environment.

Fairtrade certification can affect job satisfaction by influencing both the extrinsic and intrinsic rewards for workers. Fairtrade particularly emphasizes social equity, alternative trade arrangements, fair prices for producers, and fair wages for hired workers. Fairtrade focuses on three main principles to improve employment conditions on plantations and support worker empowerment: (1) the management of a Fairtrade Premium through a joint body consisting of workers and plantation management, (2) freedom of association and collective bargaining, and (3) fair working conditions, including fair wages and the implementation of health and safety measures ([Fairtrade International, 2014b](#)). The application of these principles is a list of Fairtrade requirements—marked out as core requirements and development requirements—which certified plantations must adhere to (see [Table 8](#) for an overview of the requirements). These principles and requirements can affect job satisfaction in a number of ways. To begin with, we discuss several channels through which Fairtrade certification may affect extrinsic rewards. Firstly, Fairtrade regulations stipulate the implementation of either an official minimum wage or if absent a regional average wage. From 2014 onward, Fairtrade International has revised its requirements and now promotes a so-called national rural living wage, which should enable a household to lead a decent life based on the level of development in the specific sector and region. The reason for this is because national minimum wages are often very low. Fairtrade International identifies the cost of living according to local costs of food, housing, and essential needs including education, health care, and transportation ([Anker & Anker, 2013](#)). Fairtrade-certified companies are now required to remunerate their employees according to the living wage if the minimum wage is lower ([Fairtrade International, 2014b](#)).<sup>2</sup>

Secondly, Fairtrade companies must ensure that all regular work in the company is undertaken by workers with permanent work contracts. Time-bound contracts are to be avoided and are only permitted during peak seasons and under special circumstances. As pineapples can be planted and harvested all year round, the majority of workers should be employed permanently. Further, produce sold into the Fairtrade market receives a minimum and stable price—independent of the world market price. Fairtrade companies also engage in long-term relationships with importers usually enforced through contracts. The ability to rely on long-standing prices and trading relationships enables companies to plan ahead also regarding their workforce. Thirdly, working conditions and company services including paid leave, access to medical care and the provision of social security are regulated in Fairtrade requirements.

Fairtrade certification may influence intrinsic rewards for workers as well. Firstly, the provisions of trainings are required for Fairtrade companies. These enable workers to enhance their skills and education. Secondly, Fairtrade certification strongly emphasizes collective bargaining and the empowerment of workers through strict regulations regarding collective agreements between the workforce and the company. Fairtrade certification requires companies to ensure freedom of association either through a worker representation body or a labor union. Workers further vote for worker representatives to be members of the so-called Fairtrade Premium Committees. The Committees are responsible for the management of the additional Fairtrade Premium that producers automatically receive from their exporter or importer when selling a Fairtrade product. The workers together with the company decide and vote upon the use of these available funds for the implementation of educational, health, or other social projects to benefit those involved in the goods production.

### (b) Empirical evidence

Some studies have analyzed the implications of standards such as GlobalGAP and Ethical Trade Initiative toward specific rewards of employment on export plantations. These studies mostly point to positive effects on employee training, labor organizations, and employment security but not necessarily on wages ([Barrientos et al., 2003](#); [Colen, Maertens, & Swinnen, 2012](#); [Ehlert, Mithöfer, & Waibel, 2014](#); [Gibbon & Riisgaard, 2014](#); [Nelson & Pound, 2009](#)). [Schuster and Maertens \(2016a, 2016b\)](#) find that the adoption of private labor standards (including Fairtrade) in the Peruvian horticultural export sector results in a higher likelihood for workers to receive the minimum wage, more job security, and more employee trainings as well as improved worker empowerment; which implies these standards contribute to both extrinsic and intrinsic rewards.

Studies evaluating the impacts of Fairtrade certification on plantation workers show diverse results. [Granville and Telford \(2013\)](#) point out that Fairtrade workers in the wine industry in South Africa earn salaries above the minimum wage. A study by the “Fairtrade, Employment and Poverty Reduction” project from the University of London does not find evidence for higher wages or better working conditions through Fairtrade certification on small farms and large estate units in the tea, coffee, and flower sectors in Uganda and Ethiopia ([Cramer et al., 2014](#)). These studies focus on specific extrinsic rewards. There are very few studies looking at more intrinsic rewards or overall job satisfaction, likely because these are more subjective and more difficult to measure. Based on evidence from the Ecuadorian flower sector [Raynolds \(2012\)](#) concludes that Fairtrade benefits for workers particularly lie in the ability to empower them and secure their well-being at work. To the best of our knowledge, there is only one study that specifically assesses the implications of Fairtrade certification for

<sup>2</sup> As there is no common agreement on how a living wage should be calculated, the subjectivity of its measurement is criticized ([Anker, 2011](#)). Further, the living wage does not account for variations in costs over small distances within one area. This means that the calculated living wages may not necessarily reflect the needed means to lead a productive lifestyle.

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