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LIVING WAGE AND THE FAIRTRADE PREMIUM: AN AP-PEELING COMBINATION

A research study exploring how the Fairtrade Premium reduces pressure on wages and generates an enabling environment to make a Living Wage meaningful for workers in banana supply chains in Ghana and Colombia

FAIRTRADE AND LIVING WAGES IN THE BANANA SECTOR

Workers at farms, factories and plantations are among the most vulnerable people in global trade. Without access to land or unable to make a living from it, they often have few options for a sustainable livelihood. These workers often lack formal contracts, freedom of association, basic health and safety assurances, and adequate wages, among other challenges. Fairtrade's ambition is that workers have the power to improve their own livelihoods and negotiate their wages and terms of work. At the heart of this ambition is our deep-rooted commitment to living wages. A living wage is a human right. It means ensuring workers have enough of an income to afford a decent standard of living for their household – including a nutritious diet, clean water, decent housing, education, healthcare and other essentials – plus a little extra for savings and emergencies so they can plan for the future.

The need for a living wage has always been pressing in the banana sector, but after two years of COVID-19 creating higher costs and lower margins, the urgency is now clear for the UK industry. As some commit to price interventions in their supply chain to address the gap, and others map wages in their supply chains, it has become increasingly important to understand how investments made through certifications like Fairtrade support the closing of the gap and make wages more meaningful. Fairtrade sourcing is a critical 'first-step' bundle of interventions to close the Living Wage gap. Through Fairtrade sourcing, producers receive Fairtrade Premium and Fairtrade Minimum Price protections so that plantations can maintain costs of production (including wages) during commodity price crashes. The Fairtrade Premium – an additional sum that producer groups can spend on community or business projects of their choice – reduces the pressure on wages. For instance, producers can choose to use their Premium funds to cover the costs of housing, healthcare and schooling, or pursue additional income-generating activities. For bananas coming from estates, the Fairtrade Premium is 1 US\$ (€0.96) per box of fresh banana (18.1 kg; Fairtrade International, 2021b) and is paid to the Hired Labour Organisations (HLOs). Each HLO has a Fairtrade Premium Committee that decides democratically—together with its workers—how the money is spent.

Fairtrade has taken concrete additional steps towards closing the living wage gap for banana workers in recent years. Notably, in July 2021 Fairtrade launched the Fairtrade Base Wage for banana plantations. Set at 70 percent of the take-home pay needed for a living wage, the base wage is unique among certification schemes in making a concrete step towards a living wage. Furthermore, 30% and up to 50% of the Fairtrade Premium can be paid out as cash for workers. For more information on Fairtrade Foundation's approach to Living Wages – see [here](#).

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ABOUT THE STUDY

Focusing on UK retail supply chains, this research aims to understand how Fairtrade Premium can play a crucial role in reducing the pressure on wages by supporting the basic needs that are the components in a Living Wage (food, clothing, shelter, healthcare, education, transport to work and a little extra for unforeseen circumstances) and how the Fairtrade Premium can create the enabling environment for living wages to have significance. What do Fairtrade mean by an enabling environment? Let's take education as an example – a Living Wage should cover education needs, but there also needs to be adequate infrastructure such as school buildings and means to travel to school to meet this basic need in livelihoods. This is where Fairtrade Premium can play a crucial role.

Using the components of a Living Wage as a structure for the research, this study focused on the key questions on how the Fairtrade Premium can: provide or improve access to food and water; improve or subsidise education; provide access to health care; contribute to housing; improve or subsidise transport; support with cash payments, saving and loans; and what other in-kind benefits relevant to the Living Wage context exist for workers and their families

This study takes a mixed methods approach with a focus on three hired labour organisations in Colombia and two in Ghana. The project has three phases: desk research and data review; qualitative data collection and a remote quantitative survey. The study looks for breath in our larger scale remote survey data that provides primarily quantitative data, with some complimentary qualitative insights. This is supplemented with the depth of insights from qualitative data. The qualitative research took place in July 2022, with the survey data collection due to take place in September 2022.

PRELIMINARY FINDINGS FROM QUALITATIVE RESEARCH

“The Fairtrade Premium supports us in important development activities, and I don't know how we would have managed during Covid times if it weren't for the Fairtrade Premium. Education, health, and meals at work are just some examples. But our main hope is to improve our whole community so that our children have a better future.” - Banana plantation worker, Ghana

Initial findings from both the desk study and the qualitative research show the critical role that Fairtrade Premium plays in supporting Living Wages. In both countries, the Fairtrade Premium has been invested in ways that are relevant to the local and regional Living Wage infrastructure, including investment in workers' housing and education infrastructure in Colombia and provision of subsidised food in cafeterias, construction of schools and health centres, establishment of transportation infrastructure, and access to interest-free loans in Ghana.

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Colombia

Colombia is among the world's five largest banana exporters. It supplies about one tenth of the world's export market and is a key source of Fairtrade-certified bananas in British supermarkets (Banana Link, 2021).

From 2018 to 2020 a total of €14.5 million Fairtrade Premium was generated by the 32 HLOs in Colombia which supply UK retailers Fairtrade bananas (Fairtrade CODImpact data, 2022).

In 2022, the Living Wage in Colombia was updated to 1,823,372 Colombian pesos (COL\$, US\$433; Andersen, 2022) per month. Results from this study show that unionised workers on Colombian Fairtrade banana plantations achieve, on average, a Living Wage alongside important in-kind benefits, including support in education, housing, and other areas. On average, workers in the Colombian plantations in this study receive additional benefits that are equal to \$88.60 (USD) per month through Fairtrade Premium. However, the amount varies with their family size and the activities and projects they participate in.



**THE ADDITIONAL BENEFITS
GENERATED THROUGH FAIRTRADE
PREMIUM ARE EQUAL TO \$88.60
(USD) PER PERSON PER MONTH
FOR WORKERS IN COLOMBIAN
PLANTATIONS IN THIS STUDY**

Education support is the largest expenditure item in the Colombian producer organisations in this study (34.3% of all expenditures) and includes scholarships for basic and higher education, computers, uniforms, school material, and other equipment.

“Our children go to urban schools thanks to Fairtrade Premium, and we are making sure that the quality of the education they receive is the best, which means a lot to the communities and their future”.

Banana plantation worker, Colombia

Ghana

Ghana has increased banana exports considerably over the past two decades. Total exports grew from approximately 3,000 metric tonnes per year in early 2000 to the current >80,000 metric tonnes per year.

The estimated gross Living Wage (including income taxes and other mandatory deductions) for the lower Volta River area of Ghana in 2022 were GHC 1,841 (\$257 US) per month (Smith et al., 2022). Banana plantation workers in Ghana receive the Fairtrade Living Wage base wage (\$179.9 US; 70% of the Living Wage) and find substantial in-kind benefits through Fairtrade Premium including subsidised food, school supplies, health care, and transportation, among others. In Ghana, additional cash payments are made through Fairtrade Premium; in the case of one HLO, 50% of all Fairtrade Premium was paid out as cash in 2021.

The in-kind benefits generated through Fairtrade Premium have an average cash equivalent of about \$75USD per worker per month and make an important contribution to workers' livelihoods and beyond.

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**ON AVERAGE, THE
ADDITIONAL BENEFITS
GENERATED THROUGH
FAIRTRADE PREMIUM ARE
EQUAL TO **\$75 (USD)** PER
PERSON PER MONTH FOR
WORKERS IN GHANAIAN
PLANTATIONS IN THIS STUDY**



On one plantation, a great proportion of the Fairtrade Premium has been invested in public health infrastructure, offering benefits for both employees and members of the surrounding communities (>3,000 direct beneficiaries) and then handed over to local governments. The developed infrastructure is much better equipped than in comparable regions where Fairtrade plantations do not exist.

“We received screening for hepatitis, diabetes, breast cancer, HIV, and many other things. Few of us would be able to pay that from our own money. Also, all Covid material was paid by the Fairtrade Premium.” - Banana plantation worker, Ghana

Cost of living and high inflation are having a big impact for workers, with 29.8% inflation, a 30.6% currency devaluation over the period from January 2022 to July 2022, high fuel costs, and skyrocketing food costs. In one producer organisation, a portion of Fairtrade Premium is used to subsidise meals for its workers. Workers receive one meal per day in cafeterias on the plantations (the cash value of a meal was 6.5 GHC / \$1.12 US in 2021). Only 21% of the effective food costs are paid by workers; 49% are paid by the Fairtrade Premium and 30% by management. The meal subsidy reduced workers' monthly food expenditures by approximately \$23.90 US per person per month in 2021 (139 GHC), effectively lowering household monthly food expenditure by 12% (approximately 6% as a result of Fairtrade Premium).

“This year all prices have doubled. Petrol is now 9 GHC per litre, earlier this year it was 5. If costs for transportation double, everything doubles, and our roads are very bad... A small fish is now 5 GHC in the market; there are certain items we simply cannot afford anymore. The meals we receive on the plantation help us a lot to cope with the situation...” - Banana plantation worker, Ghana

WHAT'S NEXT: REMOTE MOBILE SURVEY

To reach more people to explore these questions, Fairtrade are excited to be using our FairVoice technology to conduct mobile surveys directly with approximately 1000 workers in Ghana and Colombia. This technology means that survey questions can be sent directly to workers phones where they are able to share their experiences, allowing insights on how the Fairtrade Premium has benefitted them and why this has been important. We can't wait to share the results with you later in the year.

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Notes and references

- All figures presented in this paper are provisional based on current data available to the researcher and may be updated once data collection is completed.
- Fairtrade Premium spend data represents the overall figures related to the Producer Organisations in the supply chains, and not just the figures specific to UK retailer sourcing.
- Exchange rate used in July 2022 \$1Us = 8.02 GHC, some data (e.g., FTP) is presented retrospectively using the exchange rate of 1st of July 2021, 1 US\$= 5,85 GHC (oanda.com)
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