

Wage Study on Floriculture in Ethiopia and Kenya

Final summary for stakeholders and internal Fairtrade use – November 2015

1. Introduction

Fairtrade International commissioned Ergon Associates to conduct a flower sector wage study for Ethiopia and Kenya as a contribution to a wider, joint project with HIVOS (Dutch international development NGO) and Fair Flowers Fair Plants (a foundation established to create global social and environmental standard and consumer label for flowers/plants), supported by the Dutch Sustainable Trade Initiative (IDH). The study was conducted between February - June 2015, with participant feedback and ideas collected in September 2015.

2. What is the study for?



The study focussed on general workers (predominantly women in practice) working in greenhouses and packhouses. It aimed to:



- ✓ **Capture information on overall wage context** – including wage-setting, current wages paid (measured against a range of benchmarks), industrial relations, industry and labour market contexts.
- ✓ **Build awareness around wages and consider any potential meaningful interventions** on wages involving all relevant actors.
- ✗ **Not a living wage study**, although it forms part of wider Fairtrade work around living wages.
- ✗ **Not public**: the report is confidential. However, findings were shared with study participants, whose comments on the draft report and ideas on ways forward have been incorporated into the final report.



3. How was it conducted?

- **Desk-based research** collating info from range of credible sources (academia, government, international orgs, industry sources, civil society), and from anonymised FLO-Cert farm information.
- **Field research at three farms in Ethiopia, broadly representative of typical Fairtrade-certified Ethiopian farms.** Wage information included access to pay slips, and was drawn from management information but was not verified with employees.
- **Key stakeholder interviews in both countries:** government, industry, trade unions, NGOs and Fairtrade staff.
- **Using existing farm data from current collective bargaining agreements and, in the case of Kenya, from a living wage study for the Naivasha area from 2014**
- **Wage ladders developed** as a tool to evaluate current wages against specific benchmarks
- **Key observations/potential actions to stimulate wage growth were drafted**, including considering possible building blocks required for different actors to remain involved

4. What were the findings in each country?

		
Industry context	<ul style="list-style-type: none"> • Difficult economic/market conditions - stagnant prices, especially through auction. • Costs rising, revenue is declining (partly due to currency fluctuations). • Varied profitability on different farms. Some farms closing – others expanding volume produced. • Pricing policies - especially at auction-remain key issue thus farms trying to increase direct sales 	<ul style="list-style-type: none"> • Difficult economic + market conditions. Costs rising and producers state that revenue is declining, prices are static. • Cost to employers: wage cost (not wages) per worker = currently significantly higher for Kenyan employers owing to KES exchange rates • Some farms experimenting with new cost controlling techniques to varying degrees of success.

 		
Industry context	<ul style="list-style-type: none"> • Complications regarding interpretations of Ethiopian law on minimum pricing which affect the floriculture trade (+ implementation of Fairtrade system) from commercial perspective. 	<ul style="list-style-type: none"> • Trade agreements affecting import tariffs on flowers from Kenya.
Wage setting mechanisms	<ul style="list-style-type: none"> • No wage setting mechanisms – wages are set on a farm by farm basis. 	<ul style="list-style-type: none"> • Sectoral collective bargaining agreement (CBA) between Kenya Plantation and Agricultural Workers Union (KPAWU) and Agricultural Employers Association (AEA) applies, and rates are also used by those not technically covered by the CBA. • Some farms have individual CBAs (eg Oserian) • Some farms use sectoral CBA rates but without being party to the CBA • Attempt to establish tripartite Floriculture Wages Council (govt, employers, unions) to negotiate specific minimum rates for floriculture – initial meetings lapsed to no activity.
Wages and benefits	<ul style="list-style-type: none"> • Earnings vary from farm to farm • Wages may not always be enough to sustain current living costs in urban areas where flowers are produced – numerical findings corroborated through stakeholder interviews regarding remuneration, current costs of living and adequacy of wages. • In-kind benefits = significant proportion of remuneration • Flower wages = significantly lower than median worker earnings. • Farms may see Fairtrade premium as a way to plug any wages/benefits gaps, rather than recognising need to raise wages. 	<ul style="list-style-type: none"> • Earnings may not always be enough to sustain current living costs in urban areas where flowers are produced, even though typical remuneration (wages + benefits) on farms studied is higher than poverty measures. • Provision of housing is legally required in Kenya, marking a key difference with Ethiopia.
Employment context	<ul style="list-style-type: none"> • Industry has provided work for many, especially women • Floriculture jobs perceived by many workers as temporary + low quality. • Large proportion of migrant workers • Emerging evidence of labour shortages at some farms due to rising costs of living, competition with other sectors and internal migration patterns. 	<ul style="list-style-type: none"> • Major provider of employment • Labour surplus due to high unemployment and relatively higher wages than other agricultural industries exerts downward pressure on wages. • Many migrant workers from rural areas. • Many workers remain in post for several years, accruing length of service bonuses.

		
<p>Industrial relations</p>	<ul style="list-style-type: none"> • TU federation - National Federation of Farm, Plantation, Fisheries & Agro-Industry Trade Union (NFFPFATU) (not industry specific) negotiates on behalf of workers and assists with industrial disputes • CBAs exist + negotiations re annual pay increments occur on some farms • Other farms (including with CBAs): wages set unilaterally by employers + not included in scope of CBA negotiations • Emerging labour shortages <i>should</i> add to worker bargaining power on wages, but high turnover has detrimental effect on worker organising/activity • Many individual TUs currently lack capacity to effectively represent workers, limiting prospect for sectoral collective bargaining to stimulate wage growth. • Low worker awareness regarding existing CBAs • MOU between EHPEA, NFFPTU, EHCDA, Employers Federation, Ministry of Labour to “encourage a union on each farm in order to keep peace in the industry and avoid court cases” but MOU contents unknown. 	<ul style="list-style-type: none"> • Industrial relations context well developed, strong sectoral representation • Industrial relations tense on occasion– collective bargaining deadlock and concern about effective CBA implementation • Some workers are dissatisfied with CBA wages due to perceived failure to keep up with steep current cost of living increases and perceived lack of representation capacity by Kenya Plantation and Agricultural Workers Unions (KPAWU). • Prolonged attempts to establish a horticultural-specific union (Horticulture, Floriculture and Allied Workers Union), still in legal wrangles (as at Nov 15).