

REPORT

SUSTAINABLE LIVING WAGES AND THE IMPACT OF FAIRTRADE AT VOLTA RIVER ESTATES LIMITED (VREL) BANANA PLANTATION, GHANA

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1. Background

The core principle of the Fairtrade movement is that producers marginalized by conventional trade should get 'a better deal', permitting them to 'improve their lives and plan for the future' (FLO, 2009a). The claims that Fairtrade employers 'pay decent wages' (ibid), and that 'a main objective of Fairtrade is to increase producer incomes' (Fairtrade Foundation, 2008:4), imply that workers on Fairtrade certified plantations should earn a salary which is sufficient for a decent standard of living.

Furthermore, the right of workers to earn a sustainable living wage has been accepted by international organisations (Anker, 2006). According to the ILO, a prerequisite for worldwide peace and harmony is 'the provision of an adequate living wage,' whilst the Universal Declaration of Human Rights proclaims that 'everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity' (ibid:10).

The issue of living wages is briefly mentioned in the Fairtrade standards for situations of hired labour. The minimum standards require that plantation workers 'earn the proportionate minimum wage or relevant industry average (whichever is higher)' (FLO, 2007a:16), whilst the progress requirements stipulate that 'salaries are gradually increased to 'living wage' levels above the regional average and official minimum' (FLO, 2007a:20). No mention is made of how such a wage should be determined, however, and it is made clear that 'the role of the [FLO] inspector is not necessarily to assess the level of a 'living wage'' (ibid). In addition, although approximately 90% of countries have a legal minimum wage (ILO, 2006), such wages often do not take the basic needs of workers and their dependents into account (Rosenbaum, 1999), whilst the ILO acknowledges that 'it is not uncommon that well-intended policy decisions on minimum wages lack solid evidence and analysis and thus defy their goals' (ILO, 2008:47).

There is no international consensus regarding the principal components of a sustainable living wage (Anker, 2006). This report is based on the definition developed by the

Centre for Reflection, Education and Action (CREA), according to which a sustainable living wage:

- Covers the cost of basic needs, specifically food, clothing, housing, energy, transportation, healthcare and education;
- Allows a person to participate in culturally required activities such as weddings and funerals;
- Enables a person to save small amounts of money for future purchases or needs (Rosenbaum, 1999).

Research conducted by Banana Link in 2008 demonstrated that the workers at Volta River Estates Limited (VREL) banana plantation in Ghana were far from earning a sustainable living wage (Banana Link, 2008). This study aims to build on the previous research by examining to what extent the salary of the workers is able to meet the criteria of a sustainable living wage as defined by CREA. There will also be a consideration of the impact that Fairtrade has had on the lives of the workers, in addition to a discussion of the implementation of the Fairtrade system within plantations.

2. Research Methodology

Unstructured interviews were held with the Managing Director, the Director of Agriculture and the Personnel Manager. Eight days were subsequently spent conducting structured interviews and semi-structured focus groups at all of the four farm units. A non-random sample of 40 workers was interviewed, including three headmen, two security guards, two storekeepers, one site manager and one nurse. The remaining participants were all field workers, and 35% were women. The initial focus groups were principally aimed at identifying the basic needs of the workers, whilst the later ones were focused more on the impact of Fairtrade on the lives of the workers and the extent of their participation in decisions regarding the use of the Fairtrade premium. An unstructured interview was also held with two members of the Joint Body.

Participation in the research was primarily determined by the site manager at each farm unit and was largely based on which workers could be spared from their duties. Translation, when required, was conducted by Gariba Musa, a security guard and union

representative. For reasons of confidentiality, participants were not asked to give their names, and no individual employee of VREL has been identified in the discussion of the results of the research.

During the initial focus groups, the workers identified their principal expenses as follows:

- Food (principally cassava, maize, yam, plantain, rice, beans, fish)
- Rent
- Electricity bill
- Water bill
- Charcoal (and, in some cases, gas) for cooking
- Soap
- Children's education
- Church contribution
- Funeral contributions
- Annual festival
- Easter and Christmas celebrations (which includes annual clothing expenses)

These basic needs were subsequently addressed during the structured interviews, during which workers were asked to estimate how much money was sufficient to provide these items for their family in one week (for food, school lunch money and church contributions), one month (for rent, bills, charcoal and soap) or one term (for school fees and books). Healthcare was not addressed in the structured interviews, as all VREL employees and their spouses and dependents are covered by the national health insurance scheme.

Participants estimated how much money they thought was sufficient to pay for their Easter and Christmas celebrations, the annual festival held in many villages, and funeral contributions. Based on information gained during the focus groups, it was estimated that the workers would attend one funeral each month. Participants were asked how much money they would like to set aside each month, and what they would like to save the money for. The interviews also aimed to identify if any changes had taken place in the lives of the workers that could be attributed to Fairtrade.

3. Limitations of the research

Several limitations must be taken into account with regards to the research conducted. Firstly, it is important to acknowledge the non-random nature of the participants selected, though it is not believed that the workers were selected for any reason other than availability and convenience. Secondly, the need for a translator in the majority of interviews inevitably resulted in the loss of certain information. Thirdly, the presence of a researcher created certain expectations amongst some of the workers, which may have influenced their responses. Some participants demonstrated a sense of indifference and unwillingness to express their views, with several researchers having visited VREL but no subsequent improvements taking place in the lives of the workers.

Finally, as a result of organisational obstacles, the workers were not able to reflect on their weekly and monthly expenses before attending the interviews. The monetary values they gave regarding the cost of covering their basic needs must therefore be considered as estimates rather than concrete figures. Though efforts were made to verify the information by speaking to the workers a second time, it was not possible to speak to all due to time limitations and worker absences. It is therefore possible that there is a significant margin of error in the data collected.

4. Volta River Estates Limited (VREL)

VREL was the first commercial banana plantation in Ghana, and is currently the only Fairtrade certified banana plantation in Africa. Founded in 1988, the company achieved Fairtrade certification in 1996 with the help of the Dutch NGO Solidaridad and began exporting bananas to Europe through Agrofair, a Fairtrade fruit importer. Organic production began in 2001 and currently accounts for over half of the land under cultivation. VREL has encountered several serious setbacks since its inception, including an outbreak of Black Sigatoka in 1990, hefty EU export licenses until 2002 and two disastrous windstorms in 1999 and 2002 (VREL, 2009a; Blowfield and Gallet, undated). Yet more storms at the start of this year have caused damage to part of one of the four farm sites, and production is currently lower than usual.

These setbacks have created considerable financial difficulties, and VREL is currently operating at a loss. The management believes that the solution to its economic troubles lies in the expansion of the area under cultivation in order to benefit from economies of scale and increase production, but securing the funds to do this is proving to be problematic.

There are currently 662 employees at VREL. Following a six-month probationary period, the field workers receive a basic salary of 2.93 cedis (£1.19) per day, which is higher than the national minimum wage of 2.65 cedis (£1.07). The normal working day is eight hours, and if workers are required to remain at the plantation after 4pm, they are paid an overtime rate of 0.36 cedis per hour. The majority of workers do at least eight hours of overtime per week. The headmen and site managers, in addition to the security guards, storekeepers and nurses who work at each of the four sites, are paid a monthly salary which is higher than that of the field workers. In accordance with the Collective Bargaining Agreement agreed with the Ghanaian Agricultural Workers Union (GAWU), of which all VREL workers are members, the workers receive an annual salary increase, which has been between 18 and 20% in recent years. This can be compared with national annual inflation rates of 15.09% in January 2006, 11.53% in January 2007, 11.27% in January 2008 and 17.36% in January 2009 (Ghana Statistical Service, 2009). Furthermore, all workers benefit from national health insurance, a pension scheme, paid maternity and sick leave, and 21 days of annual leave.

5. Results of the research

5.1. Sustainable living wage

According to the information collected during the interviews, the monthly income of field workers ranges from 60 to 90 cedis, depending on the overtime that they do. The average household size of the workers interviewed was six people, indicating that most are supporting several children.

Table 1: Household size of participants

Household size	Number of respondents
1-2	3
3-4	6
5-6	20
7-8	6
9 or more	5

Source: author's calculation from structured interviews

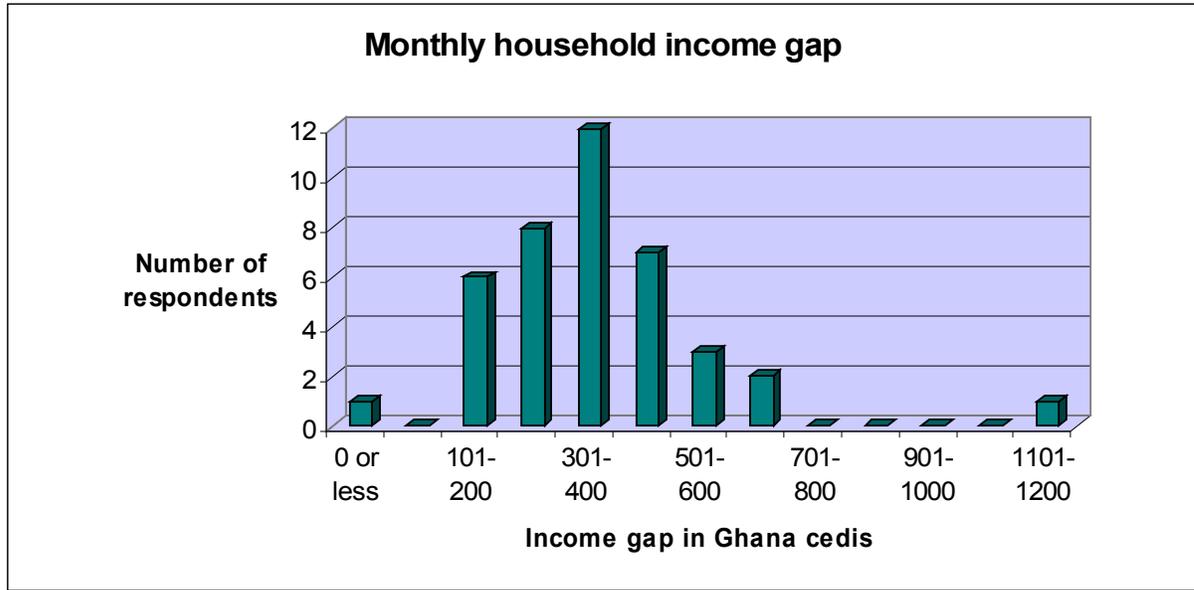
A significant proportion of the workers have a second source of income or a spouse engaged in some form of employment, as illustrated in Table 2.

Table 2: Extra household income of participants

Monthly extra household income (cedis)	Number of respondents
0	13
1-50	14
51-100	8
101-150	2
151-200	0
201-250	1
251-300	2

Source: author's calculation from structured interviews

However, even when these extra earnings are taken into account, the workers' household income falls far short of being able to meet the basic needs that they defined. The income gap of each participant's household was calculated by deducting their total actual income (including extra sources of income and the annual bonus and school fees subsidy, which are funded by the Fairtrade premium) from the total monetary value they gave to the basic needs listed above. The income gap ranged from –96.5 cedis to 1160 cedis per month. The only participant able to meet their basic needs has a household income largely supported by the earnings of their spouse, and only one child in education. Meanwhile, the participant with the highest income gap is supporting both their own children and those of their deceased sister, and has no source of income other than their job at VREL. The extremely large gap between these two figures demonstrates the great difference between the lives of the individual workers and the subsequent difficulty in placing a value on a sustainable living wage would be.

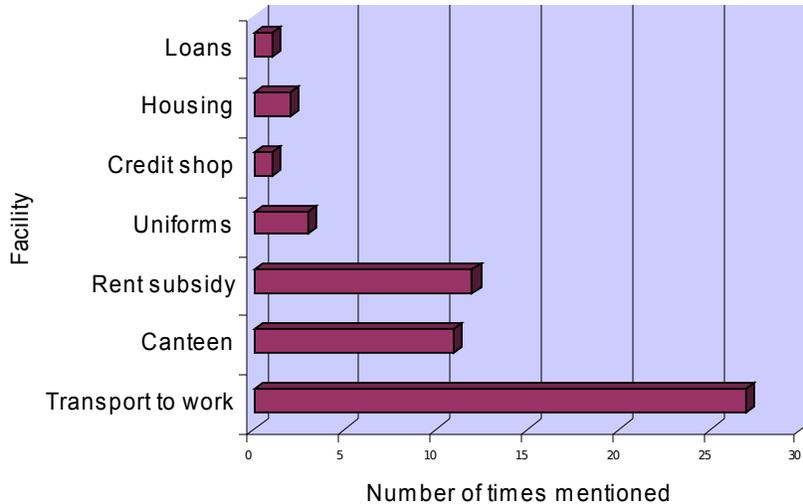


Source: author's calculation from structured interviews

According to the information given by participants, the workers' monthly income would need to increase, on average, four and a half times in order to enable them to have a decent standard of living. The average income gap is 352 cedis (approximately £142) per month. If the more senior workers are removed from the calculation and only the field workers included, the average income gap increases only marginally, to 367 cedis (approximately £148), suggesting that a slight increase in salary does not vastly improve the workers' ability to meet their basic needs.

Indeed, all the participants all expressed a need for a substantial increase in salary. However, the majority nevertheless appreciated the stability that their job at VREL provided them with. Some workers said that having a regular salary made it easier for them to support their family, whilst a few said that they were willing to work hard in spite of the low salary because they did not want the company to collapse. Yet there was a significant lack of appreciation of the benefits provided by the company, such as the on-site medical clinics, maternity leave and the pension fund. Instead, the participants all mentioned several facilities and services which they felt were lacking. The frequency with which these were mentioned is illustrated in Table 4.

Table 4: Are there any facilities not currently provided by VREL which you would find useful?



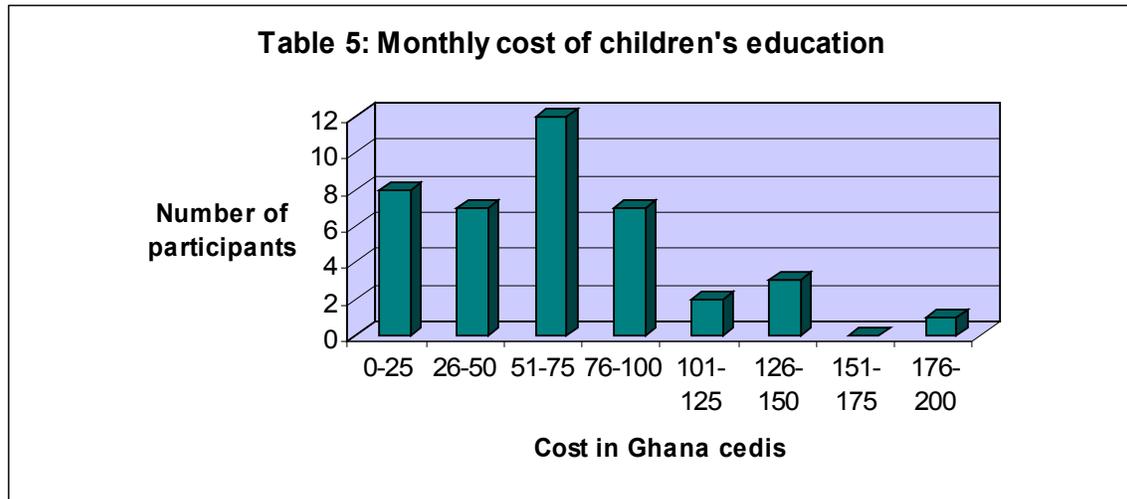
Source: author's calculation from structured interviews

The high frequency with which participants mentioned a desire for the company to provide a vehicle to transport them to work, followed by a rent subsidy and a canteen at work, reflects some of their principal financial burdens. The payment of a daily bus fare is clearly of concern to the majority of workers. The management, however, maintains that it is not in an economic position to provide transport.

Food was the expense on which workers placed the greatest importance, followed by their children's education, which represented a considerable financial burden. As illustrated by Table 5, the monthly cost of education, which is based on a calculation including the cost of school fees, books, uniforms and daily lunch and transport money¹, is, in several cases, higher than the workers' monthly salary. This appears to be the case because many of the workers send their children to private schools. However, it is

¹ The termly cost of books and fees were multiplied by three, and the annual cost of uniforms was added to this. The sum was then divided by twelve and added to the monthly cost of transport and lunch money to provide an estimate of the monthly cost of education.

once again important to note the considerable variation between the expenses of the individual workers, which is an indication of their different family circumstances.



Source: author's calculation from structured interviews

Almost every participant said they would like to be able to set aside 50 cedis per month. The majority expressed a desire to buy land and build a house, in order to ensure the future security of their family. Several said they would like to have sufficient capital to open a small shop. However, not only are most unable to save any money at all, but the majority of workers also live in continual debt. Many of them spend their entire monthly salary on paying back the food they bought on credit the previous month, and are thus left with no choice but to borrow again. Some revealed that they frequently had to hide from their creditors in an attempt to avoid explaining that they did not have the money to reimburse them. Others described continual arguments at home due to the lack of money. Some workers admitted to feeling ashamed at their inability to provide for their family in spite of being in regular paid employment. All expressed a sense of deep frustration. Whilst they welcomed the annual salary increase, it was not considered sufficient due to the high rate of inflation in the country which, according to the participants, effectively rendered the increases meaningless.

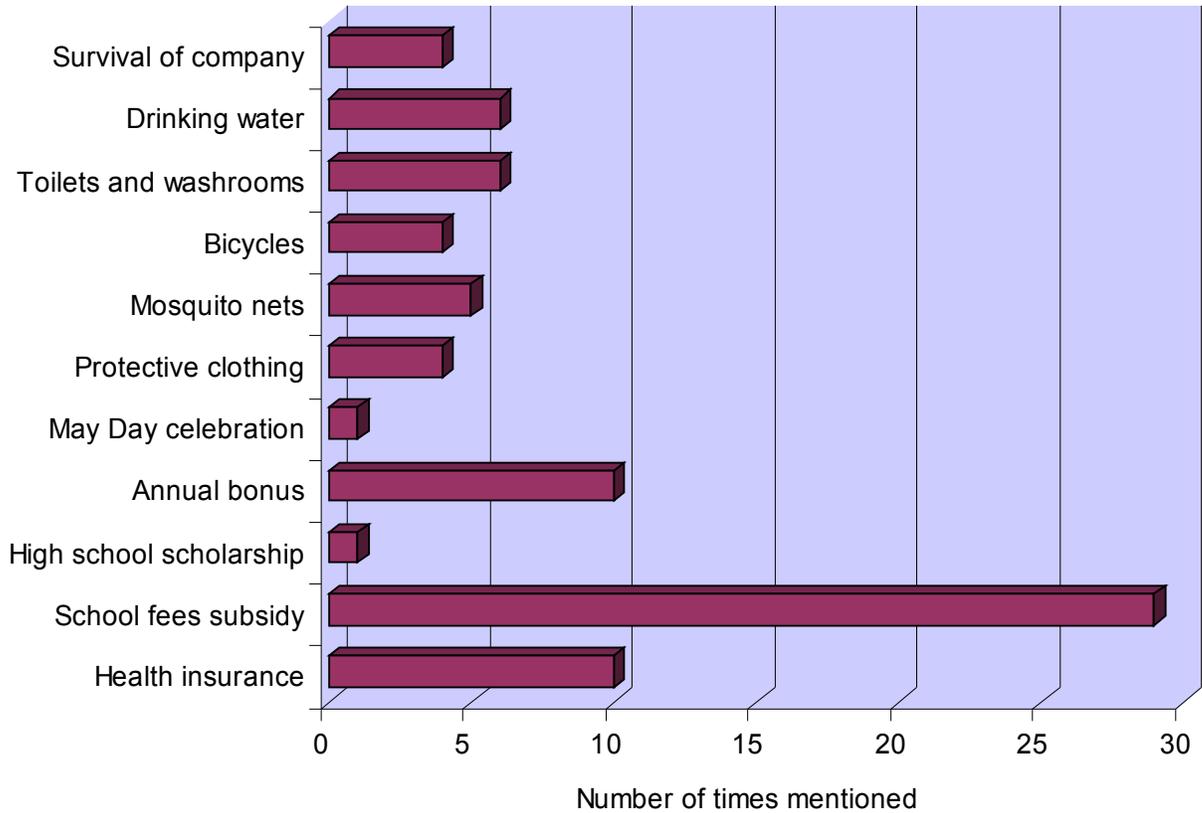
5.2. Impact of Fair Trade

Most participants spoke enthusiastically about Fairtrade, demonstrating the positive effect it appears to have had on the lives of the workers. Several participants identified the survival of the company and its ability to disburse their monthly salary as a direct benefit of Fairtrade. Indeed, both management and workers are of the opinion that the company owes its survival to Fairtrade. Certification enabled VREL to export bananas to Europe without paying licence fees at a time when it was on the verge of bankruptcy, whilst financial support from Agrofair, in addition to its shareholders, prevented the collapse of the company following the catastrophic windstorm in 2002, which reduced production by 80% (VREL, 2009a). Furthermore, the management believes that VREL would be unable to export if it were unable to access the Fairtrade market, as the oligopolistic conventional market is already saturated.

The majority of participants, however, associated Fairtrade solely with the premium, the use of which has created the most tangible changes in their lives. There is high worker participation in decisions regarding the use of the premium, which has so far funded the provision of mosquito nets and bicycles to workers, the extension of the health insurance policy to workers' spouses and dependents, an annual school fees subsidy of 60 cedis and a one-off low interest loan to workers. Community projects include the building of school blocks, the provision of water and electricity to villages, and the building of a hospital wing.

Table 6 shows the frequency with which certain uses of the premium were mentioned by participants.

Has Fairtrade had an impact on your life? If so, how?



Source: author's calculation from structured interviews

It is clear that the workers attach great importance to the annual school fees subsidy of 60 cedis, as paying for their children's education is one of their principal and most costly expenses. The extension of the health insurance to spouses and dependents and the annual bonus are also considered very useful. All participants stated that Fairtrade had had a positive impact on their lives, and several even admitted that it was primarily due to the advantages of the Fairtrade premium that they continued to work for VREL. However, others were keen to emphasise that "the premium helps us a lot, but it's not enough".

Furthermore, there is fairly widespread resentment amongst the workers that a significant proportion of the premium money is spent on community projects rather than on helping them to provide for their families. One participant explained that “we work hard to meet the Fairtrade standards in order to earn the premium, so we should directly benefit from it”. The problem stems principally from the fact that the employees of VREL come from a number of different villages, not all of which have been the beneficiaries of premium-funded projects. As a result, only 35% of those interviewed claimed to have noticed a change in their community since they began working at VREL. Many of the participants referred to their disappointment when suggestions they had made for the use of the premium were refuted on the basis that they did not comply with Fairtrade regulations. Rejected ideas included a rent subsidy, the provision of lunch at work and providing iron sheets for roofing to employees.

The workers’ resentment is particularly acute due to the strong sense of ownership they feel towards the premium, which they perceive as a reward for their hard work which is designed to help them. Their sense of ownership is all the stronger because they were the first workers in the region to participate in Fair Trade. Whilst this represents empowerment of a certain kind, it is significantly limited by their low salaries, which ultimately prevent them from taking control of their lives.

Meanwhile, the management has been subject to serious reprimands from FLO due to the use of the premium. Following the windstorm in 2002, financial difficulties led the company to announce an end to the annual bonus, which prompted a strike amongst the workers. The Joint Body subsequently decided to fund the bonus using premium money. FLO has made its disapproval of this use of the premium clear on several occasions, and the matter is not yet resolved. The workers evidently place great importance on the annual bonus, without which they would struggle to finance their Christmas celebration, which for many is the only time they are able to buy clothes and eat special food. Yet the management currently feels unable to pay the bonus as the company is not even breaking even. FLO’s condemnation of this particular use of the premium money, which has a definite positive impact on the lives of the workers, raises certain questions about the application of Fairtrade in situations of hired labour, which will be discussed below.

There is clearly high worker awareness of Fairtrade. Whilst the majority of the participants described Fairtrade as a company or organisation, several made references to the customers who buy the bananas, thus suggesting the viability of the concept of Fairtrade as a means of creating a direct link between the producer and the consumer. However, there seemed to be no doubt in the workers' minds that the consumer is the more powerful partner, with many explaining that the premium is paid if "we produce a quality product" and that "if we do what the buyer tells us and he is satisfied, he gives us what we need". Furthermore, some workers associated Fairtrade solely with stringent quality controls, explaining that "Fairtrade doesn't allow chemicals or sprays". The workers' description of Fairtrade as a system by which they are rewarded only if consumers in the North are satisfied that their strict demands have been adhered to suggests that Fairtrade perpetuates the Northern dominance of the conventional trading system. If the workers at VREL perceive Fairtrade as a partnership, they certainly do not see it as an equal one.

6. Reflections and conclusions

Fairtrade relies on ethically-minded consumers who are willing to pay a higher price for the sake of social justice. FLO promises to 'assure consumers that every purchase brings benefits to the producer' (FLO, 2009b:11). Fairtrade has clearly had a positive impact on the lives of the workers at VREL, by helping them to pay their children's school fees and enabling their families to be covered by national health insurance, for instance. Yet their salary remains too low, which ultimately prevents them from taking control of their lives.

The results of the research unambiguously demonstrate that the workers are not earning a sustainable living wage. It is estimated that their salary would need to increase at least fourfold in order for them to be able to meet the basic needs that they defined. Whilst this is only an approximate estimate, the limitations outlined above are not considered sufficient to invalidate these findings, due to the large gap between the salaries the workers receive and the amount of money they stated that they needed. Surely no system of trade that does not enable a worker to earn sufficient money to feed his or her family, let alone meet the costs of education, participating in cultural life and saving for the future, can be considered fair. Moreover, the revelation that Fairtrade

does not enable plantation workers to earn a respectable living could equally undermine the integrity of the Fairtrade movement in the long term.

However, it is clear that VREL is currently unable to provide its employees with such a salary. The current Fairtrade minimum price, which is \$8.00 for an 18.14kg box of conventional Fairtrade bananas, and \$10.00 for Fairtrade organic bananas, is approximately \$2 less than the company's cost of production per box (VREL, 2009b). Participation in Fairtrade is therefore not enabling the company to cover its costs, yet this is one of the key stipulations of Fairtrade as defined by FLO (FLO, 2009a). This suggests the need for an increase in the Fairtrade minimum price for bananas, which has only been revised once since 1996, and an incorporation of sustainable living wages into the calculation for the minimum price. Whilst the management of VREL would welcome an augmentation in price, it is concerned that the consumer might not be willing to absorb the extra cost and that such an increase could ultimately prove to be counter-productive. Fairtrade bananas currently cost £1.35 per kilo in UK supermarkets²². An approximate calculation reveals that if the price paid for bananas were to cover a fourfold increase in the basic salary received by workers at VREL, would have to increase by 1.36 cedis, or £0.57 per kilo³, which does represent a significant augmentation for consumers. A useful subject for further research would be whether part of this extra cost could be absorbed elsewhere in the Fairtrade supply chain to prevent it being passed on to the customer, thus ensuring a better deal for the producer whilst avoiding the risk of decreased consumer demand.

Another key issue that emerged during the research concerned the regulations regarding the expenditure of the Fairtrade premium in situations of hired labour. Whilst community development is an important goal of Fairtrade, it is equally essential to uphold the aim of improving the lives of the people who produce Fairtrade products (FLO, 2009a). The resentment the workers feel when premium money is used to fund

² This figure is based on the cost of Fairtrade bananas in the Co-operative supermarket in August 2009.

³³ VREL exports approximately 75,000 boxes, or 1,360,500kg of Fairtrade bananas per year, which is equal to 113,375kg per month. To increase the basic salary of 2.93 cedis per day fourfold, each worker would need to receive an additional 237.33 cedis per month. This figure was multiplied by 662 (the number of employees at VREL) and then divided by the quantity of bananas exported per month (113,375kg) to calculate the additional cost per kilo necessary to ensure this salary increase:

$237.33 \times 662 = 157,112.46 / 113,375 = 1.3587$ cedis

community projects is indicative of the great difference between the operation of Fairtrade amongst smallholders on the one hand and plantation workers on the other. The standards for situations of hired labour should take into account the fact that the concept of community development is more difficult to apply in a situation such as that of VREL, where employees are primarily landless workers who come from widely dispersed communities. Given VREL's current financial troubles, the principal way in which Fairtrade can help the workers is through the projects funded by the premium, and it is understandable that the workers are reluctant to share the premium that they earn with communities far from their own when they struggle to meet their daily needs. Furthermore, FLO's condemnation of the use of the premium to fund the annual bonus, which the workers consider extremely useful, calls the fairness of the Fairtrade standards for plantations into question. Greater flexibility in the regulations would enable the workers and their families to gain more direct benefits from the premium which would compensate, in part, for the low salary they receive.

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