



Rural labourers loading certified cocoa onto a lorry in Côte d'Ivoire.

Photos: Jorge Sellare

## Does Fairtrade benefit farmers and rural labourers in Africa?

A research study in the cocoa sector of Côte d'Ivoire shows that Fairtrade certification benefits farmers and employees of agricultural cooperatives. But what about hired labourers working on smallholder farms? Our authors argue that clearer Fairtrade labour standards for farm workers and better monitoring are required to implement the fairness model more comprehensively.

By Eva-Marie Meemken, Jorge Sellare, Christophe Kouame, Matin Qaim

When consumers of cocoa, coffee or bananas decide to purchase products with the Fairtrade label (see article on page 10), they pay a certain premium, expecting to help improve the socio-economic conditions of farmers and agricultural labourers in developing countries. Many studies looked at the effects of Fairtrade certification on smallholder farmers or on labourers in the plantations and factories of large agribusiness companies. Although hired labourers working in the small farm sector form a large group, the effects that Fairtrade has on them have rarely been analysed. Typically, these small farm labourers belong to the poorest of the poor in rural areas. Nevertheless, they are often neglected by development initiatives, which may partly be due to the false assumption that smallholder farms only operate with family labour. In reality, most of these farms also hire outside labourers for cultivation and harvesting, especially for labour-intensive cash crops. We carried out a recent study in the cocoa sector of Côte d'Ivoire in order to better

understand the effects of Fairtrade on smallholder farmers and different types of rural labourers. Côte d'Ivoire is the largest cocoa producer and exporter worldwide. For the study, we randomly sampled 50 cocoa cooperatives, 500 farmers that are members of these cooperatives, and 500 labourers at cooperative and individual farm level. Quantitative data were collected through face-to-face interviews using tablet computers and structured questionnaires.

### The cocoa sector in Côte d'Ivoire

Much of the cocoa in West Africa, including Côte d'Ivoire, is produced by smallholder farmers who are often organised in cooperatives. A typical cocoa cooperative comprises several hundred farmers, who manage their farms independently but market their cocoa through the cooperative. The cooperatives also offer services to their member farmers

such as input provision and training related to cocoa production and crop management. To run these services, each cooperative has several employees. In our sample from Côte d'Ivoire, cooperatives have 15 employees on average.

Typical farm sizes in our sample vary between five and 15 hectares. For these farms, cocoa is the main cash crop, even though several other crops are also grown for home consumption and market sales. Most farmers have at least one hired worker on a longer-term basis to manage and harvest the cocoa trees. In addition, casual labourers are hired seasonally. In total, there are at least 20 times more farm workers than cooperative employees.

Fairtrade certification is organised at cooperative level. Of the 50 cooperatives in our sample, 25 are Fairtrade certified, while the other 25 are not certified. Farmers in Fairtrade-certified cooperatives receive a guaranteed minimum price for their cocoa, the so-called Fairtrade

floor price. In addition, certified cooperatives receive a Fairtrade premium, which they can use to improve the services to their member farmers or for other activities to promote community development. Fairtrade certification also comes with a few requirements. In particular, certified cooperatives have to follow democratic principles and meet certain labour standards, including fair labour conditions and the payment of official minimum wages (see Box next page).

### Fairtrade effects on farmers

Our data show that Fairtrade benefits farmers in terms of higher cocoa prices. Because of more intensive training and input supply, farmers in Fairtrade-certified cooperatives also have significantly higher cocoa yields than farmers in non-certified cooperatives. Higher prices and higher yields contribute to higher incomes and improved household living standards. Regression models that we estimated

show that Fairtrade increases living standards of smallholder farm households by ten to 15 per cent, also after controlling for possible confounding factors at the farm and cooperative level.

### Fairtrade effects on rural labourers

To analyse effects of Fairtrade on labourers, we distinguish two types of labourers, namely cooperative employees and farm workers. Both types of labourers are relatively poor, but on average, cooperative employees are better off than farm workers in terms of education and asset ownership. Farm workers in the cocoa sector of Côte d'Ivoire are often migrants from neighbouring countries, including Togo, Mali and Burkina Faso. As mentioned above, in to-



Cooperative employees drying and sorting cocoa beans.

tal, there are many more farm workers than cooperative employees.

Cooperative employees in non-certified cooperatives receive an average monthly wage of around 42,000 West African Francs (CFA), roughly the equivalent of 80 US dollars. Less than half of them are paid at least the official minimum wage of 36,000 CFA (about 65 US dollars). For comparison, cooperative employees in Fairtrade-certified cooperatives earn significantly more, and almost all of them receive at least the minimum wage. This suggests that most Fairtrade-certified cooperatives meet the Fairtrade wage standards. Higher monthly wages and a larger number of working months also lead to higher annual wages, higher total incomes and lower poverty rates among employees in certified cooperatives.

No significant monthly or annual wage differentials are observed among farm workers regarding farms with and without certification. In spite of significant Fairtrade benefits for farmers, many of the hired farm workers do not even receive the official minimum wage. Similarly, we have noted no significant differences in terms of total incomes and poverty rates among farm workers on farms with and without Fairtrade certification.

These simple comparisons do not allow causal conclusions because of possible confounding factors. We used regression models with instrumental variables to check for confounding factors and estimate the net effects of Fairtrade certification on wages, working conditions, and incomes of cooperative employees and farm workers. The regression results confirm that cooperative employees benefit from Fairtrade certification, whereas farm workers do not.

Specifically, Fairtrade increases the annual wages of cooperative employees by 160 per cent, raises the

likelihood of receiving at least the official minimum wage by 59 per cent, and reduces the likelihood of living below the poverty line by 35 per cent. Furthermore, for cooperative employees, Fairtrade increases the likelihood of having a written employment contract by 62 percentage points. For farm workers, no significant Fairtrade effects are found for any of these variables.

### Sharing benefits – who are the winners and losers?

Our main finding is that the effects of Fairtrade are heterogeneous. For smallholder farmers and cooperative employees, Fairtrade standards seem to be an effective tool to increase incomes and reduce poverty (at least for those with ac-

cess to Fairtrade certification). However, positive effects have not been observed for hired labourers working on smallholder farms. Hence, our findings challenge the notion that Fairtrade benefits everyone participating in certified value chains, including the poorest of the poor.

Our results of positive Fairtrade effects for farmers are consistent with earlier research in different countries of Africa. And our results for cooperative employees are similar to those of other studies that have analysed effects of Fairtrade on labourers in large agribusiness companies. Large companies and cooperatives are able and willing to implement the Fairtrade labour standards that contribute to higher wages and improved welfare among employees. Compliance with labour standards at cooperative level is typically closely monitored during Fairtrade inspections (see Box), leaving little room for cooperatives to disregard such standards. Our data also suggest that Fairtrade certification helps cooperatives to attract more members, sell larger quantities of cocoa, and provide a wide range of services, resulting in better prices and higher yields for farmers. Certified cooperatives offer better paid employment, as well.

### Looking at hired labourers

In contrast, wages and working conditions of hired labourers working on smallholder farms are not affected by Fairtrade certification. This is likely due to several reasons. First, labour standards at farm level are rarely monitored during routine inspections. Hence, farmers have little incentive to enhance farm workers' wages and working conditions. Clearly formulated rules for non-permanent farm workers are currently lacking. Fairtrade has recently undertaken efforts to better understand and address labour issues in the small farm sector, which seems to be an important step. Second, even when labour standards are clearly defined, implementing and monitoring them on a large number of spatially dispersed smallholder farms is associated with high costs and considerable practical challenges.

In principle, it is also possible that hired labourers on smallholder farms do not benefit because farmers themselves only gain little from Fairtrade certification. But this is not the case in Côte d'Ivoire, where we have been able to show that farmers themselves benefit significantly. Traditional payment modalities make it easy for farmers to keep wages low instead of also sharing the Fairtrade benefits with their hired workers.



A worker's family on a smallholder cocoa farm. Farm workers belong to the poorest of the poor in rural areas.

Studies on the effects of Fairtrade with an explicit focus on workers in the small farm sector do not exist for other African countries. While our results from Côte d'Ivoire cannot simply be generalised, it is likely that small farm workers in other settings will not benefit much from Fairtrade certification either, because labour conditions on small farms are not regularly monitored. Fairtrade, as the standard-setting body, as well as certified cooperatives have a role to play in ensuring that the benefits are shared more equally among those who participate in Fairtrade value chains. Failing to do so could possibly contribute to rising local inequality.

**Eva-Marie Meemken** is a postdoctoral researcher at Cornell University, USA.

**Jorge Sellare** is a doctoral researcher at the University of Göttingen, Germany.

**Christophe Kouame** is Regional Director West and Central Africa of the World Agroforestry Centre (ICRAF), Côte d'Ivoire.

**Matin Qaim** is Professor of International Food Economics and Rural Development at the University of Göttingen, Germany.  
Contact: mqaim@uni-goettingen.de

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### Fairtrade certification and inspections

Fairtrade was launched in 1988 by the Fairtrade Labelling Organization (FLO) with the aim of improving the livelihoods of smallholder producers. Fairtrade certification can only be attained by cooperatives (or other types of producer organisations) that are farmer managed, transparent, and founded on democratic principles. In order to be certified, a cooperative has to submit an application and is physically inspected against Fairtrade standards. Inspections are carried out about once a year by FLOCERT, an independent auditing body. Fairtrade-certified cooperatives have to ensure good labour conditions for their employees, including payment of minimum wages and implementation of measures to reduce occupational health hazards. The use of child labour and forced labour is not allowed. Fairtrade also has certain rules for environmental protection, including safe use of pesticides and fertilisers. In principle, the standards and rules apply to the cooperative as well as to all member farms. However, the inspections are mostly carried out at the cooperative level. Auditors also visit a small sample of individual member farms, but they do not inspect all the hundreds of farms that typically belong to each cooperative.