

P+
PEOPLE
PLANET
PROFIT

Special | Spring 2015

Hivos
Fights poverty pay

True Price
Calculates the hidden costs

Van den Berg Roses
Sets an example

Unilever
Striving for fair wages



Living wage

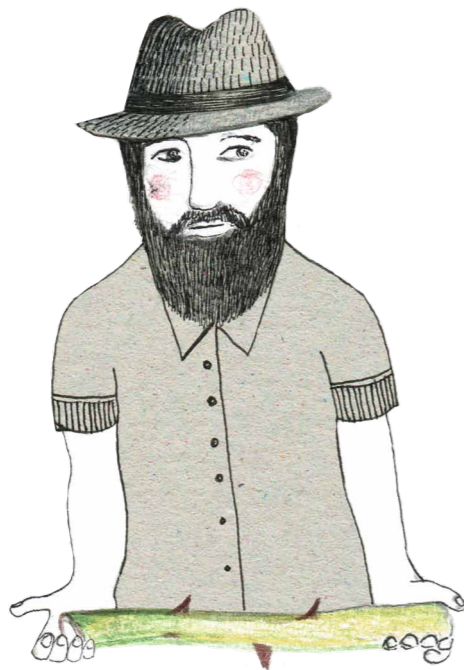
Towards a living wage

WHO GETS WHAT FROM AN AFRICAN ROSE OF €0,70?



€0,02

THE AFRICAN LABOURERS



€0,08

THE ROSE GROWER

€0,05

TRANSPORT



€0,005

THE AUCTION

THE WHOLE SALER
WHO DISTRIBUTES THE ROSES



€0,38

THE FLORIST AND THE SUPERMARKET
WHERE THE CUSTOMERS BUY THE ROSES

Workers' pay on Kenyan flower farms needs to double or even triple to attain the level of a living wage. But besides benefitting workers, is higher pay also better for the businesses? Partly yes, research suggests. But higher costs are unavoidable. So who should foot the bill? There's only one answer to that as far as the rose growers are concerned. "If consumers want to see higher wages, they should be prepared to pay more for a bunch of roses."

+TEXT HANS VAN DE VEEN +INFOGRAPHICS MELANIE DRENT +PHOTOGRAPY BAS JONGERIUS/HIVOS



Who pays for dearer roses?

A wage sufficient to cover life's basics such as nourishing food, education and medical care – surely no-one could object to that. Even so it's proving difficult to realise in practice. A living wage for workers in low wage countries seems a distant ideal. But change is in the air. The issue is increasingly claiming international attention.

“You won't hear me saying they earn a fortune,” says rose grower Arie van den Berg of the wages he pays the majority of the 1400 workers on his farm in Kenya. “It's enough to live on, but I don't think they'll be putting meat on the table.”

Van den Berg Roses produces around 170 million roses a year, ranking it as one of the larger players in the Kenyan flower sector, which numbers around a hundred producers. The company is known for leading the way in improving environmental and social conditions. The rates of pay it offers its workers are set annually in consultation with other major flower producers in the country's key production area around Lake Naivasha and the trade unions. Average wage costs per worker come out at around € 115 to € 120 a month on his farm, says Arie van den Berg. That's based on a working week of 44 hours. Of that, the workers receive around € 70 in hand. The remainder goes on secondary benefits. “We operate a medical clinic on site. All medical care for workers is free, while family members pay half. We operate a bus service to fetch people and take them home. We sponsor a number of schools, ensure the upkeep of the buildings and employ several teachers. And every year we organise a clothing collection here in the village to help the people there.”

Van den Berg is talking to us at the Dutch office of his company, close to the city of Delft. His office offers a view directly into the enormous production hall with its endless rows of large-bloomed roses. Huge lamps are suspended above the flowers and the hall is well-heated. It's partly the extremely high energy costs that have prompted large

numbers of Dutch flower growers to relocate to Kenya in recent decades. A second reason is the low wages, which amount to just a fraction of the amount paid at home. The key role played by low wages in the sector is illustrated by the rapid rise of Ethiopia as a flower-producing country. There, wages average a further 40 percent less than in Kenya. “In the final analysis growers go where they can produce most cheaply,” says Van den Berg. “That's why the production in Kenya is under pressure. You can see companies going bust. Rose growing is a cut-throat business.” Van den Berg Roses is a frontrunner in Kenya. There are a whole lot of businesses that pay their workers less and also provide less in the way of secondary benefits such as free transport, medical aid or free lunches. Particularly those businesses owned by Kenyans or Indians offer little in this regard, Dutch growers point out. The only requirement companies are required to meet is to pay the legal minimum wage pertaining in the agricultural sector. Since last year this amounts to 4,854 Kenyan shillings, or less than € 45 a month.

A further complicating factor is that the minimum wage is not applicable country wide; there are vast regional differences. “In any case, it's far too low,” says Hivos worker Andrew Odete by telephone from Kenya. “People put in long working days to earn a wage that lies below the poverty line determined by the World Bank.”

Hivos has yet to determine what constitutes a living wage in the East African flower sector. Together with local players, Fairtrade and the Fair Flowers Fair Plants (FFP) certification system, the organisation will conduct a remuneration study this year as a project for the Floriculture Sus-

tainability Initiative (of which Hivos and the certification systems are members). Odete: “There's still a lot of debate about the definition of a living wage. We hope to resolve the issue by developing a calculation method that is broadly accepted.”

Low wages make workers extra vulnerable. Excessively long working weeks with many hours of overtime are common, Dutch research agency CREM noted recently in a study conducted on behalf of floriculture certification agency MPS. Workers often grab at every chance they get to earn a little more, but the long working hours are detrimental to their health. In addition Hivos has pointed to the sexual intimidation of women rose pickers, who are dependent on male bosses or line managers for the allocation of overtime or other perks. This has led the organisation to conclude that tackling social injustice should start with fairer wages.

Hivos asked the social enterprise True Price to research the real costs of a rose, thereby factoring in the environmental and social costs (such as under-payment) not reflected in the retail price. The Amsterdam-based research agency concluded that for an average rose produced in Naivasha, some 30% in the way of hidden costs should be added to the price. The real price of a rose is thus considerably higher than what we're paying in the shops.

The results of the True Price survey were presented in the lion's den: at the flower producers' IFTEX trade fair in the Kenyan capital of Nairobi. True Price not only seeks to reveal the hidden costs, but also attempts to show that investment in the environment and social amenities often pays for itself. When it comes to green investment, the case is easily made. Solar energy as a replacement for diesel generators, sustainable closed water systems and flower freighting in sea containers rather than by air (although not yet feasible for all types of flowers) are all investments that pay off. But for social investments the picture is slightly more complicated. It's certainly true that investing in personnel reaps rewards. Training results in increased productivity, while healthcare, improved nutrition and clean drinking water cuts absenteeism and sick leave. In addition the institution of committees where women can report specific complaints have also been shown to reap

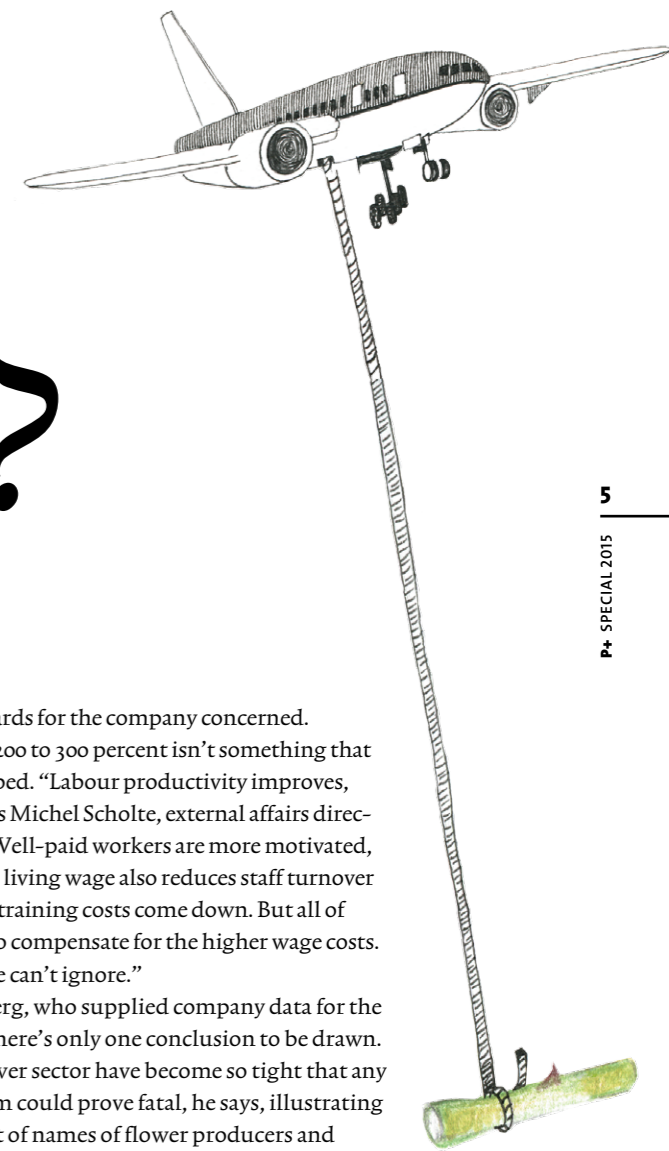
demonstrable rewards for the company concerned. But a wage hike of 200 to 300 percent isn't something that can easily be recouped. “Labour productivity improves, that's for sure,” says Michel Scholte, external affairs director at True Price. “Well-paid workers are more motivated, and work harder. A living wage also reduces staff turnover which means your training costs come down. But all of that isn't enough to compensate for the higher wage costs. That's a fact that we can't ignore.”

For Arie van den Berg, who supplied company data for the True Price study, there's only one conclusion to be drawn. Margins in the flower sector have become so tight that any additional cost item could prove fatal, he says, illustrating his point with a list of names of flower producers and intermediary traders that were declared bankrupt in recent years.

Van den Berg Roses in Kenya produces mainly for the supermarkets, supplying bunches of coloured roses of 10 to 14 stems which retail at € 1.99 to € 4.99. “Unfortunately € 1.99 is increasingly becoming the norm.” Discounters such as Lidl and Aldi are continually demanding lower prices from the growers. “I'm happy to debate the issue of better wages,” says Van den Berg. “I'd also like to pay my people more. But then consumers must also be willing to do their bit. If they want to see higher wages, then they should also be prepared to pay towards that. We growers have no room left to manoeuvre.”

Andrew Odete of Hivos in Kenya is familiar with this argument, but says he has his doubts. “I've heard from insiders that the sector is more profitable than it's often made out to be,” he says. “But a living wage is a sensitive issue; people don't like to talk about it. And it's a very closed world: it's difficult to come by accurate figures.” But nor is Hivos asking growers to hike wages immediately. “A grower can't go it alone. That would be tantamount to pricing yourself out of the market. This is an issue that should at the very least be tackled on a regional level.”

Odete is first looking to contribute to a dialogue, one that involves producers, trades unions and civil service organisations. And the government. “This isn't an issue in



Kenyan politics. Kenyan government policy is geared to attracting as much foreign investment as possible. And then you shouldn’t be placing too many demands on those companies, the reasoning goes. But of course the debate about a higher minimum wage is one that should be conducted in parliament.”

The strategy is aimed at fostering mutual trust, pinpointing the areas of common interest and then taking action – initially working together with frontrunners such as Van den Berg Roses and subsequently getting others on board. A major challenge, Odete admits. “We’re simultaneously partner and watchdog. That’s a delicate position.” Meanwhile his colleague in the Netherlands Kristina Ullrich is lobbying the flower supply chain from the other end. “I’m in talks with all the players: florists, the flower auction, supermarkets,” she says. “We have a cooperation agreement with supermarket giant Albert Heijn and we’re also in talks with supermarket chain Jumbo. Currently it’s all about raising awareness. People are well-informed about the environmental problems in the flower sector, but social conditions are a trickier issue.”

The issue of who should contribute towards a living wage has not yet been put on the table. First there needs to be more information. Just how much more expensive would a bunch of roses be? Could the intermediary trade contribute a little more? And what about the supermarkets? What does the consumer want? It’s a long road, that has to be negotiated step by step. Ullrich: “My hope is that on Valentine’s Day 2016 we’ll be able to offer a single range of roses for which higher wages have been paid. And with a story to tell, to gain the consumer’s attention. Living wages for the roses in Dutch shops in 2020 is a fine goal.” She says that certification, which is becoming increasingly popular for flowers, has an important role to play. “Supermarkets in Britain and Germany are hedging their bets. They are demanding certified flowers from the growers. Customers like them. They assume that the workers have been paid a decent wage. But that’s a misconception. Right now a living wage is not implemented in certification. Once that changes we’ll be a lot further along the way to achieving our goal.”

Certification systems such as Fairtrade, Utz Certified and the Rainforest Alliance, which are united in the ISEAL Alliance, have since decided to include the principle of a living wage in their standards. “Great,” says Ullrich. “But



on the business side people should also be prepared to go a step further.” Preferably by mutual arrangement, she adds in a lightly threatening tone, “but if there’s no progress then we’ll mobilise the consumer.” ■

www.bergroses.nl
www.trueprice.org
www.iscalalliance.org

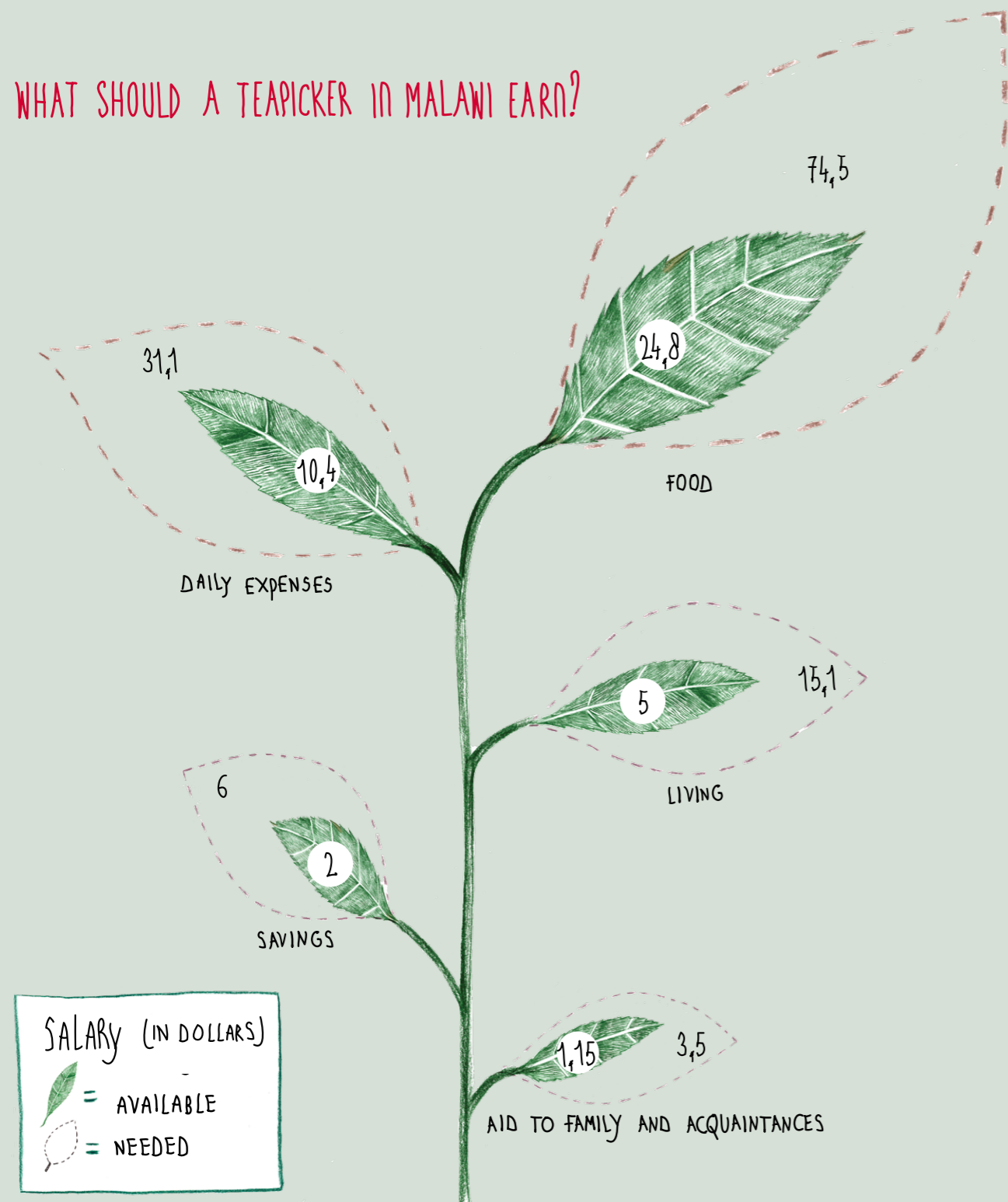
WHAT HOURS DO WOMEN ROSE PICKERS WORK?

The Kenyan flower sector employs an estimated 100,000 workers, of whom most are women. Women work an average of 12.9 hours a day, compared with 8.2 hours for men. And because these additional hours are not always paid out, women also earn less per hour on average than their male counterparts. These are the results of a study entitled ‘CSR Sector Risk Analysis’ conducted by KPMG for the Dutch government. According to this study, sexual harassment and intimidation of women occurs in half the companies surveyed. Partly as a result of the MPS certification developed in the Dutch flower sector as well as other certification schemes, some improvements have been realised in recent years with regard to maternity leave, childcare and combating sexual intimidation. Even so, women’s rights continue to be violated, particularly on non-certified farms.

Kristina Ullrich (Hivos):
“Living wages for the roses in Dutch shops in 2020 is a fine goal.”



WHAT SHOULD A TEAPICKER IN MALAWI EARN?



Take an African tea picker who together with her husband supports a family of three children. Currently they earn the minimum wage: in poverty-stricken Malawi that amounts to \$1.12 a day. But a living wage is three times that: \$3.60 a day -- or \$3.30 a day if perks are offered in kind such as lunch at work, medical facilities, education and a crèche. In total a living wage would then amount to \$81.90 per month per worker.

The living wage is based on the practice of both husband and wife being in work, but not more than 1.59 full-time equivalent. As such they'd be able to attain the required amount of \$130.20 a month. But at the moment the actual amount available is no more than \$43.40 – even though Malawi hiked its minimum wage by no less than 74% last year.

This serves to illustrate the relationship between actual wages and a living wage. In practice the actual wage offers practically no room for manoeuvre: practically all the money goes towards food with what little that remains being swallowed up by other daily expenses.

Source: Report entitled 'Living Wage for rural Malawi with Focus on Tea Growing area of southern Malawi', Fairtrade International, Sustainable Agriculture, Network/Rainforest Alliance and UTZ Certified



PROFIT MALAWIAN TEA PICKERS



The road to fair pay

Producers in low-wage economies are reluctant to embrace higher pay levels. But increasingly they're coming under pressure. Governments, NGOs and frontrunners within the corporate sector are looking for consensus. "For heaven's sake don't let's get bogged down in a debate about what precisely constitutes a living wage."

✦ TEXT HANS VAN DE VEEN ✦ INFOGRAPHICS MELANIE DRENT ✦ PHOTOGRAPHY IStockPHOTO

The road to a living wage is strewn with pitfalls. The textile industry is an example. Since the collapse of the Rana Plaza clothing factory in 2013 with the loss of over a thousand lives, clothing production in Bangladesh has been the focus of close international attention. A wide range of players have lobbied for better working conditions – and with some success. There have been safety improvements in a number of areas and the minimum wage has been raised slightly. Even so, it's debatable whether the workers will benefit from all this attention in the long term. Factory owners fear a mass exodus of their clients. Buyers have since increasingly turned to Cambodia, where the minimum wage for garment workers is around a quarter of what it ought to be, according to the Asia Floor Wage alliance. One of the biggest customers of the Cambodian clothing

industry is fashion giant H&M. But the textile sector's new number one favourite looks to be Ethiopia, a country lacking a legally recognised minimum wage. Here wages average around half of those in Bangladesh.

While clothing manufacture has been in the international spotlight for some time, the same cannot be said of agricultural exports. But it's this sector that has the dubious distinction of paying the very lowest wages. Such as on the plantations and farms where hundreds of thousands of workers produce our coffee and tea, fruit and vegetables. But even here the international debate on pay is tentatively beginning to be heard.

Take, for example, tea production in the poverty-stricken southern African state of

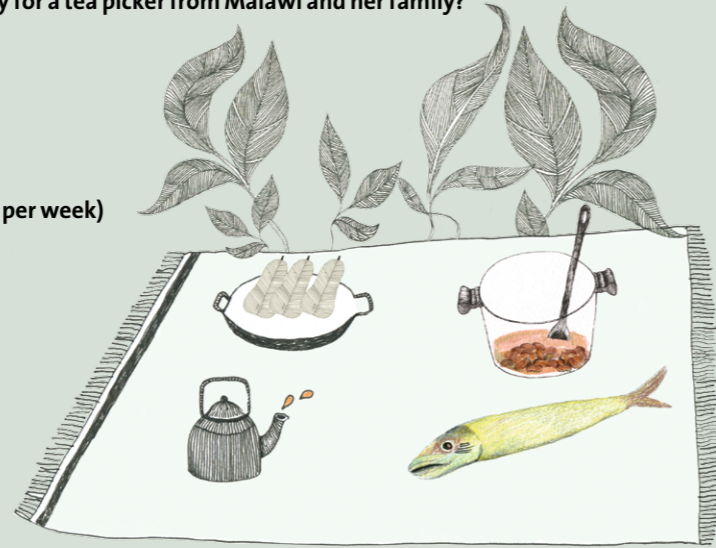
Malawi. Tea is the country's most important export product. Major brands such as Lipton, Pickwick and Twinings process tea from Malawi in their melanges. Two years ago, Oxfam teamed up with the Ethical Tea Partnership – an initiative in which the majority of major tea producers are involved – to investigate the wages paid to Malawian tea workers. The study was supported by the Netherlands-based Sustainable Trade Initiative.

That study occasioned a breakthrough, says Jordy van Honk, recently returned from Malawi and responsible for the Sustainable Trade Initiative's worldwide tea programme. "For the first time, the industry accepted that the wages there are really too low. The same holds true, incidentally, for the tea producing region of Assam in India. Having come to that conclusion means that

What are the minimum food requirements?

What are the minimum food requirements per day for a tea picker from Malawi and her family?

- lots of maize (close to half a kilogram per day)
- 40 grams of beans per day
- 60 grams of cassava per day
- 12 grams dried or smoked small fish (2 fish meals per week)
- 1 cup of milk per day for children aged 2-5 and pregnant women
- 63 grams of fruit per day (1 banana per day)
- 189 grams of vegetables per day
- 6 teaspoons of sugar per day
- 2 tablespoons of cooking oil per day
- 3 cups of tea per day for adults.



it's now possible to take further steps." It was decided to focus initially on Malawi alone. "India is difficult," says Van Honk. "Most of the tea grown there is for local use, so the international supply chain can exert only a limited influence. In addition wage levels there are set by government together with the trade unions. They regard employment as being more important than better pay." In Malawi the situation is different, because all the tea produced in the African country is destined for the international market.

After the first study more research was done to find out what would minimally be required to enable the 50,000 Malawian tea pickers and their families to get by. "That came as a big shock," says Van Honk. "The outcome was that wages needed to triple. And that was based on a really low estimate of what would constitute a living wage, at an absolutely basic level." Employers often counter with the fact that on top of wages they offer benefits in kind, such as food and medical care. But the report concludes that such secondary benefits are often woefully inadequate. A case in point is the maize porridge many companies feed their workers for lunch, a meal lacking in nutritional value. Van Honk: "It keeps them from keeling over from hunger, but no more than that."

Even so, the introduction of a living wage in the short term isn't an option – even if the sector were to embrace it. Tea produc-

tion in Malawi would cease to be competitive on a world market already beset by low prices and the sector would fail. For this reason the aim is to boost product quality, so that in the long term the tea sector can afford to boost wages and working conditions. "At the same time we're aiming to get all the parties involved to commit to a living wage," says Van Honk. "That would be a great improvement." The intention is that all those involved contribute to the investment programme, from the Malawian government to the tea producers and packers, the retail sector, trade unions, NGOs and certification bodies. Malawian tea pickers will already reap the first fruits of this approach this year, says Van Honk, as programmes are being put in place to provide healthy food and more nutritious lunches for workers.

Soup-to-soaps giant Unilever is one of the few companies to have already formulated firm resolutions – and not only for the tea sector. "We're working on a framework for fair pay on all our own plantations and in our companies," says Anniëk Mauser, sustainability director at Unilever Benelux. "In addition we are communicating this approach to all our suppliers via our *Responsible Sourcing Policy*." A fair wage forms part of the multinational's *Sustainable Living Plan*. Fine in itself, but in the end it's all about the bigger picture, emphasises Mauser. "Front-runners are very important. But the market as a whole should shoulder its responsibilities.

The solution lies in a dialogue between civil society and local government, targeted at a gradual convergence of minimum wage and living wage. At the moment there's a huge gulf between the two, as shown by the recent Oxfam report *Steps towards a Living Wage in Global Supply Chains* (December 2014). That way you set a floor for wages, and companies can then take that as a starting point." Precisely what constitutes a fair wage is something that Unilever has yet to figure out. It hopes to gain clarity on this point in 2015. Mauser: "But this is about more than just a living wage. It's also about wages being paid on time and the right to wage negotiations. And when it comes to a fair wage you've also got to keep a close eye on the local context."

Unilever has been praised by NGOs and certification bodies. But there are also concerns that the debate is being needlessly drawn out by arguments about what a fair wage actually is. "You can call it what you like as far as I'm concerned," says Caroline Wildeman, campaign coordinator for Hivos. A fair wage, a living wage, even a minimum wage, as the International Labour Organisation persists in calling it. As long as it's a rate of pay that enables people to pay for their basic needs. "But we have to avoid endless discussions on principles. I'm really no conspiracy theorist, but it's beginning to look like some parties are actively helping create a smoke screen by continually asking questions."



So it's clear that the interminable debate on definitions needs to be called to a halt. But what form should the follow-up take? Hivos sees the answer in a combination of further research – such as establishing the level of a living wage in the East African horticultural sector – and the establishment of a multi-stakeholder dialogue. A dialogue in which all the parties involved come to the table. Wildeman is relying on active support from government to achieve this. "Governments cannot force a living wage into existence. It has to happen in the chain, involving all the parties, whether or not as a result of consumer action." But governments are in a position to promote a better minimum wage – and to ensure that they are well informed about the issues involved. "Government ministries in low-wage countries can be expected to know the ILO directives with regard to wages and labour conditions and to monitor compliance," says Wildeman. "And they can be expected to strengthen their labour inspections in this regard. International donors and western countries can help to achieve that."

Hivos is also lobbying for greater worker and trade union participation in wage negotiations. "A living wage should be the outcome of collective bargaining. Workers must have the capacity to take part in a meaningful way. That's why we're investing in labour rights organisations." In addition governments can play a role in facilitating negotiation throughout the chain. "Thanks to the active intervention of the Dutch embassy in Kenya, we were able to present our case at the horticultural sector's trade fair in Nairobi," says Wildeman. "As a civil society organisation we wouldn't have been able to achieve that on our own. As such support like that is crucial."

Dutch minister for foreign trade and development Lillianne Ploumen has also pledged her warm support for a living wage. Together with the German government she organised a conference on the issue in Berlin, attended by many interested parties from Europe and Asia. During the conference Ploumen indicated she was

"A living wage should be the outcome of collective bargaining"

seeking to forge an international coalition and wants to raise the action plan for a living wage at international level. She is also actively involved with the negotiations in the textile sector and to this end appointed a member of staff with trade union experience at the embassy in Bangladesh. In the interim Hivos is busy expanding the flower campaign. "In Kenya we're already

working together with ten flower producers. Our local partners conduct training programmes on labour rights and ways to combat sexual intimidation. We're aiming to expand that to Ethiopia." The organisation is also looking at other products. "In both countries the production of beans and avocados for our supermarkets is growing. Why should we limit our efforts to the flower sector? Throughout the agricultural sector the wages are far too low." ■

www.idhsustainabletrade.com/tea
www.unilever.nl/sustainable-living-2014



What constitutes a living wage?

According to the Universal Declaration of Human Rights of 1948, “everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity.”

A living wage is also included in the norms of the International Labour Organisation (ILO) and a stipulation in the OECD guidelines for international entrepreneurship. In other words, it forms a key constituent of international corporate social responsibility. But in practice the idea has gained little purchase, if any. One of the obstacles is establishing what constitutes a fair wage. The ILO defines it as “a wage that is sufficient to meet the basic needs of a family of average size in a particular economy.” But what those basic needs are, is not defined by the organisation.

The international network Floor Wage Alliance, made up of trade unions, NGOs and academics from Asia, Europe and North America, developed a method to determine the level of a living wage per country. The method takes as its points of departure: a living wage is always a family income, offers leeway for saving and is preferably determined regionally, so avoiding international wage competition and engendering a rise in the basic level of pay for all workers. ISEAL, the umbrella body for certification schemes such as Fairtrade, supplements this by saying that a living wage provides for food, water, living costs, education, healthcare, transport, clothing and other essentials, including a buffer for unexpected events.

Textiles: how do you stop the race to the bottom?

“I visited a factory in Bangladesh making t-shirts that retail in the Netherlands for € 17.95. The factory received € 3.05, the director said. For that amount, he was required to do it all: fabric purchase, manufacture and dyeing. At the end of the day just € 0.30 remained for salaries. If he hadn't agreed to the deal, the order would have gone to his neighbour. The continual relocation of production has unleashed a race to the bottom. To even lower prices and even worse labour conditions. I don't want a race to the bottom. I want a race to the top. And that's why I hope that western businesses will stay in the country.”

Dutch minister for foreign trade and development Lilianne Ploumen

The Clean Clothes Campaign is waging a campaign for a living wage. Extensive research showed that not a single one of the 171 clothing labels surveyed pays a living wage. However 21 labels have recently taken steps in the right direction. More than half of the brands have incorporated the right to a living wage into their codes of conduct. According to the Asia Floor Wage Alliance the minimum wage in clothing producing nations needs to at least triple to attain the level of a living wage.

In late 2013 the Dutch textiles and clothing sector presented a plan for structural improvements in the chain. The plan was drafted in conjunction with NGOs, trade unions and governments. In terms of a living wage the sector organisations are aiming for a joint European policy in 2016, with implementation scheduled for 2020 at the latest.



Power of the Fair Trade Flower

Hivos draws attention to the labour position of women working in the flower industry. Through its campaign Power of the Fair Trade Flower Hivos is working towards a situation in which all flowers are produced fairly and sustainably. Through this campaign Hivos aims to boost the supply of equitably grown flowers and to raise their profile in the shops. The campaign is aimed at Dutch consumers, policy makers, flowerproducers, traders and retailers.

In the flower-producing countries of Africa, Hivos is working together with local organisations to improve the labour conditions of women in the horticultural sector. There, a living wage for women is still far from a reality. Low wages keep these women in poverty. Women do the lion's share of unskilled and undervalued work at the beginning of the flower production chain.

Together with its southern partners Hivos aims to promote a multi-stakeholder approach to make concrete steps towards achieving a living wage a reality. All of the players in the chain are being asked to take part in this process, from grower to trader, retailer and consumer.

www.hivos.org



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