

# Rapid Review 1

Living Wage, Living Income, and Child Labour-Free Zones: Arguments and Implications for Children's Work

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May 2020



### **About ACHA**

Action on Children's Harmful Work in African Agriculture (ACHA) is a seven-year, DFID-funded research programme that started in January 2020. The aim of the programme is to build evidence on:

- The forms, drivers, and experiences of children's harmful work in African agriculture; and
- Interventions that are effective in preventing harm that arises in the course of children's work.

It is currently assumed that the majority of children's work in Africa is within the agricultural sector. However, the evidence base is very poor in regard to the prevalence of children's harmful work in African agriculture; the distribution of children's harmful work across different agricultural value chains, farming systems and agro-ecologies; the effects of different types of value chains and models of value chain coordination on the prevalence of harmful children's work; and the efficacy of different interventions to address harmful children's work. These are the areas that ACHA will address.

ACHA is initially working in Ghana with a focus on cocoa, inland fisheries, and vegetables. Work will

then expand to include other countries and commodities.

ACHA is a collaborative programme led by the Institute of Development Studies (IDS), Brighton, UK. Partners include:

- University of Ghana, Legon
- University of Development Studies, Tamale
- African Rights Initiative International (ARII)
- University of Sussex
- University of Bath
- University of Bristol
- Fairtrade Foundation
- ISEAL Alliance
- Rainforest Alliance
- The Food Systems Planning and Healthy Communities Lab, University at Buffalo
- The International Cocoa Initiative (ICI)
- The Sustainable Trade Initiative (IDH)

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# **About this report:**

This report explores the state of the discussion among those who advocate for the living wage, the living income, and the child labour-free zones, based on the literature published by those organisations. It also reflects on some of the implications for children's work in African agriculture.

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# **Acronyms**

**CLFZ** child labour-free zones

GAWU General Agricultural Workers' Union

IABA integrated area-based approach

**ILO** International Labour Organization

LI living income

LW living wage

MW minimum wage

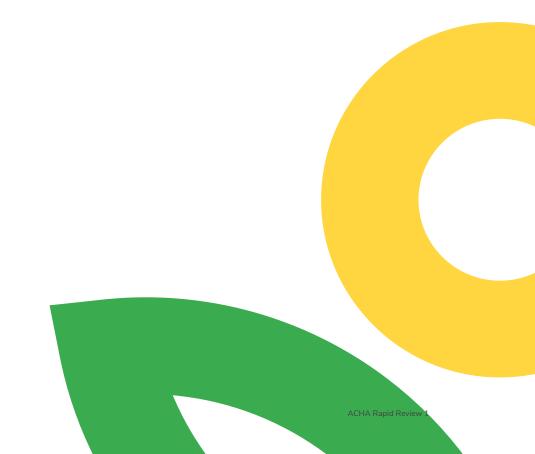
 $\ensuremath{\mathsf{MVF}}$  Mamidipudi Venkatarangaiya Foundation, or  $\ensuremath{\mathsf{MV}}$  Foundation

NGO non-governmental organisation

PPP purchasing power parity

SCL Stop Child Labour

**SDG** Sustainable Development Goal



## 1 Introduction

Of the 736 million people living in extreme poverty worldwide, about 80 per cent live in rural areas and depend on agriculture for survival. Many of these are smallholder farmers who receive a relatively small income for the crops they produce and market. Others are farm labourers who struggle to make ends meet due to low wages.<sup>1</sup>

A decent standard of living, one that covers basic needs and supports a dignified existence, is a human right (UN 1948) – one which is generally not guaranteed by farm income or wages. This is an issue because decent incomes for smallholder farmers (a 'living income') and workers (a 'living wage') are fundamental for the achievement of the United Nations Sustainable Development Goals (SDGs). They are directly relevant to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 8 (decent work), and SDG 12 (sustainable consumption and production) (FAO 2019), and are also relevant to the achievement of other goals, such as SDG 4 (quality education).

This Rapid Review examines the state of the discussion among those who advocate for three interventions – living wage (LW), living income (LI), and child labour-free zones (CLFZ). Section 5 reflects on some of the implications for children's work in African agriculture. The Annexe identifies key actors promoting these interventions. The review is based primarily on literature published by organisations that promote these interventions to accurately reflect the perspectives of these organisations.

A key finding is that even though higher wages are needed for workers to improve their earnings and livelihoods, they are just one of many factors required to enable workers to lead decent lives. Also, a LW has no legal standing and can only address in-work poverty: it does not directly address problems associated with unemployment or informal employment. Higher wages can raise the living standards of some workers, but will have a limited effect because most rural workers are employed informally and only work seasonally (Bartik 2004). In the context of smallholder farming, where the farmers themselves rarely earn a decent income, many will find it challenging if not impossible to pay their workers a LW (ACCA 2017).

To overcome some of these challenges, a greater share of economic value of agricultural commodities must find its way to farmers. Currently, many poor farmers cannot afford to invest in more efficient farming methods to improve their income. Another finding is that interventions that are

purely production-focused ignore the need for an enabling environment and the role of other value chain actors in shaping farmers' income prospects. For example, enhanced productivity may lead to depressed prices. Further, increasing prices alone is not enough to improve farmers' income, or to close the gap between their actual incomes and the LI. Even with higher crop prices, the risks, limited power, and structural barriers faced by farmers in many value chains may undermine any single effort to provide enough sustainability to improve farmers' income. Also, because many farmers' incomes are derived from multiple avenues (including non-farm sources), it is challenging to determine whether a farmer earns a LI.

An additional finding is that, according to LW and LI champions, higher incomes for adults could have significant effects in reducing overall levels of household poverty and thus lower the pressure on children to work. However, some studies show that, in specific situations, LW initiatives may have negative impacts on children's and adults' work. There is a risk that being required to pay higher wages to adults could encourage some employers to substitute adults for children who can be paid at lower wage rates. Furthermore, in some African contexts, where children's work may be related to factors other than low household income levels such as cultural norms, new skills acquisition, or personal choice, a LW or LI may not necessarily affect the prevalence of their work.

An underlying assumption of LW and LI advocates is that children work primarily because of poverty (the 'poverty argument'). However, there is another argument put forward by the Stop Child Labour (SCL) coalition, which promotes the CLFZ model. SCL's 'education argument' suggests that child labour is not only an effect of poverty but one of its key causes as well, and that the solution to child labour is to assure that all children are in full-time education. In addition to this difference in dynamic of causality between poverty and children's work, the LW and LI discussion is usually centred around a specific sector, whilst CLFZ are, by definition, area based.

Despite these differences, the two approaches share a belief that when child labour is banned in an area, it can create additional work opportunities for adults and enable unconstrained decision-making in relation to education (Anker 2000; Doran 2013; SCL 2016, 2017a). However, as mentioned above, in some contexts, increased wages for adults encourage employers to hire children at lower

<sup>1</sup> In formal labour markets, every employer is usually required to pay a statutory minimum wage (MW). In developing countries, however, much rural labour is outside the formal labour market, and does not benefit from MW provisions.

rates. It is important to note that poverty is a large causal factor in child labour, yet once child labour is rooted, it entrenches poverty further and across generations. A unidirectional causal argument is therefore simplistic as the dynamic between child labour and poverty is bidirectional. Further, in contexts where the returns to education are poor, children's choice between education and work may not be straightforward.

# 2 Living wage

A living wage generally refers to the wage necessary for survival based on the real cost of living (May 1982; Wills and Linneker 2014). More recently, however, there have been attempts to expand the definition beyond mere survival, such as including the capacity to support a family, maintain self-respect, and participate in civic life (Brenner et al. 2002; Fabo and Belli 2017; Glickman 1999). Even though historically the terms LW and minimum wage (MW) were used interchangeably, after the Second World War their meanings started to diverge (Box 1). This differentiation occurred as workers and governments in different countries failed (for ideological or other reasons) to maintain the buying power of the MW (Schenk 2001). In periods of inflation, low-wage workers suffered the most as the buying power of the MW fell below the poverty line (Fabo and Belli 2017; Piketty and

Goldhammer 2014; Pollin 2007). This phenomenon prompted renewed interest in a LW (ILO 2009).

In line with moral arguments based on social justice, the LW was recognised as a basic human right by the International Labour Organization (ILO) formed in 1919 and in the Universal Declaration of Human Rights adopted in 1948 (Parker et al. 2016). The economic argument states that a LW supports the sustainability and capability of the labour force, and the political claim is that a LW reduces the risk of social tension and crime (ibid.).

Efforts to promote a LW have been traditionally common in the English-speaking world. The first modern LW campaign started in Baltimore, USA, in 1994, which followed a proposal from a civil society coalition and successfully resulted in local legislation. This campaign generated a range of

#### Box 1. Minimum wage and living wage: definitions and differences

The ILO (2020) defines **MW** as 'the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract'.

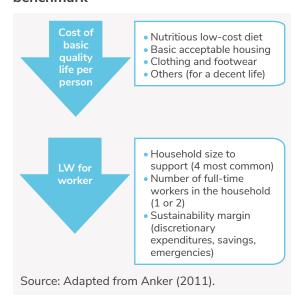
The Global Living Wage Coalition (2020b) defines LW as

the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

The main differences between a MW and a LW are:

- The MW is agreed through negotiations between government, industry, and trade unions, whereas the LW is usually calculated by independent non-governmental organisations (NGOs);
- The MW is a legally enforceable minimum level of pay, whilst the LW is a benchmark with no legal grounding; and
- The MW is about eliminating unduly low pay, whilst the LW is about ensuring workers can afford a decent life and is commonly higher than the MW.

Figure 1. Estimation of a living wage benchmark



successors across the USA, as well as in the UK, Canada, Australia, and New Zealand (Fabo and Belli 2017; Levi, Olson and Steinman 2002; Luce 2004). Interestingly, there has not been much spillover into continental Europe. There, instead of a market-driven approach to welfare and labour market policy, the social contract is stronger and includes powerful trade unions and relatively high MW rates. In this context, the LW concept has been less relevant, thus trade unions and politicians have often focused their campaigns on reducing working hours rather than increasing rates of pay. The concept did gain some prominence in low-income countries within the debate about fair incomes. Here, where there is limited formalsector employment and weaker trade unions, a very low and poorly enforced MW, and weak or non-existent state systems of social security, the LW is still more about survival and income security (Parker et al. 2016). In rural areas, hired workers in agriculture are paid a low wage and even though they may receive benefits such as housing, they often experience little job security, poor living and working conditions, and exploitation by their employers (Fairtrade 2019b). In many households where workers receive wages that are insufficient to support their family, their children work and become an additional source of income.

The Universal Declaration of Human Rights states that 'everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control' (UN 1948). A LW is therefore defined, by

most advocates, as the amount a worker is paid for his labour, which should be enough for them and their family to afford this decent standard of living. This means earning enough to cover all of life's basic necessities, from housing to food, enabling participation in society, with a little extra to cover unexpected events. The value of a LW varies greatly depending on the country and the region, because the cost of food, housing, and other necessities differ from place to place (Rainforest Alliance 2019).

#### 2.1 Estimation of a living wage

Although there is no globally accepted method to calculate a LW, the Anker Methodology is implemented by the Global Living Wage Coalition (GLWC) and by many other organisations (Figure 1). This methodology is used for benchmarking and it estimates the actual expenses of workers' families based on a 'basket' of items: nutritious food, decent housing, clothing, and other essential needs. A small amount is added for emergencies to reach the estimated household expense. This expense is then divided by the average number of full-timeequivalent workers in a typical household in the area, to arrive at the net LW. Any deductions or taxes are factored into the calculations in order to determine the necessary gross wage (Anker 2011; Fairtrade 2020a).

This methodology involves consultation with local stakeholders, including trade unions and employer organisations. Workers' homes and local markets are visited to identify housing and food costs. Workers provide information on their lifestyles and living conditions, while employers supply information on benefits in-kind, bonuses, and any other types of compensation. Stakeholders have the chance to provide feedback and suggestions about the preliminary estimates before the benchmark figure is finalised. The goal is to obtain a credible, legitimate LW estimate, regardless of whether or not local employers feel it is affordable (Anker 2011; Fairtrade 2020a).

#### 2.2 Debates on a living wage

Some economic research has challenged the idea of a LW, suggesting it is not an efficient way of addressing the problem of the working poor. One suggestion is that fiscal policy is a more direct and efficient way of helping the working poor. For example, reducing payroll taxes or increasing the Earned Income Tax Credit (EITC) would allow workers to take home more earned income.

This is essentially a neoliberal perspective, in which individuals need to be incentivised and businesses need to be freed to ensure that everyone is earning what they are worth. This further reflects a neoclassical economic understanding of self-interested economic rationality, both of individuals and firms. Thus, reducing payroll taxes is viewed as a 'win-win' scenario in that it allows workers to earn more from more work, and firms to keep more by not having to pay artificially high wages (Karjanen 2010). In this view, within a supposedly natural labour market, better wages will not come through imposed wage levels, but rather through higher skills and improved productivity (Business New Zealand 2005). If workers want better wages, it is deemed as their responsibility to make themselves more competitive and valuable. Relying on market signals to make wage decisions is also seen as fair to workers in that it respects the principle of equity view, where reward should be proportionate to contribution.

Typically, any time the government attempts to legislate what businesses must pay their employees, it is fiercely contested by the business community through Chambers of Commerce, industry associations, and the like (Brooks 2007; Luce 2005). The main arguments presented by those opposing a LW are that a LW mandate will cause employers to hire fewer workers and will disincentivise companies from operating in certain areas (Levin-Waldman 2005; Reynolds and Kern 2003). Opponents also argue that the cost of local services will increase, costing taxpayers additional money (Brooks 2007). These arguments are embedded in an imaginary of a LW as a natural disaster, disrespectful of employers' rights, and the significant risks that they take. In this view, a LW is far removed from the natural functioning of a free market economy, and labour markets where the laws of supply and demand should set wages (Karjanen 2010). The claim that firms' primary duty is to assure their own competitiveness implies that it is not the responsibility of businesses to address any negative social consequences associated with low pay. It is also not businesses' responsibility to pay workers a LW if the market signals that they do not deserve it (Skilling 2019).

However, most empirical research suggests that LW ordinances have not significantly increased the budgets or costs of local contracts and that few jobs have been lost as a result of their introduction (Brooks 2007; Thompson and Chapman 2006). Arguments in favour of a LW hold that while market signals have a valid role in informing wage decisions, such decisions should also take into account other important outcomes including long-term organisational performance, and the inherent dignity of the human worker (Skilling 2019). The notion of a LW carries moral, economic, and political

weight, and indeed is seen by bodies such as the ILO as akin to a basic human right (Anker 2011; ILO 2013; Parker et al. 2016). LW campaigns stress its role in poverty reduction. Here the underlying assumption is that an important barrier to reducing poverty is inadequate wages at entry-level jobs. The moral perspective of LW campaigners is that it is unjust for workers to only be able to find jobs that pay poverty-level wages. Many LW activists view wages as being determined by employers. From this perspective, it is immoral for an employer who has the ability to pay LW to refuse to do so (Bartik 2004). The political argument focuses on the relevance of a wage that enables workers to afford a decent life and that minimises their need for disruptive behaviours (Parker et al. 2016).

By definition, a LW can only tackle in-work poverty and employers are not obliged to implement it. A LW is not a mechanism for directly addressing poverty among those who are out of work or working in the informal economy, although these people should be considered when estimating the impact that a LW may have on employment levels (ACCA 2017). Higher wages play a large role in increasing the living standards of lower-middle class and working class individuals but have a limited effect on the poor because most of the poor do not have steady, full-time work (Bartik 2004). Additionally, in the case of small-scale farming where the farmers themselves rarely earn a decent income they will find it challenging if not impossible to provide their farmworkers with a LW. Also, a LW is only one of many requirements required to help workers lead decent lives: regardless of wage level, uncertain working hours and 'zero hours contracts' can also create financial and emotional stress (ACCA 2017).

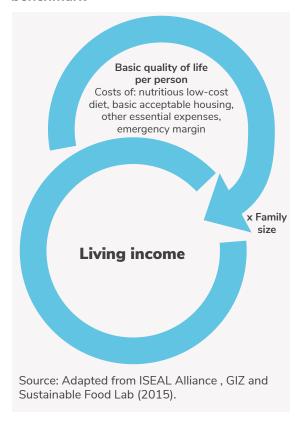
It is difficult to agree on what constitutes a LW, because it is relative to a particular society, place, and time. The absence of an agreed definition and methodology for determining a LW is an obstacle to its implementation and evaluation, and means that a LW is more accepted in theory than in practice (Anker 2011; Parker et al. 2016). Furthermore, in rural areas, assessing the actual wage farmworkers receive has proven particularly challenging. Unlike the better-documented formal sector pay systems, an examination of farm audits suggests that many lack key documentation pertaining to workers' wages. In many cases, farms are unable to provide corroborating materials such as work contracts, pay stubs, payroll records, hours-of-work records, or documentation of benefits in-kind. Inconsistent pay structures, temporary work arrangements, and sharecropping arrangements also hinder a comparison of wages from farm to farm, or from region to region. This makes it difficult to prioritise where workers would benefit most from remedial action (FLA 2017).

# 3 Living income

In addition to wage workers, agricultural supply chains include farmers working on their own land or as tenants, who earn an income from selling their produce. These individuals face different challenges to agricultural workers. When farmers are trapped in poverty, they usually cannot afford to invest in more efficient or productive farming methods to improve their income. They may not be able to pay their workers a decent wage, or they may resort to using children for cheap labour (Fairtrade 2019b). In conventional trade, smallholder farmers have no control over market prices and little if any negotiating power. Consequently, they are at the mercy of volatile markets and the goodwill of their market partners. In times of oversupply prices can fall below the cost of production, which particularly impacts smallholder farmers as they have limited reserves. Prolonged periods of low prices, like those seen recently in the cocoa and coffee sectors, can have disastrous effects on both farmer livelihoods and the long-term sustainability of supply (ibid.).

Achieving a decent income for farmers might support and strengthen livelihoods and supply sustainability. A LI is defined as sufficient income to afford a decent standard of living for all household members, including a nutritious diet, clean water, decent housing, education, health care and other essential needs, plus some extra for emergencies and savings, after farm costs are covered (Fairtrade 2019a; The Living Income Community of Practice 2019). In an industrial economy, 'improving incomes' might be used interchangeably with 'increasing incomes'. For smallholder farmers, this is not necessarily the case. The reliability of their income may be the most important consideration, with their first priority being to cover essential family expenditure (Rainforest Alliance 2019). Investments that could, in principle, increase future income may be ignored if they involve increased risks and upfront costs. Familiar but inefficient techniques and inputs may be preferred instead. Reliability requires managing the risks of catastrophic crop failure and market-related risks such as price collapse. It also means ensuring that the family income covers expenditure throughout the year, when the timing of major expenses (such as farming inputs, or the costs of health care or education) are unlikely to coincide with the harvest. This need for income-smoothing during the year is a major motivation for the diversification of income sources by farming families (Sustainable Food Lab and Business Fights Poverty 2017).

Figure 2. Estimation of a living income benchmark

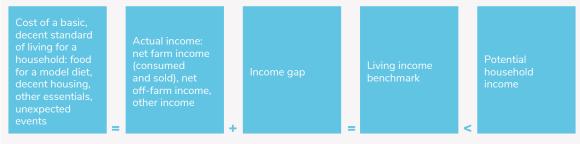


#### 3.1 Estimation of a living income

A farmer's income is what remains after operational costs associated with land and equipment, wages for hired workers, and the cost of other inputs like seeds and fertilisers have been deducted from the total revenue. A LI can be estimated in a similar way to a LW, as the net annual household income required for a decent standard of living for all members of that household. It is important to remember that household income of a farming family will in most cases include sources of income additional to those from the farm (Rainforest Alliance 2019; Smith and Sarpong 2018).

Most stakeholders use an adapted version of the Anker Methodology to calculate the LI (Figure 2). The objective is to generate 'cost of living' estimates and compare them to the LI benchmarks (Figure 3). It has been observed, however, that this may not always be practical due to time and financial constraints, and in such cases a complementary stop-gap approach may be required (Grillo 2018; Rainforest Alliance 2019).

Figure 3. The living income gap



Source: Adapted from The Living Income Community of Practice (2019).

#### 3.2 Debates on a living income

Ultimately, improving incomes is a means of enhancing families' quality of life. Increasing the prices paid to smallholders for their crops may lead to increased crop production, but are, by themselves, insufficient to lift farmers out of poverty. If there are no other policies in place to mitigate the negative effects of the production increase resulting from a price increase, short-term benefits for farmers' incomes may be accompanied by negative long-term effects from further downward pressure on prices. In fact, price increases are more likely to be sustainable when applied across the board by all major buyers within a sector or by a public institution managing the crop, rather than by a select few. Also, sustainability is more likely if market conditions are created which result in increased prices. Such conditions might include supporting farmers to improve quality standards or offering more value-added services (Sustainable Food Lab and Business Fights Poverty 2017). As income and life quality are dependent on many different factors, it is difficult to assess whether the average farmer earns enough for a decent life. Even though it is an area where further research is needed (Eosta 2018), there is a debate about the respective roles of different actors in the agricultural system. Arguments address farmers' abilities and limits to improve their own incomes, and stakeholders' responsibilities to help them.

#### 3.2.1 Farmers' limits for a living income

Increasing prices alone is not enough to reach the farmers most in need, or to close the gap between current income and LI. The risks (inputs, price, climate, and land), limited power (market access, bargaining power, and upgrading/diversification), and structural barriers (value chain, commodity sector, and public policy) that farmers face are key factors to account for when seeking to improve farmers' income (Oxfam 2018). Exposure to risks and volatility is inherent in all market systems. In the agricultural system, smallholder farmers are particularly exposed to them. Risks

disproportionately affect farmers' ability and willingness to invest in their farms, and thus lower their income prospects. Barriers to raising farmers' incomes are rooted in the skewed distribution of power between farmers and other value chain actors. For farmers to earn a LI, they must be able to access, compete in, and flourish in a balanced and fair market environment. Implementing technical interventions at the farm level alone is insufficient to address these challenges. Tackling the underlying imbalances in risk and market power requires a change in the 'rules of the game' that structure and govern the agricultural system. This includes addressing the operation of value chains, commodity sectors, and public policy (ibid.).

For agricultural commodities, often governments, sector organisations, or commodity exchanges will influence the prices farmers receive. Smallholder farmers have little leverage, not only because of their size, but also because they cannot risk their crops rotting while they shop for a price that meets their needs. Even when a product is not perishable, they often lack storage facilities, and must sell their produce as soon as possible. If a farmer is unable to earn a LI, it is less likely that his/her farmworkers will earn a LW. Addressing this vicious cycle would require redistributing a greater share of value in the supply chain to farmers (FLA 2017).

# 3.2.2 Stakeholders' responsibilities for a living income

Even in a globalised food system, farmers' behaviours and choices are as much tied to local farming conditions as to market signals transmitted through global value chains. An ambition for a LI shifts the end goal from incrementally raising the incomes of individual groups of farmers to more sustained progress for all farmers, regardless of their differences. The claim is that a LI can thus serve as a catalyst for new, farmer-centred conversations about how best to support farmers living in poverty and addressing associated issues like food security, nutrition, health, and gender equity. Approaches that are purely production-

focused tend to ignore the need for an enabling environment and the role and influence of other value chain actors in shaping farmers' income prospects. There are many different ways that farmers' incomes can be improved (Oxfam 2018).

Some campaigning organisations highlight the problems that arise when smallholder farmers receive only a small fraction of the price that their crops fetch in international markets (e.g. unreliable source of supply, inequality, poverty, etc.). They argue that smallholder farmers have a right to a greater share of the value and global companies must accept a reduction in profitability in order to increase farm-gate prices (Sustainable Food Lab and Business Fights Poverty 2017). In this view, in the short term, companies have the responsibility to ensure a higher farm-gate price (implementing floor prices or flexible premiums). In the medium to long term, they have the responsibility to ensure holistic sustainability interventions, incorporating

income diversification strategies and access to finance in their sustainability programmes (VOICE Network 2017).

Stakeholders can play different roles in support of achieving LI for smallholder farmers (see Annexe A1). Whilst cooperatives unite farmers in order to advance their interests by improving their market access, training, and support (Fairtrade 2018), trade unions also run campaigns, lobby politicians, and represent the interests of workers more broadly (Parker et al. 2016). Employers' reputations can impact on customers' preferences and purchasing decisions, which may ultimately affect companies' revenues and future standards. Finally, governments have a number of ways to support the improvement of farmers' incomes including through effective policy, infrastructure and service provision, and ensuring market access (Sustainable Food Lab and Business Fights Poverty 2017; VOICE Network 2017).

## 4 The child labour-free zones model

Low wages and incomes are general indicators of poverty. Poverty is often cited as one of the main drivers of child labour in Africa and elsewhere (SCL 2017b); however, this notion has been challenged. There is an ongoing debate about the link between child labour and poverty, and the direction of causality (Basu and Millard 2015). Some opposed to the 'poverty argument' suggest that economic factors induce child labour. To these opponents, child labour is more a result of state failure, including limited access to a good quality education; a lack of decent work for adults; and harmful cultural values and practices such as early marriages (SCL 2017b). In this view, the 'poverty argument' is countered with the 'education argument', which conceives a bidirectional causal relationship and suggests that child labour is not only an effect of poverty but one of its key causes as well. The education argument suggests that investment in good quality education has spin-off effects in reducing poverty by increasing access to higher value employment and consequently to better life opportunities. In this view, any educational support to working children would be an implicit acceptance of child labour (Basu and Millard 2015). It rejects the need to provide an education to working children outside the working hours, considers universal education and the eradication of child labour as inseparable, and sees formal schooling as the only means to universalise education and simultaneously eliminate child labour (MVF, n.d.).

The Mamidipudi Venkatarangaiya Foundation, or MV Foundation (MVF), an Indian non-governmental organisation (NGO), applied the education argument in 1991 when it released 30 children from bonded labour in Ranga Reddy district in central India (SCL 2017d), in order to get them back to school. MVF's goal is to eradicate child labour by ensuring that all children attend full-time regular school, either government-run or private. Although it initially supported non-formal education and open school initiatives, it no longer does so, arguing that such initiatives enable child labour by implicitly allowing children to engage in full-time work during school hours. MVF continues to work towards eradicating child labour in different areas in India. European, Asian, Latin American, and African organisations are now replicating the initiative. MVF and its partners argue that eliminating child labour in all its forms can be achieved by adopting an area-based approach, which focuses on the rights of all children in a specific geographical area (otherwise known as the integrated area-based approach or IABA). Their initiative is rooted in a rights-based approach in which every child (rights holder) and every risk of violation of child rights are seen as being of similar strength (Basu and Millard 2015; SCL 2017b).

The approach to reducing, and eventually eliminating child labour using IABA is known as the child labour free zones (CLFZ) model. The idea of CLFZ stems from a belief in the paramount importance of children's right to education and

assumes that all kinds of children's work are harmful and should be eradicated, and that all children should be at school instead. Here, children's work and education are incompatible (SCL 2017c). This means that no distinction is being made between different forms of child labour (such as the worst forms of child labour, or children doing invisible work such as domestic work or work on the family farm) and the focus is on all children in that area that are not attending school. It is suggested that people living in CLFZ believe that child labour (and low school attendance) is not a result of poverty, but a result of child-unfriendly traditions, violations of workers' rights, and poor education systems (Hivos 2015).

The key stakeholder advocating for CLFZ is Stop Child Labour (SCL), a coalition founded in 2003. SCL is coordinated by the NGO Hivos and consists of Netherlands-based organisations<sup>2</sup> that fund it in addition to the Dutch government. Local partner organisations are based in Asia, Africa, and Latin America. CLFZ are defined by SCL as 'geographical areas, such as a village, plantation area, small island, urban neighbourhood, or cluster of communities, where all children are systematically being taken away from labour and (re)integrated into formal, full-time schools' (Hivos 2015: 6). SCL strongly believes in a holistic approach towards the prevention and remediation of child labour. 'Child labour', as defined by SCL, is 'work performed by a child that is likely to interfere with his or her right to education, or to be harmful to his or her health or physical, mental, spiritual, moral, or social development. All work done by children under the age of 15, and dangerous work done by children under the age of 18, is illegal' (ibid.: 9).

Hivos (2015: 15) states that CLFZ are based on the following beliefs, which are said not to be dogmatic, but rather guidelines:

- All children must attend day schools full-time.
- Any child who is not in school is a child labourer.
- All labour is hazardous and harms the growth and development of the child.
- All forms of child labour can be eliminated.
- Any justification that perpetuates the existence of child labour must be condemned.
- Not poverty, but harmful social norms, the violation of workers' rights, and poor education policies are the main causes of child labour.

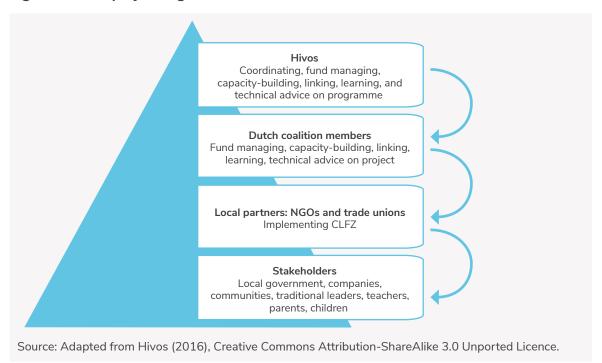
 Parents want a better future for their children and are willing to and capable of making the necessary choices or sacrifices to ensure that their child does not go to work but to school instead.

Even though CLFZ have universal characteristics, different areas may need different approaches (e.g. rural vs urban). A CLFZ approach entails a sustained engagement with the community to change attitudes toward norms around child labour and to empower the community to eliminate it (ILO 2011). These communities would then set the norm that 'no child should work; every child must be in school' (Hivos 2015: 7). CLFZ involve all people who live, work, and attend school within a specific area, including teachers, parents, children, unions, community groups, local authorities, religious leaders, and employers. When selecting an area, it is important to have good connections in the community: they must know the implementing organisation and their own community well. Also, the area should be relatively open to new initiatives (ibid.). The selected area needs to be an administrative unit recognised by the state with authorities that can implement government policies on education and economic development. Local authorities supervising these units - whether villages, communes, or wards – are crucial partners both in the creation of CLFZ, and in keeping them child labour-free. They are influential and have links to other authorities at regional and national levels, which means they can have some influence on policy. Gatekeepers and committees are also key enablers, generating awareness and acceptance of the concept. The idea is that the initiative starts in one specific area before spilling over into neighbouring areas (ibid.). In the past five years, 63.000 children in Africa and Latin America have been withdrawn from child labour through SCL. This covered 112 communities in 14 countries through the support of more than 25 local partners (NGOs, community-based organisations (CBOs), and trade unions) (Figure 4) (Hoeksema 2018).

Once the zone has been selected, activities to secure the rights of all children are initiated within existing community groups in cooperation with local authorities (SCL 2017b). Children who have never been to school or who had dropped out of school are enrolled and provided with necessary materials. Bridge schools are established for older children, and technical support is given to schools. The programme trains young advocates and supports children's initiatives and monitoring committees. It also involves discussions with the community to revise values, cultural norms, and child-rearing practices (Wandega 2014). According to SCL,

<sup>2</sup> The SCL coalition consists of and is funded by the Algemene Onderwijsbond (AOb), FNV Mondiaal, Hivos, the India Committee of the Netherlands (ICN), ICCO Cooperation and Kerk in Actie, Stichting Kinderpostzegels Nederland.

Figure 4. CLFZ project organisation



social change within families and communities on issues such as child abuse, early marriage, and teenage pregnancy is more likely when education is prioritised. Apart from the direct impact on out-of-school and working children, positive effects for adults and legally working youth are also likely (SCL 2016). Adults learn how to make ends meet without the income generated by their children; for instance, by participating in savings and loan groups and developing additional or complementary income-generating activities (SCL 2017b). In some cases, adults' working conditions and incomes have been improved through lobbying companies, linking them to social services schemes or vocational training (SCL 2016).

It is important to note that the CLFZ model is promoted by SCL, a coalition that receives substantial financial support from private and public-funded organisations from high-income countries in addition to the support from multilateral organisations (Bourdillon, Crivello and Pankhurst 2015). In fact, CLFZ appear as top-down initiatives, which can overlook key interests of the poor. Limited understanding of the perspectives of the people being helped results in the imposition of questionable models. The CLFZ approach ignores the fact that the goal of eliminating child labour diverges from the goal of protecting children from harmful work. This policy consists of eliminating both harmful and non-harmful work (ibid.). In these contexts, policies that criminalise 'acceptable' aspects of children's work may not be in children's best interests, while those that protect children

from hazards or exploitation may have more positive effects.

Community monitoring of children's work, sometimes proposed as an alternative when state capacity is limited, relies on strong social disapproval of children working, high social acceptance of education, and willingness to report other community members. In some contexts, none of these may be reasonable assumptions. Another important assumption is that as a consequence of monitoring, children provided with education as an alternative to work are, and will be, better off. In fact, this assumption relies on CLFZ equating to poverty-free zones, with adequate safety nets to meet the needs of families in crisis. However, investment in quality education might not lead to poverty reduction if higher value employment is not available locally. Also, children's work can frequently make an important contribution to household wellbeing (Bourdillon et al. 2015), and can be a source of pride and empowerment for the child, family, and community. For families with subsistence incomes who cannot rely on a social safety net, an effectively enforced ban on children's work could be devastating. These families must either struggle or earn income in ways that circumvent the ban. Therefore, in some cases, withdrawn child labourers may move from the CLFZ to areas where they can more easily work. Or, this often means that adults and children resort to underground jobs such as sex work. In either case, an important part of the burden falls on the shoulders of the children.

Bourdillon et al. (2015) suggest that many of those advocating for CLFZ are motivated more by emotion than information about the lives of working children. They suggest that such programmes can undoubtedly benefit deprived children educationally; but it is not self-evident that they will be able to fulfil their wider aims. The

CLFZ approach leaves little room for children's responsibilities to their families and for children's participation in decisions that affect them (ibid.). In their view, the CLFZ discourse is rooted in an imaginary where all children in every situation are equally vulnerable and in need of protection, which does not reflect the reality of African rural areas.<sup>3</sup>

# 5 Implications for children's work

LW and LI are promoted as means to improve livelihoods and promote more sustainable agricultural systems. Higher standards may be achieved through focusing on working conditions, such as addressing potential child labour in the value chains. For many stakeholders, children's work is always viewed as negative. In order to prevent children from working and enable them to focus on their education, the assumption is that adult income must increase, and in turn, this will reduce children's pressure to work and thus positively impact their education.

There is indeed some research that investigates the connection between income variations and child labour; however, not much of it explores the specific links between LW or LI and children's work. Some of this research suggests that child labour can displace adult labour and, as a consequence, it may reduce adult wage rates and increase adult unemployment rates – that is, child labour negatively affects working conditions for adult workers (Doran 2013; FNV 2010; Venkateswarlu and Ramakrishna 2010). In this view, this is particularly pertinent for less educated and less skilled adult wage earners in rural areas due to the high prevalence of unskilled agrarian child labour (Anker 2000).

Furthermore, in some cases, children work because their family is unable to meet their basic needs (Basu and Van 1998), but few working children earn a MW. Employers may prefer the cheaper option of employing children who are in no position

to organise themselves and negotiate for better wages and working conditions. Children's work can, as a result, undermine the bargaining power of adult workers in getting better wages and conditions of employment (FNV 2010; Nhenga-Chakarisa 2013). This is a scenario that ultimately results in a cycle of low household income, thereby keeping families in poverty.

In order to break this cycle, in the medium term, labour market segmentation can be reduced and the weakest protected through modern labour institutions (e.g. trade unions, MW, and job security laws). In the meantime, in contexts where parents alone are not able to earn enough to adequately provide for their families, a holistic approach is essential to tackle children's harmful work. Interventions are needed to compensate for the lost income of children and their additional needs - subsidised food, cash transfers, and adequate health and education facilities are just some examples of more holistic social provision. Governments can advocate for the provision of adequate remuneration for workers and bargain for better prices for agricultural products internationally so that households do not need to depend on children's work. In the view of those who champion LI and LW, enforcing them could have significant positive effects in reducing overall levels of poverty and thus the need for children to work.4

However, a LW and a LI may have effects beyond simply relieving household poverty. Children may work for reasons other than economic, and

<sup>3</sup> Parallel to the CLFZ model, an emerging approach launched in 1996 and led by UNICEF in more than 40 countries is the Child-Friendly Cities Initiative (CFCI). A child-friendly city is any system of local governance committed to improving the lives of children within their jurisdiction by realising their rights as articulated in the UN Convention on the Rights of the Child. In practice, a child-friendly city is where the voices, needs, priorities, and rights of children are an integral part of public policies, programmes, and decisions (UNICEF 2020). Here, children (a) are protected from exploitation, violence, and abuse; (b) have a good start in life and grow up healthy and cared for; (c) have access to quality social services; (d) experience quality, inclusive, and participatory education and skills development; (e) express their opinions and influence decisions that affect them; (f) participate in family, cultural, city/community, and social life; (g) live in a safe, secure, and clean environment with access to green spaces; (h) meet friends and have places to play and enjoy themselves; and (i) have a fair chance in life regardless of their ethnic origin, religion, income, gender, or ability (ibid.).

<sup>4</sup> Furthermore, action against children's work at present might improve their own future earnings as adults. Research shows that in some contexts, policies which delay school dropout, even if the child works, would appear to be effective at improving children's future income as adults (Ilahi, Orazem and Sedlacek 2001).

employers may hire children for many reasons besides lower wages. Traditionally, there has been widespread acceptance of children's work within families, communities, and employers. Today, this acceptance may embody an incentive for children to work. It seems that frequently none of the concerned parties – employers, communities, parents, or children - see anything wrong with this and thus the practice of children's work continues. The importance of cultural norms and the strong resistance to change must not be underestimated (Chakrabarty 2007; Lederer, Bequele and Boyden 1991). In these contexts, where children's work is related to factors other than low-income levels, a LW or LI may not affect the incidence of children's work and might have unintended consequences. Thus, policies such as enrolment subsidies, improvements in school quality and teacher pay, construction of new schools, and conditional cash transfers may be more effective at reducing children's work and increasing school enrolment than interventions which aim to directly increase household income (de Carvalho Filho 2012).

Adoption of a LW may, however, have a negative impact on both children's and adults' work. There is a risk that higher wages for adults would increase adult unemployment and also the incentive for employers to hire children at lower wage rates (Basu 2000). Caution is necessary to ensure that LW for adults do not push children into more dangerous hidden forms of work, or reduce adult employment due to their higher costs, and therefore remove an important household income source (Aufseeser et al. 2018; Cunningham 2000). Consequently, concerted action involving the state, smallholders, rural employers, sub-contractors, large-scale employers, and produce buyers may be necessary to minimise these risks.

# 5.1 Bringing together living wages, living incomes, and CLFZ

The discourse around a LW and a LI constructs child labour as a result of poverty and low earnings ('poverty argument') and suggests it as one of the strategies that poor households use to top up their income. However, this is challenged by the 'education argument', which deems child labour not only as an effect of poverty but one of its

key causes as well, and that the solution to child labour is to assure that all children are in full-time education. This means that champions of LW and LI, and champions of CLFZ see a different dynamic between poverty and children's work. An important point is that child labour can be both a cause and consequence of poverty and thus the relationship is exacerbated in certain contexts. In general, poverty and lack of opportunities are a large causal factor on child labour, yet once child labour is embedded it entrenches poverty further and it does so intergenerationally. A unidirectional causal argument is simplistic as the dynamic between child labour and poverty is bidirectional.

Another aspect to consider is the difference between sector-based or area-based approaches. Whilst LW and LI are usually discussed with regard to a particular sector or commodity (e.g. smallholder cocoa farmers), the CLFZ model uses an integrated area-based approach that includes all economic activity within, for example, a community. This is an important tension, and one that will not be easily resolved on the ground.

Despite their differences, proponents of LW, LI, and CLFZ also share some common ground. For example, they see an indirect correlation between children's work and adults' earnings. LW and LI proponents state that increasing adults' earnings will allow them to support their families without the need for their children to work. Furthermore, proponents of CLFZ state that a ban on children's work can improve adult working conditions and incomes. By definition, CLFZ directly affect out-of-school and working children, but they may also indirectly impact adults and legally working youth. In these areas, adults need to compensate for their children's lost income (SCL 2017a). The CLFZ campaign aims to make 'potential child labourers work only in schools', through ensuring fair wages for adult labourers, working with village councils on enrolment drives and improving access to education (Nagaraj 2017). In this view, when child labour is banned in an area, it can create space for adults to get additional work and their incomes may increase (Anker 2000; Doran 2013; FNV 2010; Nhenga-Chakarisa 2013; Venkateswarlu and Ramakrishna 2010). When adults earn a decent income, it can be easier for them to make informed and unconstrained decisions about their children's education. Lobbying for decent pay and LW for adults is part of the CLFZ advocacy package, as they:

- Seek partnership with local trade unions<sup>5</sup> and workers' associations to organise (formal and informal) workers in the selected area to collectively bargain for higher wages and better working conditions.
- Seek collaboration with international trade unions and labour rights organisations that can help construct arguments based on international declarations and human rights instruments. (Hivos 2015: 77)

It is important to note that these interventions assume a positive return to education and an actual

trade-off<sup>6</sup> between work and education with a higher value on education. In this view, banning children's work and simultaneously improving the quality of education may reduce the supply of unskilled child labour and therefore increase the relative wage for adult's unskilled labour. However, in many rural contexts, the return to education can be poor: the opportunities for high-skilled workers may be few, the likelihood of harm from a work-related hazard may be low, or the training 'on the job' may potentially provide a better future income and work opportunities than a very low-quality education would (Sabates-Wheeler and Sumberg 2020). In these situations, is it not immediately obvious what is best for the child and/or the family.

<sup>5</sup> For example, the General Agricultural Workers' Union (GAWU) of Ghana has been working to link CLFZ with decent wages. Long before working on CLFZ, GAWU worked with people in the 'informal economy' – workers without a contract. In Ghana this is the largest group of employees and includes, for example, small-scale cassava and cocoa farmers. The union organised these workers so they could get better salaries and social security. While working with the farmers, the union encountered many cases of child labour: many farmers were parents of the working children. When GAWU started a CLFZ project, it focused on its expertise area: getting better salaries and working conditions for the parents. This, combined with awareness-raising on the risks of child labour and the importance of education, intended to motivate parents to take their children away from work and send them to school (Hivos 2015).

<sup>6</sup> A minimum standard of opportunities provided for children rejects the absolutist view of banning all children's work and the assumption that formal full-time education is always more valuable. It can help identify contextual factors that might influence trade-offs and synergies. This shifts the responsibility from the immediate environment of the child (parent, household, workplace, employer) to the state.

# Annexe A1. Key stakeholders in living income and living wage debates

The following provides more detail on the roles of some key stakeholders in the living income (LI) and living wage (LW) discussions, illustrated with a few examples.

#### 1 Farmworkers

According to the Food and Agriculture Organization of the United Nations (FAO), the agricultural sector employs one billion people worldwide, representing one out of every three workers (FAO 2012). Many farmworkers do not have formal contracts, nor documentation about their wages and working conditions, which frequently entail inconsistent pay structures, temporary work arrangements, and non-cash compensation (FLA 2017). It is even more difficult when they are hired by poor smallholders that do not earn enough to afford a decent living themselves, and therefore cannot pay LW to their farmworkers.

#### 2 Smallholder farmers

Productivity-focused approaches have long been central to efforts to improve farmers' livelihoods. Smallholder farmers have relatively low market and political power, so they find it challenging to push alternative approaches or interventions. One rationale for tackling productivity is the potential opportunity to address the twin challenge of farmer welfare and global food security. While productivity is a key element in the farm income equation, the rationale of a singular approach focused on productivity is challenged on two fronts. First, food

scarcity is not the primary food security challenge, since the world is currently producing enough food to feed everyone, yet 815 million people go hungry. This is in large part due to challenges of poverty, distribution, and market inequalities that prevent poor people from growing and buying the food they need. Second, productivity enhancements have not reliably delivered improved farm income. There are myriad reasons for this as there are many other factors that may affect earnings, including increasing production costs and the risk of an oversupply and depressing market prices (Oxfam 2018).

At the core of the LI challenge for smallholder farmers lies a significant imbalance between the risks of agriculture carried by farmers and their power to shape their own market participation. This imbalance is not accidental, but is reinforced by structural barriers at the level of individual value chains, commodity sectors, and national public policy agendas (Table A1).

Disproportionate risk can represent a key disincentive for farm investment. Smallholder farmers are limited in their capacity to buffer against potential shocks. The risks they face are diverse, and include risks related to price, inputs, climate, and land (Oxfam 2018).

Unequal market power is the second key barrier that prevents smallholders from enhancing their incomes. The proliferation of global value chains has come with significant power asymmetries between buyers and local farmers. This restricts farmers' ability to reliably access profitable markets, effectively bargain with their trading partners, and diversify and upgrade their activities (Oxfam 2018).

Underlying the inequality in risks and market power are structural barriers that particularly disadvantage smallholder farmers. At the level of the value chain, inequities in risk and power are manifested in the

Table A1. Barriers to farmers receiving a living income

Risks	Power	Structural barriers		
Inputs	Market access	Value chain		
Price	Bargaining power	Commodity sector		
Climate	Upgrading/diversification	Public policy		
Land				
Source: Adapted from Oxfam (2018).				

relationships between large and fragmented groups of producers and concentrated groups of buyers. At the level of the commodity sector, decisions on how production and trade are set up and coordinated (e.g. in terms of pricing and quality) are made by powerful actors (traders, buyers, governments), often with little consideration of farmer preferences and their income prospects. At the level of public policy, the imbalance between risk and market power plays out in relation to land rights and access to inputs, market infrastructure, export policies, taxation, and investment (Oxfam 2018).

Women farmers face gender-specific income barriers, including restricted access to resources and services and discriminatory social norms. At the same time, however, they are key to raising farmer incomes, given their expanding role in agriculture. This is especially true for women who are divorced or widowed, or who are responsible for their farms when other family members are working elsewhere (Oxfam 2018).

#### Cocoa farmers

Despite numerous interventions to support them in the last few decades, most smallholder cocoa farmers live in poverty and frequently struggle to obtain a Ll. Even though, at least in Ghana, where there is relatively less poverty amongst cocoa growers than other areas, cocoa producers currently only receive about six per cent of the value of the global chocolate industry (Fairtrade 2016). They also must face longer-term consequences of an increased market price. In 2015, cocoa consumption slumped after the market price rose to US\$3,000 per tonne (AfricaNews 2019; AlJazeera 2019; The Big Issue 2019; Candy Industry 2018; Globe News Wire 2019; Mighty Earth 2019; Nieburg 2018).

#### 3 Cooperatives

Producer organisations are very important in advancing the interests of smallholder farmers, including their incomes and wages. By uniting individual farmers into cooperatives, they are in a stronger position to access markets, training, and the support needed to improve their earnings (Fairtrade 2018).

#### **REWE Group**

The REWE Group is a German diversified retail and tourism cooperative, which consists of a network of independent retailers. The REWE Group is the second largest supermarket chain in Germany after EDEKA. Working in cooperation with the

Federal Ministry for Economic Cooperation and Development (BMZ) and Fairtrade, the REWE Group is the first food retailer in Germany to launch a project in support of a LI for the cocoa sector. From autumn 2020, it will be offering a variety of Fairtrade chocolate products with fully traceable supply chains. These products will also be gradually introduced to the group's international sales lines. The cocoa is being supplied by the Fanteakwa cooperative in Ghana. In addition to the Fairtrade bonuses and minimum prices, cooperative members are paid a 'LI differential'. The aim of this initiative is to significantly boost the self-sufficiency of Fanteakwa farmers and enable them to earn a LI from farming. Other West African cooperatives are also involved in the project. Along with payment of a LI differential, the project includes training sessions put on by the Initiative for Sustainable Agricultural Supply Chains (INA) and its local partners. This training focuses on more sustainable cultivation practices, ensuring that farms are run more efficiently, and improving management of the cooperative. It also includes growing other crops, such as cashews, in order to diversify sources of income (Rückfragen 2019).

#### 4 Trade unions

Trade unions organise campaigns and lobby politicians, as well as represent employees in the workplace (Parker et al. 2016). Evidence shows that collective bargaining raises both the wages and benefits of unionised workers compared to non-unionised workers doing comparable work. Additionally, the 'union advantage' or 'union wage premium' has shown to increase incomes of even non-union members, this effect being most striking for low-income workers (Schenk 2001).

#### **5 Companies**

The role of employers in the LW and LI debate is potentially very significant (Parker et al. 2016). As subsistence farmers in many agrarian societies have shifted to commercial farming, they are more dependent on prices paid by local or multinational companies for their produce, and on wages received for their labour. Many multinational companies are indeed committed to fair compensation. They are taking the lead on developing socially responsible procedures for establishing prices that factor in the payment of a LI to farmers and a LW to workers throughout their supply chains. In cases where fixed market prices present special challenges, alternative

means of increasing farmers' income are sometimes explored, such as adding a social premium to the price paid (FLA 2017).

Strategies are already being pursued by some companies acting individually, collectively, and in cooperation with workers, governments, civil society, and others, to help raise earnings (FLA 2017). For most companies, the opportunities to support improvements in incomes are primarily around the production and trade of the crop of interest. However, the rural poor typically depend on multiple sources of income, including the food and livestock they produce for home consumption. Therefore, the levers for achieving improvements may go beyond opening market access and increasing productivity (Sustainable Food Lab and Business Fights Poverty 2017) and include:

- Increasing prices paid to smallholder farmers;
- Simplifying value chains by sourcing directly from producers or by committing to purchasing their full output;
- Raising workers' awareness of their rights and empowering them to participate in wage-setting initiatives:
- Establishing alternative means of delivering increased income to farmers to support fair wages, such as adding a social premium, or providing financial support for farm-level productivity improvements;
- Using technology to communicate directly with workers, and collecting candid feedback on company progress towards meeting fair compensation goals; and
- Rewarding responsible suppliers and producers that adopt fair compensation practices to discourage a 'race to the bottom'.

Premiums coupled to certification schemes generally are not higher than ten per cent of the world market price, resulting in a marginal impact on farmers' income. If they are to be part of the solution, premiums will have to be more flexible, and be a lot higher than current levels. As premiums are a supply chain-based approach, flexible premiums can be incorporated into contracts. A flexible premium system could help avoid some of the problems connected with floor prices. Some smaller companies, such as Taza Chocolate, Ingemann, and Tony's Chocolonely, already work with flexible premiums based on farm-gate prices (VOICE Network 2017).

#### **Olam Cocoa**

Olam International is a leading global food and agribusiness company that supplies food and industrial raw materials and operates from seed to shelf in 70 countries (Olam Group 2020). In 2019 Olam Cocoa, the world's foremost supplier of cocoa beans and cocoa ingredients, announced Cocoa Compass, a new sustainability initiative for responsible sourcing focused on a quality cocoa supply chain. Aligned with the SDGs and with milestones for action in 2020 and 2024, the Cocoa Compass vision for the future of the cocoa sector involves improving cocoa farmer livelihoods by enabling them to achieve a defined LI level, not just lift them out of poverty. Additional objectives include eliminating child labour, ensuring all children of cocoa farmers have access to education, protecting forests through a net increase in tree carbon stock, and mitigating environmental impact through a 30 per cent reduction in natural capital costs7 (Olam Cocoa 2019).

The company has already achieved 100 per cent traceability of its supply chains in Côte d'Ivoire and Ghana under its 2020 traceability commitment, and it has pledged to combat deforestation as part of its Cocoa and Forests Initiative. Other highlights include paying US\$136 million in sustainability premiums to farmers and cooperatives in partnership with customers and issuing over 64,000 tailored Farm Development Plans to increase productivity and incomes through the Olam Farmers Information System. It also established Child Labour Monitoring and Remediation Systems which cover 95,000 cocoa farmers in Côte d'Ivoire and Ghana (Olam Cocoa 2019).

#### 6 Governments

Governments have a broad range of roles in creating the conditions necessary for improvements in farm income. These include setting the right policy framework, from land rights to tax policy. Basic services such as health and education are central to the enabling environment, alongside the creation and maintenance of infrastructure essential for market access. Governments have an essential role in developing the resilience of agriculture in the face of climate change. They also need to play a central role in the delivery of effective agricultural extension and research services. Generally, governments can aim to influence in the following spheres (Sustainable Food Lab and Business Fights Poverty 2017):

<sup>7 &#</sup>x27;Natural capital costs' refer to land and water usage, greenhouse emissions, and fertiliser levels among others (Olam Cocoa 2019).

- Agricultural services by improving know-how, inputs (seeds, fertiliser, tools), warehouses, drying sheds, and post-harvest machinery;
- Growth of markets, including domestic markets;
- Provision of financial services including credit, loans, savings, and insurance;
- Market access involving stable demand, fair prices, and favourable terms of trade;
- Gender equality by ensuring women's participation and equal economic empowerment;
- Provision of basic services including water (domestic and irrigation), quality education, and health; and
- Promoting laws and regulations to strengthen agricultural and non-agricultural sectors, and to support decent livelihoods.

#### Ghana and Côte d'Ivoire

Producer country governments have a strong role to play; for example, in Côte d'Ivoire and Ghana, they set the price that cocoa farmers receive. Cocoa is an important part of national export earnings, and there are many competing priorities for investment (Fairtrade 2018). A higher farm-gate price for cocoa is critical to provide the much-needed investment in social and economic development. The governments of the world's biggest cocoa producers, Ghana and Côte d'Ivoire, both guarantee a price at the start of each season. They have stepped up their efforts to reform the industry, imposing a fixed 'LI differential' of US\$400 a tonne on all cocoa contracts for the 2020/21 season.

#### 7 Consumers

Consumers' choices also play a big role in farmers' ability to earn a decent living and to achieve a sustainable future. Consumers can stand up for farmers' and workers' livelihoods. Recent studies found that workers being paid a LW is a top sustainability priority for consumers, and most shoppers want companies to take action on global poverty (Hawrylyshyn 2019). These preferences are usually displayed in their purchasing behaviour and choices which ultimately affect employers' revenues, strategies, and future decisions (Fairtrade 2019b).

#### 8 NGOs

Civil society and donors have important roles in providing expertise on issues such as equity, community engagement, farming techniques, and resilience. Another vital role is to help bring farmers together to reduce transaction costs, increase bargaining power, build practical local collaboration (such as renting a harvesting machine), and share knowledge (Sustainable Food Lab and Business Fights Poverty 2017). Many NGOs advocating for LI and LW are members of groups, alliances, coalitions, foundations, and associations. These are working to build and implement a LW and LI benchmark and assess actual wage and income levels.

#### **Global Living Wage Coalition**

Seven standards systems have made a joint commitment and launched an unprecedented collaboration in the form of the Global Living Wage Coalition. The coalition recognises the need for a common definition of LW, independent LW benchmarks, a shared approach to measuring LW, and more coordination in implementation efforts to reduce the gap between actual wages and LW. The coalition is made up of ISEAL members Fairtrade International, GoodWeave, Rainforest Alliance, and UTZ, along with Social Accountability International (SAI). Richard Anker and Martha Anker are also partnering in this coalition. The long-term goal and shared mission of Global Living Wage Coalition members is to see improvements in workers' conditions, including wage levels, in the farms, factories, and supply chains participating in their systems (ISEAL Alliance 2020a).

#### ISEAL Living Wage Working Group

The ISEAL Living Wage Working Group is an active collaboration of six sustainability standards in different sectors (FSC, Fairtrade, SAI, UTZ Certified, Sustainable Agriculture Network/Rainforest Alliance, and GoodWeave International). They intend to adopt a common approach to calculating LW and to include the concept in their standards (ISEAL Alliance et al. 2015).

#### Living Income Community of Practice

Founded by GIZ, Sustainable Food Lab, and ISEAL, the Living Income Community of Practice is an alliance of partners dedicated to the vision of thriving, economically stable rural communities linked to global food and agricultural supply chains. The goal of the Living Income Community of Practice is to support activities focused on enabling smallholder farmers to achieve a decent

standard of living by raising their incomes towards LI benchmarks. This goes beyond mere poverty alleviation, with the intention being for smallholders to be able to live relatively comfortable lives (ISEAL Alliance 2020b).

The Living Income Community of Practice aims to achieve this by fostering learning and collaboration between stakeholders through hosting webinars, running activities, and producing resources. These provide methods and guidance on measuring and reporting information on actual and LI, understanding the gap between them, and identifying strategies to closing those gaps (ISEAL Alliance 2020b).

#### Living Wage Foundation

The Living Wage Foundation is a UK initiative that sets LW rates. The rates are calculated according to the real cost of living, including food, fuel, and childcare for London and the rest of the country separately (Fabo and Belli 2017). Established in 2011, it celebrates and recognises the leadership of responsible employers who choose to go further than the MW. It offers accreditation to employers that pay LW by awarding them the LW Employer Mark (ACCA 2017).

#### Asia Floor Wage

The Asia Floor Wage, launched in 2009, calculates LW in PPP\$. Currently, the Asia Floor Wage includes the cost of food, housing, clothing, health care (including maternity and childcare), education, fuel, transport, and savings (Fabo and Belli 2017).

#### Living Wage by WageIndicator

The WageIndicator Foundation's mission is to provide more labour market transparency for the benefit of all employers, employees, and workers worldwide by sharing and comparing information on wages, labour law, and careers (WageIndicator 2020). The aim is to analyse income and food security in nine countries of East Africa: Mozambique, Tanzania, Kenya, Uganda, Rwanda, Burundi, South Sudan, Ethiopia, and Egypt. Despite its regional focus, the calculations are available for many other countries worldwide, as the ambition is to produce a globally comparable LW indicator (Fabo and Belli 2017).

#### Fair Labour Association

The Fair Labour Association (FLA) is a non-profit collaborative network of universities, civil society organisations, and businesses. Its mission is to promote adherence to international and national

labour laws (FLA 2020). Companies that join the FLA commit to upholding the FLA Workplace Code of Conduct (based on ILO standards) and to establishing internal systems for monitoring and maintaining workplace conditions throughout their supply chains (FLA 2018).

Every year, the FLA visits hundreds of farms in countries around the world to assess working conditions against its Workplace Code of Conduct. The FLA has been working to strengthen the assessment process so it is more effective in detecting where wages (even if legal) may still be too low. The effort to record compensation data is intended to help companies to better understand the wages paid to workers on the farms from which they source. Over time, these assessments have alerted agricultural companies of the need to intervene when workers are affected by violations, such as non-payment of MW, or non-payment of social security benefits (FLA 2017).

#### Fairtrade

Fairtrade is a movement for change that works directly with businesses, consumers, and campaigners to make trade deliver for farmers and workers. The international Fairtrade system (of which the Fairtrade Foundation is a part) represents the world's largest and most recognised fair trade system. Members of the Fairtrade movement advocate for the payment of higher prices to producers, as well as improved social and environmental standards (Fairtrade 2020b). They raise awareness and advocate alongside like-minded companies, governments, and civil society to make LI for farmers the norm. Fairtrade is developing tools to help farmers track their actual production costs and revenues, equipping them to make informed business decisions and become more efficient. Additionally, Fairtrade producer networks support cooperatives to improve their governance and management capacity, so they are strong and reliable business partners, create value for their members, and gain access to important additional services such as loans (Fairtrade 2019a).

Fairtrade developed the concept of a Living Income Reference Price for sustainable pricing, which indicates the price needed for full-time farmers with adequate, sustainable productivity levels to earn a LI. It has been calculated for West African cocoa and is being calculated for coffee and vanilla (Fairtrade 2019a). This target price is based on what the ISEAL Living Income Community of Practice has calculated would be needed in each country to support the average cocoa farming household's basic needs. These include food, housing, clothing, health care, and education plus a small provision for emergencies. The target price also factors in productivity benchmarks and the cost of sustainable production. This price model was also validated

through a consultation process with producers, industry, and civil society. Unlike the Fairtrade Minimum Price, the Living Income Reference Price is not mandatory. The increase in the Fairtrade Minimum Price closes about a quarter of the gap between the average Ivorian cocoa farmer's income and the LI, as a first step in a gradual and collective process (Fairtrade Canada 2018).

All Fairtrade certified products include the price of a Fairtrade Premium: on top of the earnings that farmers and workers receive is an extra sum of money to invest in improving their life quality. Producer organisations often invest their Fairtrade Premium into productivity and quality improvement, supporting their members to achieve sustainable yields. They can also choose to invest in things like business development, better service delivery, or processing facilities that expand farmers' share of the value chain (Fairtrade 2019a).

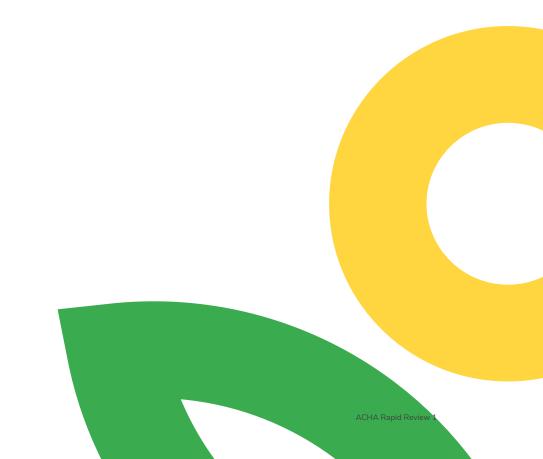
#### Rainforest Alliance

The Rainforest Alliance is an alliance of farmers, forest communities, companies, and consumers committed to creating a harmonious world for people and nature based on responsible business (Rainforest Alliance 2020). Sustainable agriculture and forestry sectors require farmers, foresters, and workers around the world to be paid enough money to provide a decent life for themselves and their

families (Rainforest Alliance 2019). The Rainforest Alliance is dedicated to helping producers and communities improve their household incomes through their certification system, advocacy work, and their conservation and development investments in priority countries. They attempt to build on local knowledge and available research, and adaptively manage as new lessons are learned (Grillo 2018).

#### The Sustainable Trade Initiative

IDH, The Sustainable Trade Initiative (IDH) brings governments, companies, civil society organisations, and financiers together in action-driven coalitions. The aim of IDH is to coordinate the powers of law, entrepreneurship, and investments in order to create solutions for global sustainability issues at scale (IDH 2020). In the last five years, IDH has worked with many partners to improve working conditions and close the LW and LI gaps in several supply chains. IDH intends to drive progress towards decent earnings by convening sectoral coalitions, taking action, and continuously incorporating lessons learned. It co-designs and co-funds projects, develops tools to help partners close the gap (e.g. the Salary Matrix and the Sustainable Procurement Kit), and researches best practices at the producer, trader, buyer, and retailer level that contribute to a LW and a LI (ibid.).



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