

EMBARGOED to 0001 Hours, Wednesday 18th June

RAISING WAGES FOR TEA INDUSTRY WORKERS

The Issue

Tea is the world's most popular drink (after water), and the tea industry provides livelihoods for millions of people around the world, but a range of problems can lock in low wages.

Many tea producing countries are poor and minimum wages may be set at a low level. So although tea estates pay their workers the legally agreed wage, this may not be enough give them a "living wage" that covers a household's basic needs. The situation is complicated by the fact that "in-kind" benefits, such as housing, often make up an important part of tea workers' pay and benefits packages.

To get to the root of the problem, in 2011 Ethical Tea Partnership and Oxfam began co-ordinating an in-depth analysis of pay and benefits in Malawi, India and Indonesia, supported by IDH – the Sustainable Trade Initiative, Unilever and the certification organisations Fairtrade International, Rainforest Alliance and Utz Certified.

The study identified systemic problems locking in low wages: pay is set at national or regional level; wages are influenced by government policies to maximise rural employment by setting fixed numbers of workers for each estate, therefore reducing employers' ability to manage productivity and costs; "in-kind" benefits such as housing can form a big share of workers' income, but these vary significantly between estates; and most workers have little say in pay and benefit negotiations.

Their 2013 report *Understanding Wages in the Tea Industry* also found no difference between wages on estates certified by organisations like Fairtrade International and Rainforest Alliance because wages are set nationally or regionally, not by individual companies, and certification standards have traditionally focused on whether the legal minimum wage is being met, rather than on a living wage.

The project

ETP, Oxfam, IDH – the Sustainable Trade Initiative – and the German Development Agency GIZ, are now leading a strategic coalition, which aims to make progress towards a living wage for tea workers and living income for smallholders, enabling all those working in the industry to live dignified lives. They will focus initially on Malawi, before moving on to other countries.

The coalition brings together the wide range of organisations that is needed to find solutions to the systemic problems identified in the 2013 report including global tea companies, such as Twinings, Tata Global Beverages (who produce Tetley), Taylors of Harrogate (who produce Yorkshire Tea), DE Master Blenders and Unilever (makers of PG Tips), retailers such as Tesco and Marks & Spencer, governments, trade unions, and NGOs.

The coalition includes Fairtrade International, Rainforest Alliance and UTZ Certified, which have all been revising their approach to wages. One of the coalition's key tasks will be to develop credible living wage benchmarks as targets to work towards in pay rounds. Malawi is one of the first countries where this benchmark has been developed.

Programmes will run for a number of years and will work on a number of different levers for change including:

- Assisting tea estates to improve their productivity and profits, making more finance available for investment and providing business support, linked to a commitment to raise wages.
- Working with employers, unions and governments to improve the process by which wages are set, increasing worker representation and agreeing phased improvements.
- Training smallholders in good farming practices and giving them access to affordable finance so they can improve quality and productivity, and therefore income.
- Improving workers' living standards and working conditions by running programmes to improve nutrition, combat discrimination and harassment, develop employment skills and make banking facilities available.

Case study

Malawi is Africa's largest tea producer after Kenya and is one of the world's poorest countries, with the ninth lowest per capita income. In 2011 and 2012, the ETP and Oxfam wage coalition of companies, IDH – the Sustainable Trade Initiative and certification organisations commissioned wage experts Ergon Associates to lead research that found that the combined value of tea pickers' pay and benefits was average for the country but only about half the World Bank's poverty line income of around \$2 per person per day.

Since the coalition launched their report on tea industry wages in 2013 they have been working closely with the Malawian industry, Ministry of Labour, tea buyers and retailers, wage experts, unions, certification organisations and NGOs to assess its implications and the way forward.

One of the key strands of work is to improve worker representation in the wage-setting process. Oxfam convened a number of meetings in Malawi, which led to the establishment of the Task Force for Collective Bargaining. The Task Force is chaired by the Malawi Ministry of Labour and includes the Malawi Congress of Trade Unions, the Plantation Agriculture Workers Union and the employers associations, the Tea Association of Malawi and ECAM.



In 2014, ETP and Oxfam partnered with Fairtrade, Rainforest Alliance and Utz Certified to support work by wage expert Richard Anker to develop a living wage benchmark for Malawi. He found that after eight years of little change there have been significant rises since 2012. Although average earnings for tea pluckers are still below the World Bank \$2 per day poverty line, they are now better off than 62% of Malawi's rural population who live below the bank's \$1.25 extreme poverty line.

“Although there is still far to go before workers on tea estates receive a living wage, tea estates have made significant progress in recent years to improve wages of workers.”
Martha and Richard Anker, January 2014