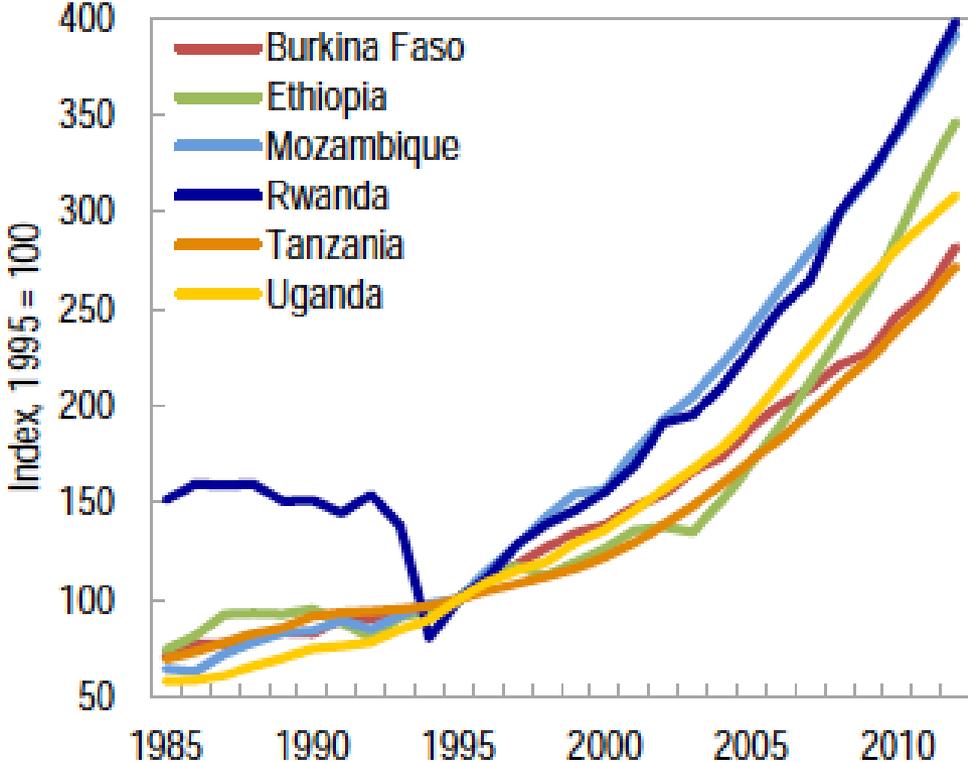


# The quality of growth with unlimited supplies of labour

Christopher Cramer  
(SOAS, University of London)

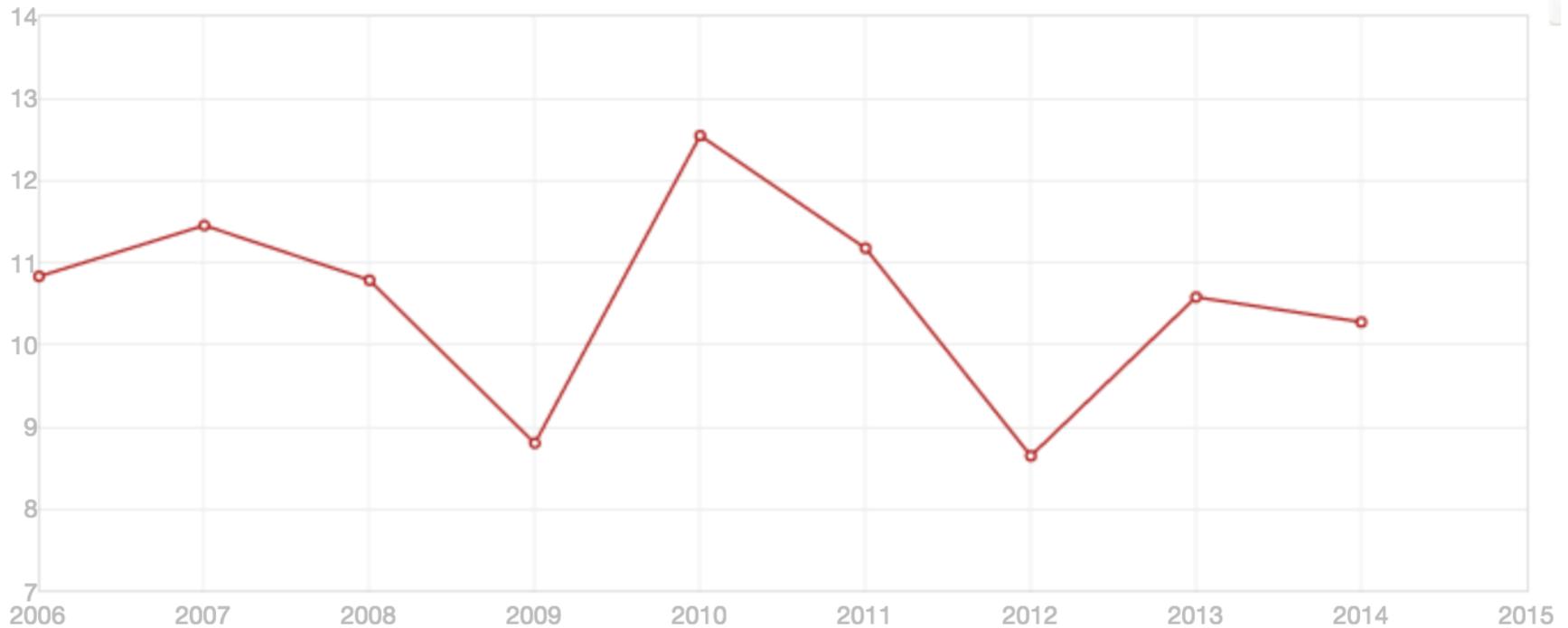
# Non-resource rich rapidly growing Africa

Figure 2.3. Sub-Saharan Africa Sample Countries: Real GDP Index



Source: IMF, World Economic Outlook database.

# Rapid growth (annual real GDP growth rate)

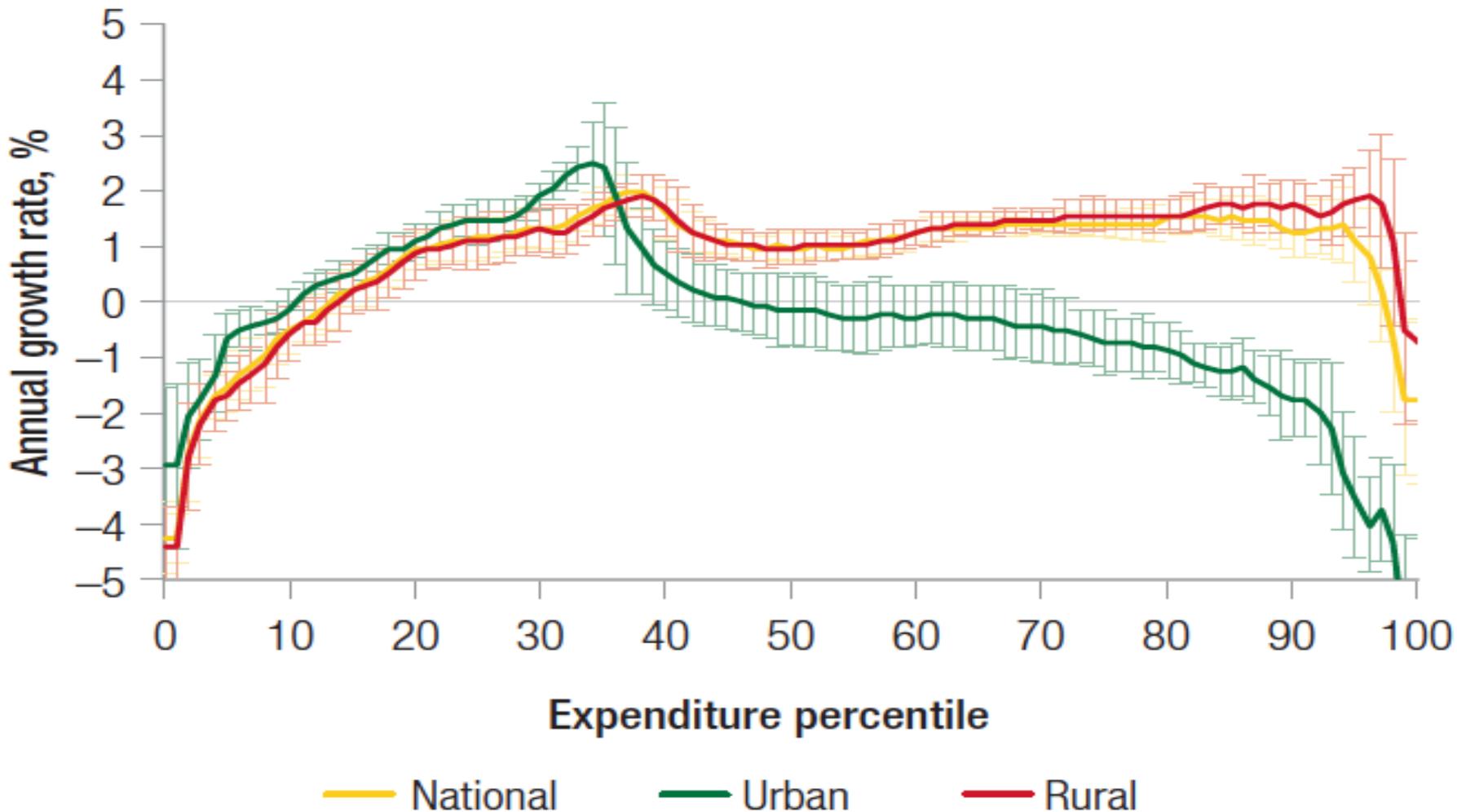


Source: World Bank, WDI

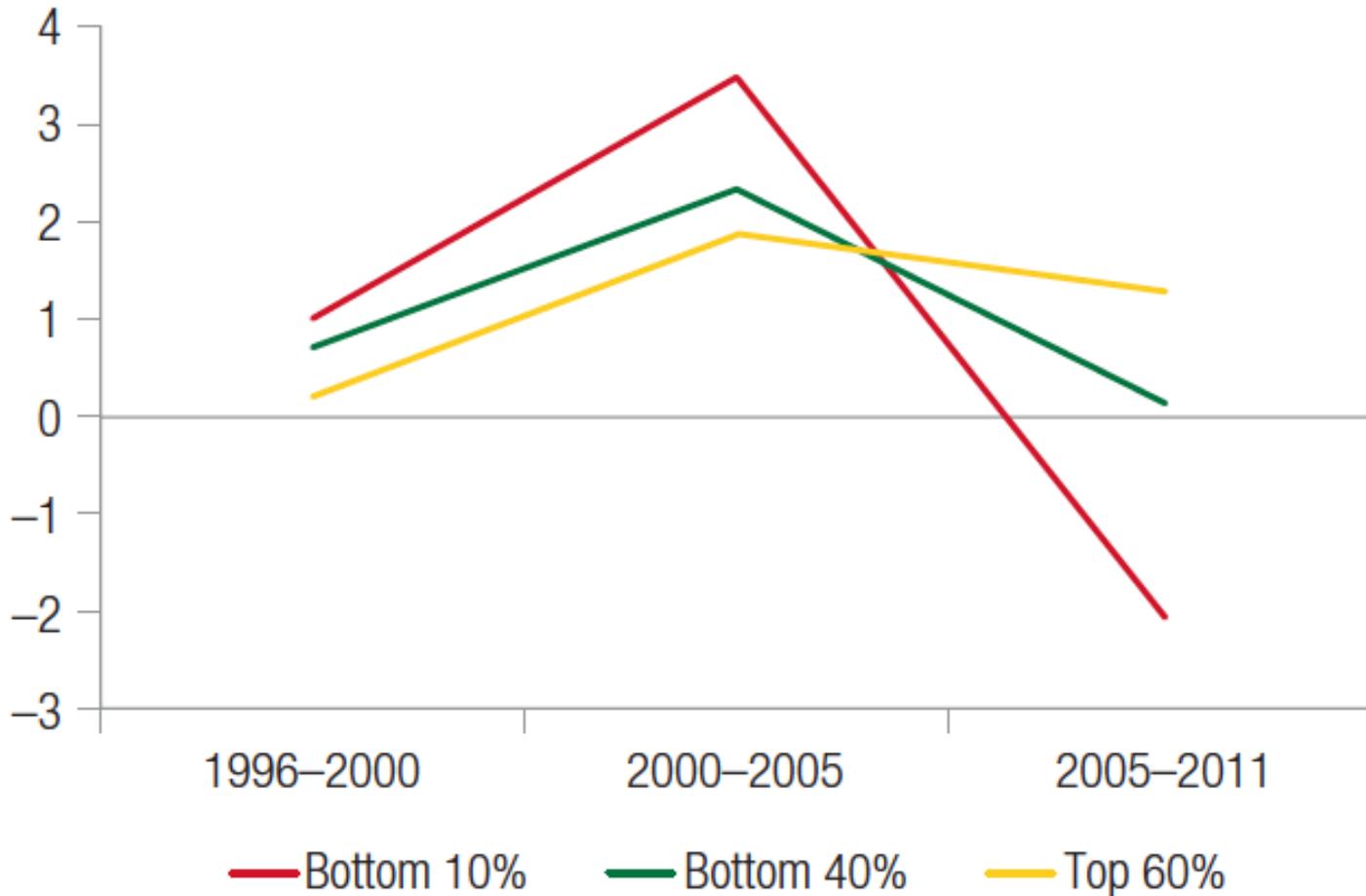
# DECLINING CONSUMPTION OF THE BOTTOM 15 % OF HOUSEHOLDS

(consumption growth for the remaining households averaged only 1.2%)

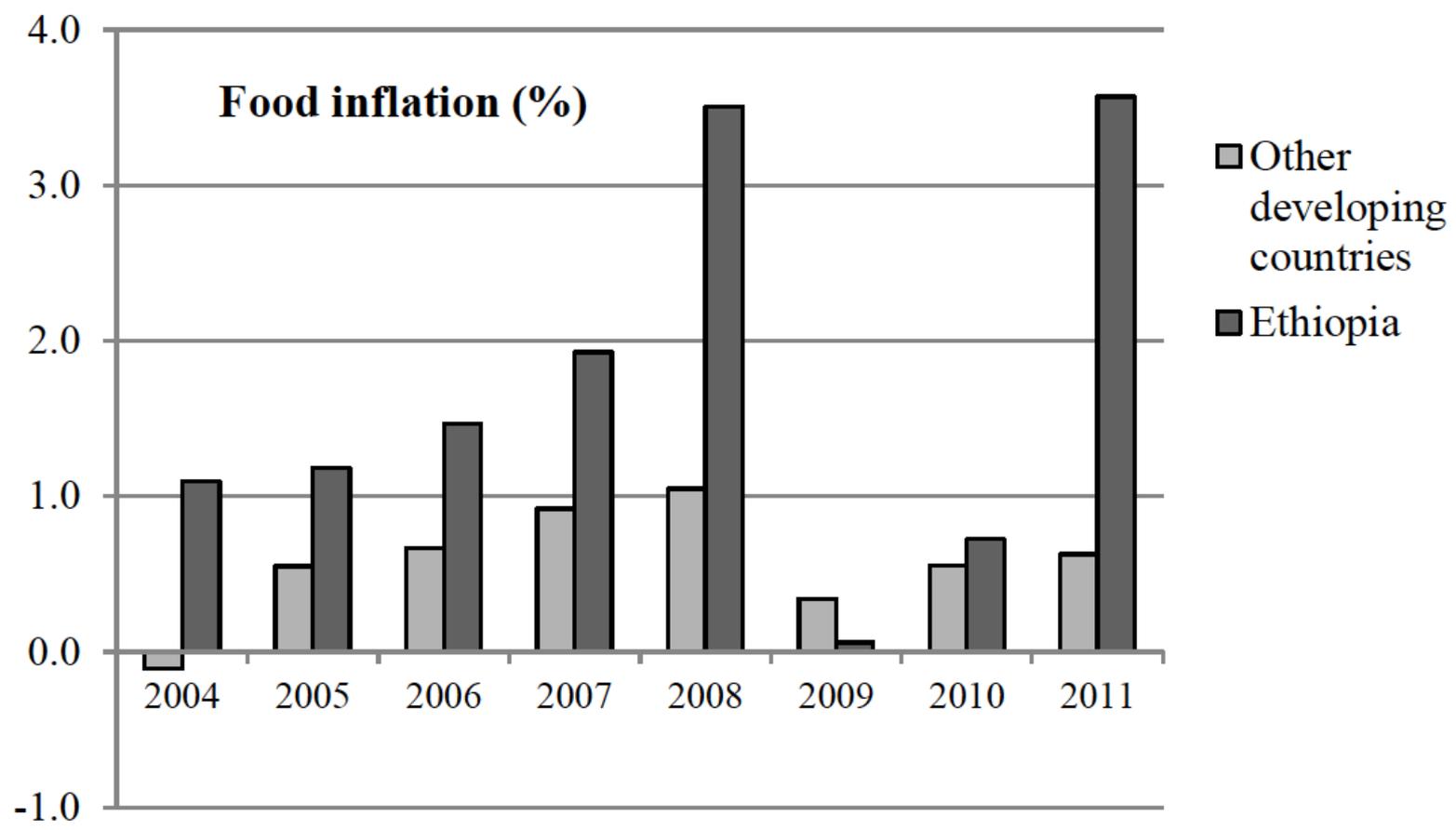
## Growth Incidence, 2005–2011, HICES deflator



# Average Annual Growth of Consumption: Poor and Other Households



**Figure 1.1—Average monthly inflation in Ethiopia and other developing countries, 2004–2011**



# Who are they? Wage workers

- FTEPR research has shown that in rural areas they are casual wage workers.
- The key reason for decline in consumption by the poorest has been failure of wages to rise in response to rising prices of the basic wage goods (food).

# How long does it take for wages to adapt to price spikes?

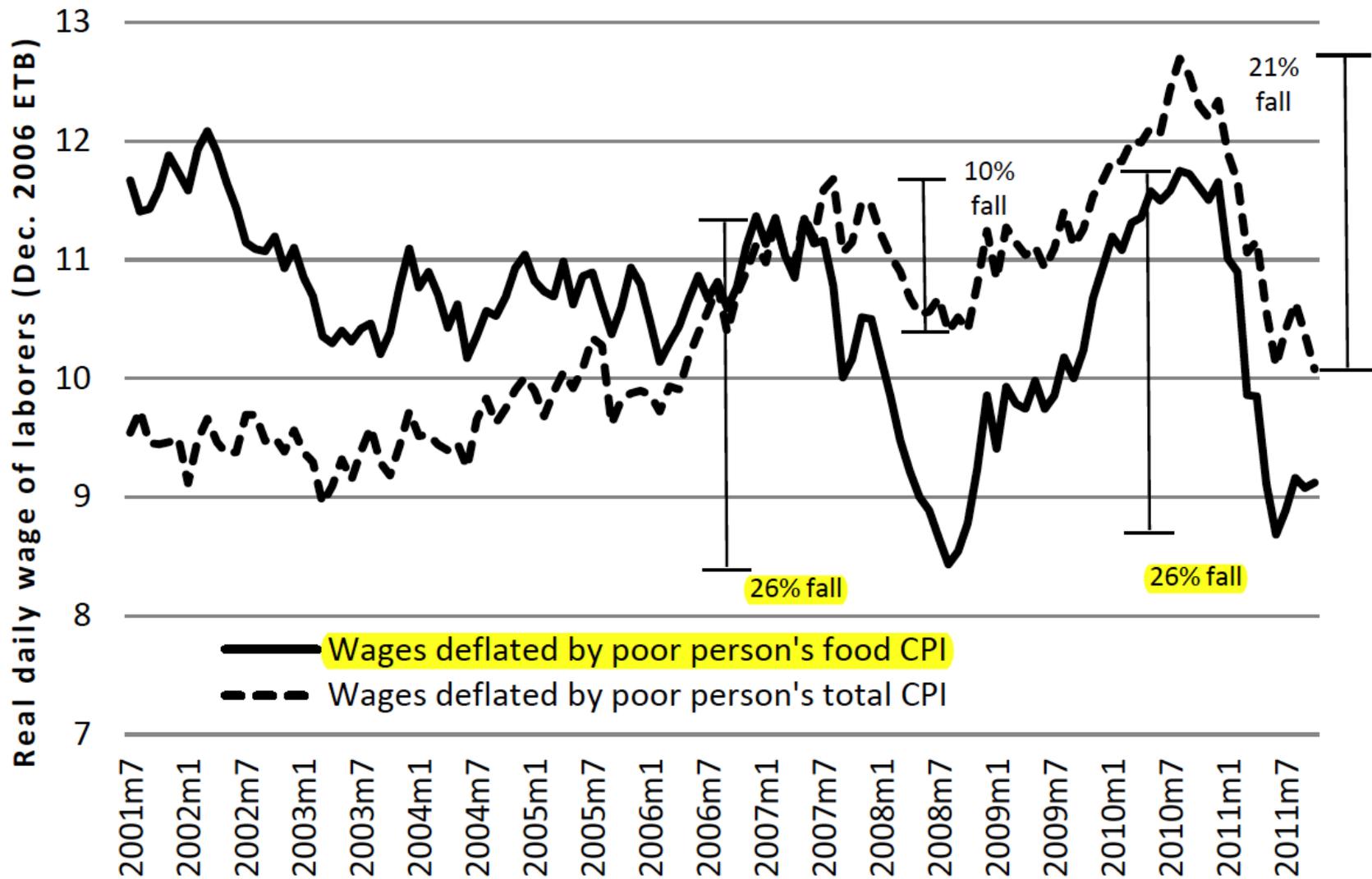
- In **urban and small-town** Ethiopia (for casual labourers) adjustments take a very long time:

“there is neither descriptive nor econometric evidence that wages substantially adjust to higher food prices, except in the long run” (Heady et al, 2012)

- In **coffee growing areas** in 2010-11, no evidence that rural wage workers can bargain to maintain real wages when food prices spike

(FTEPR)

**Figure 3.2—Trends in real daily laborer wages deflated by CPIs for the urban poor**



# Rural research (FTEPR)

## Headline findings

- Wage employment is far more prevalent than commonly acknowledged
- Agricultural wage workers are extremely poor
- There is no evidence that 'interventions' like Fairtrade certification, improve conditions for wage workers

[www.ftepr.org](http://www.ftepr.org)

# FTEPR methodology

- **Contrastive case study approach** –target certified/uncertified, large/small sites
- **Mixed method large-N varied component study** – prior scoping, initial quantitative survey, longitudinal, life’s work histories, stakeholder interviews. More than 1,000 person days of fieldwork.
- **Large primary evidence base:** venue-based sampling; **no official lists** but GPS-census → sampling frame.



Google

Map data ©2013 Google. Terms of Use

# Sample overview (individuals)

	Uganda	Ethiopia	Total
<i>GPS census</i>	3,256	5,093	<b>8,349</b>
<i>PDA survey</i>	2,270	2,473	<b>4,743</b>
<b><i>Main questionnaire survey</i></b>	<b>772</b>	<b>928</b>	<b>1,700</b>
<i>Longitudinal survey</i>	117	284	<b>401</b>
<i>Work history interviews</i>	31	84	<b>115</b>

# Ferro site - Sidamo



Google

Map data ©2013 Google Imagery ©2013 Cnes/Spot Image, DigitalGlobe, Landsat | Terms of Use

# Zeway Flower site

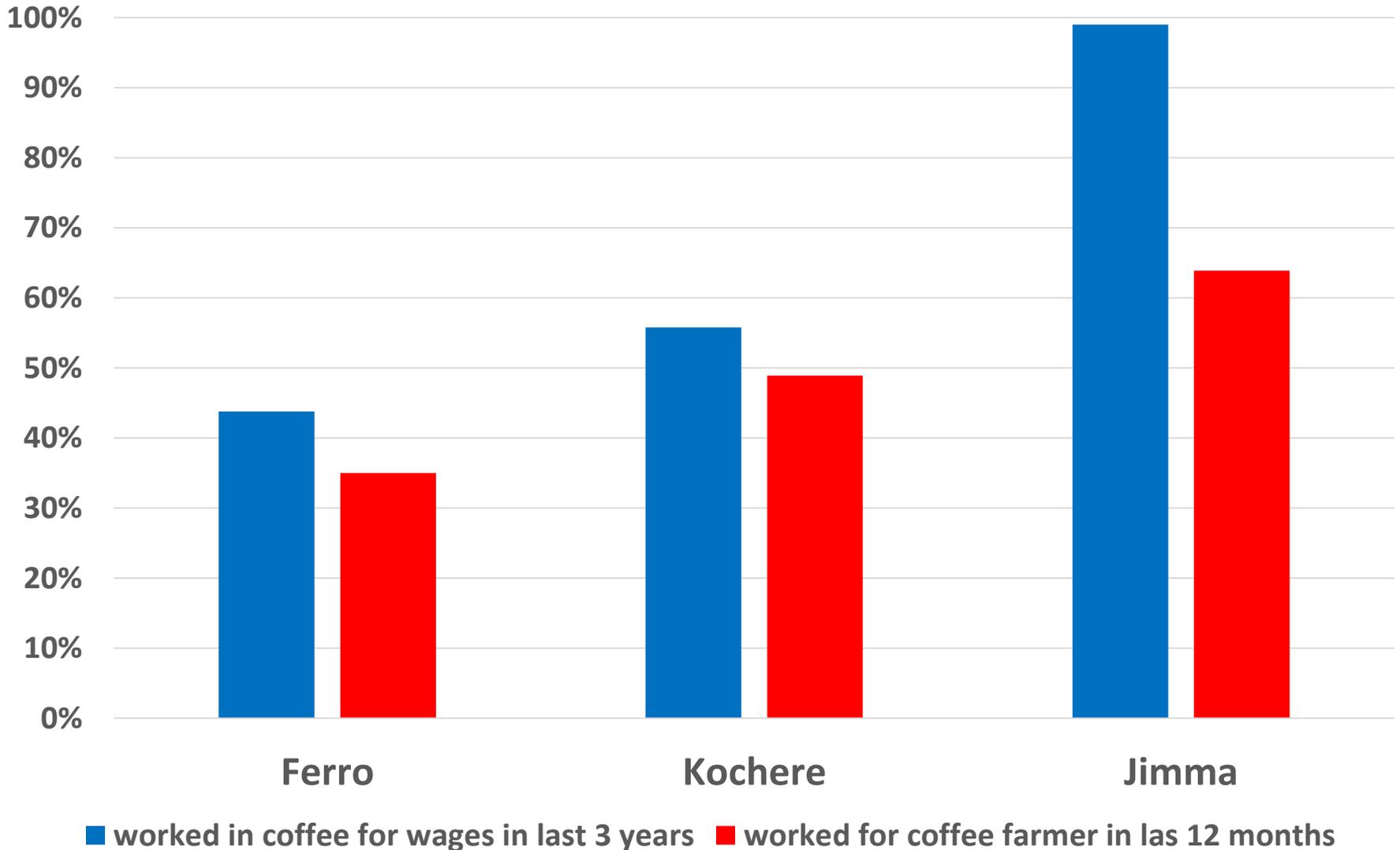


# **SOME KEY FINDINGS**

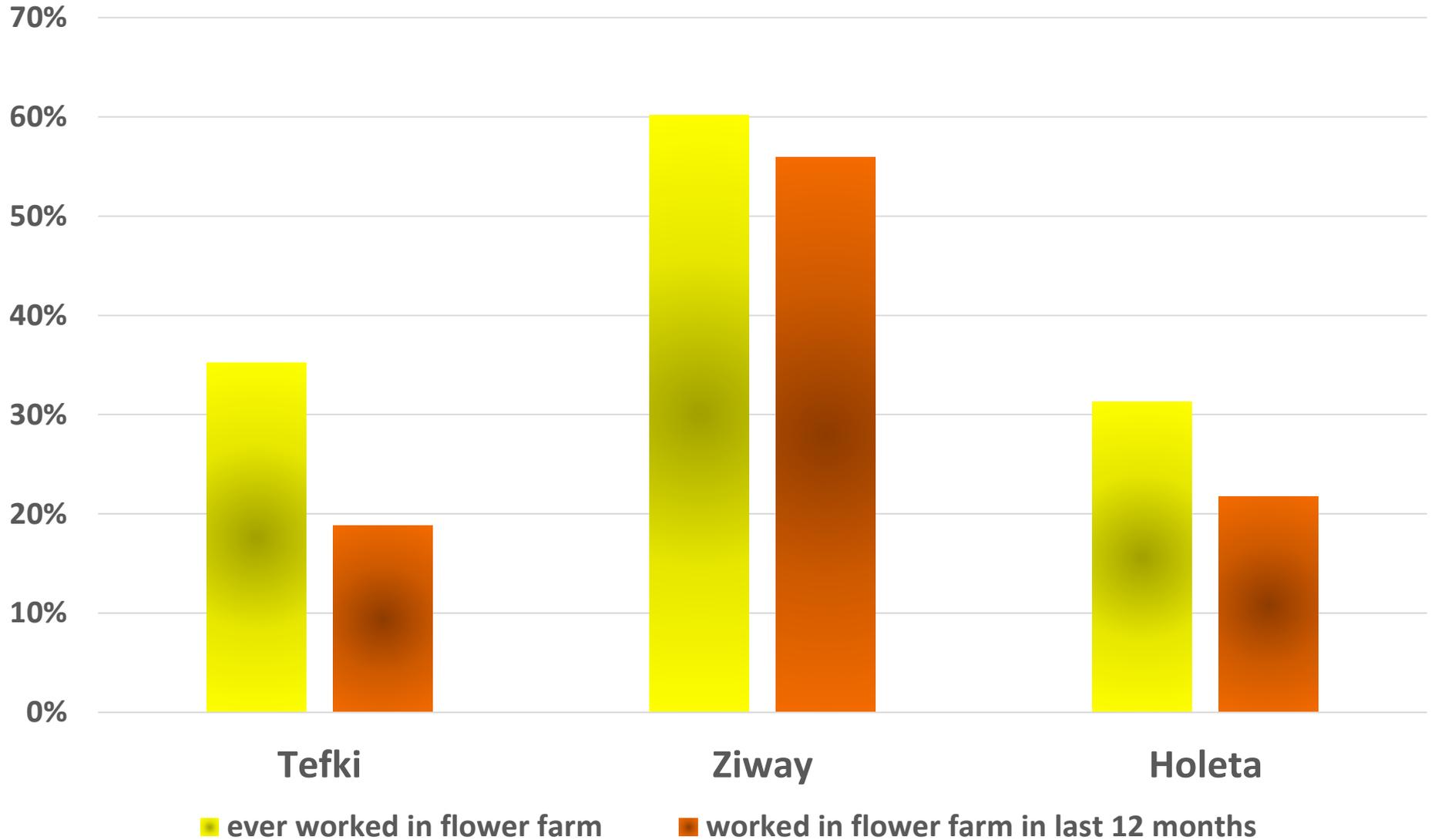
# Agricultural exports provide wage employment opportunities vital to the welfare of poor rural Ethiopians

- Many more rural Ethiopians engage in wage labour than commonly believed (ERSS about **1%** or less of rural adult females in recent wage employment)
- Our area census results show more than **40 per cent** of the adult population in one smallholder research site (Ferro) and **55 per cent** in another (Kochere ) had recently worked for wages in coffee production.

## Adults participating in wage labour: Ethiopia coffee sites



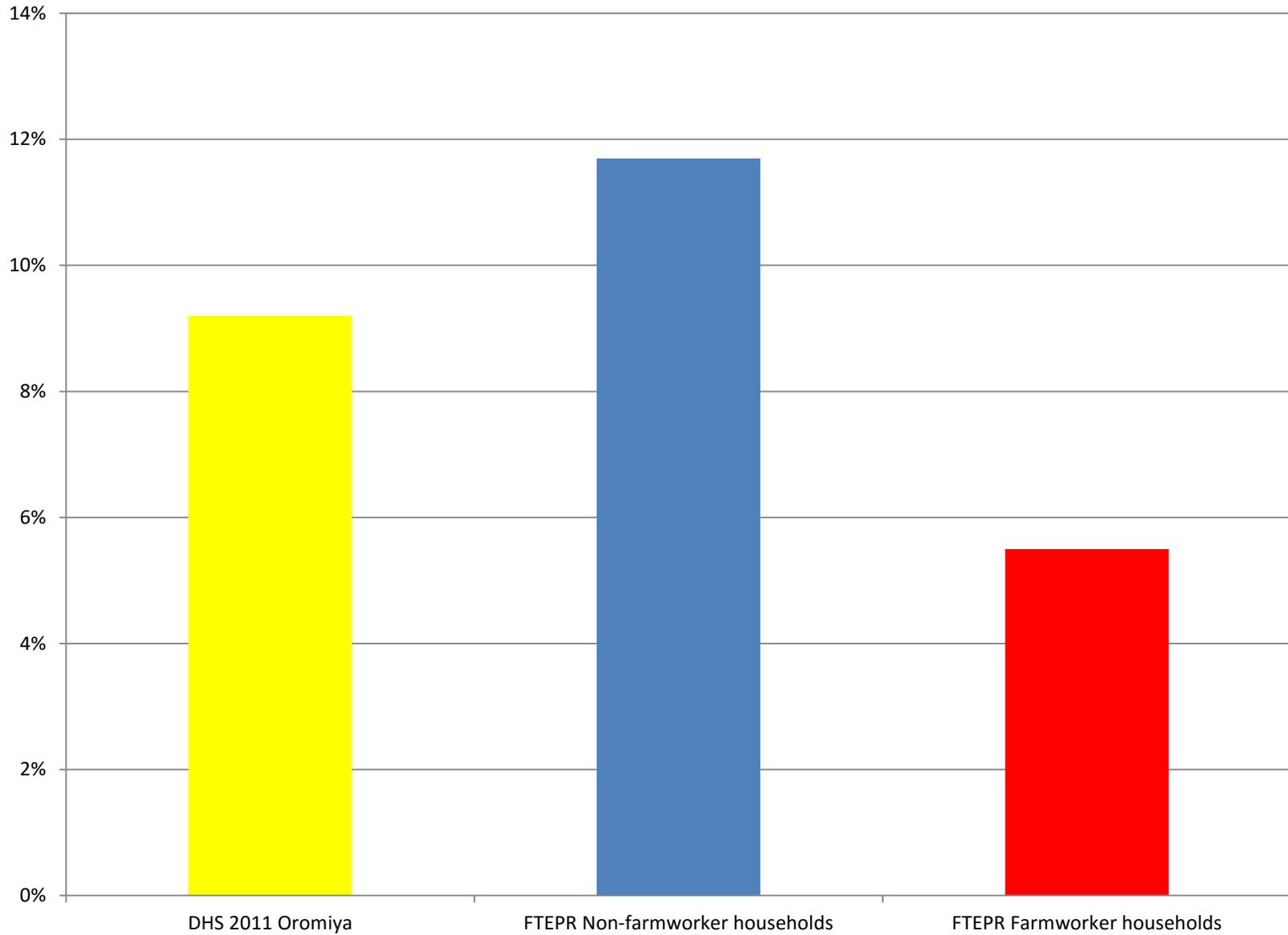
## Adults participating in wage labour: Ethiopia flower sites



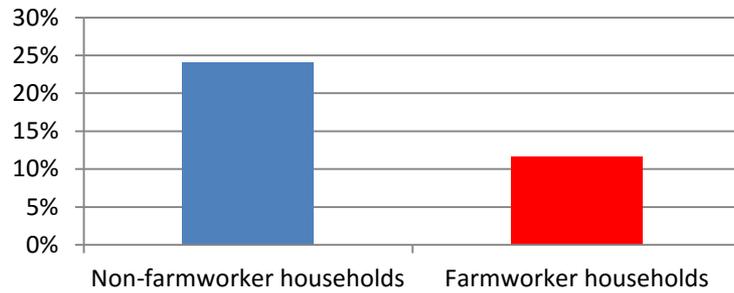
# Agricultural wage workers are typically very poor

- Households containing people who do manual agricultural work for wages are likely to be much poorer than other households
- For example we know that low levels of female education are an excellent indicator of poverty

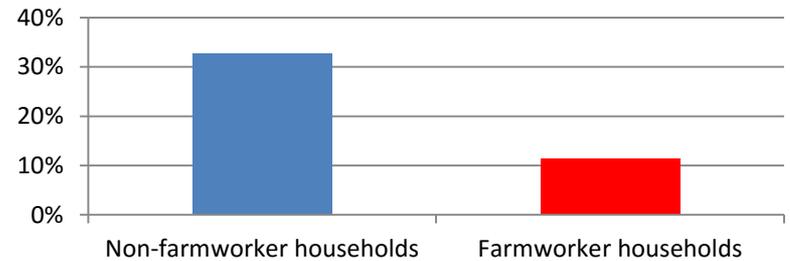
## % Women aged 15-49 Years, Secondary Education or Higher



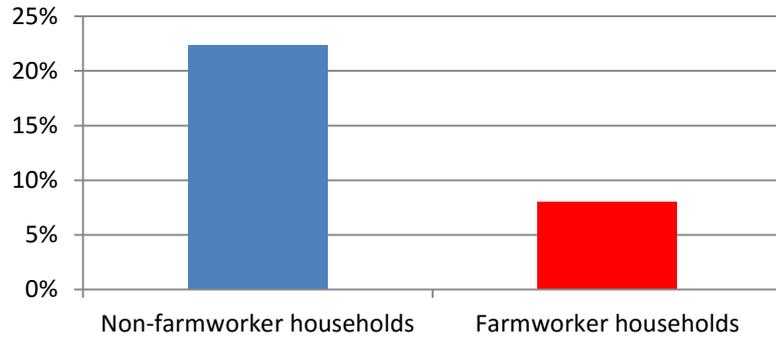
### Mobile phone



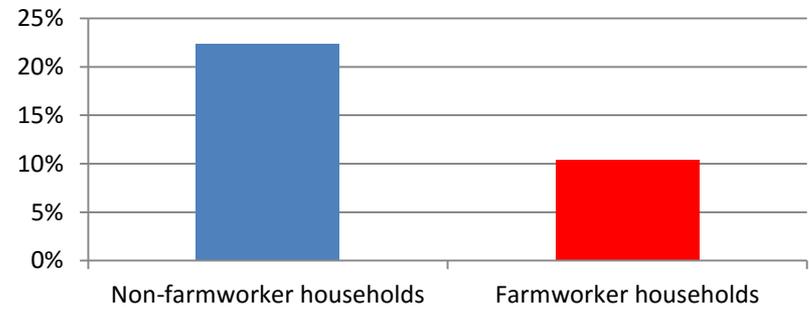
### Radio-cassette-CD Player



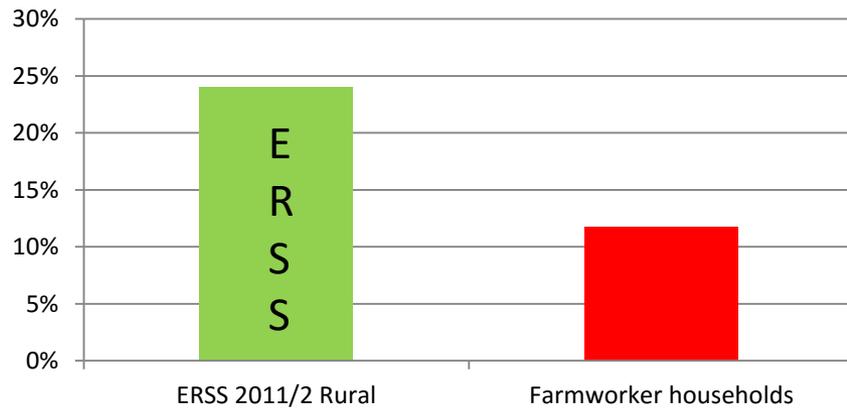
### Ox plough



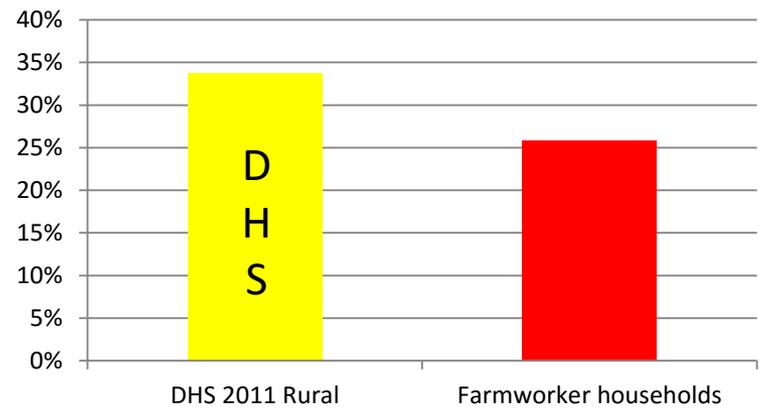
### Kerosene Lamp



### Mobile Phone: ERSS



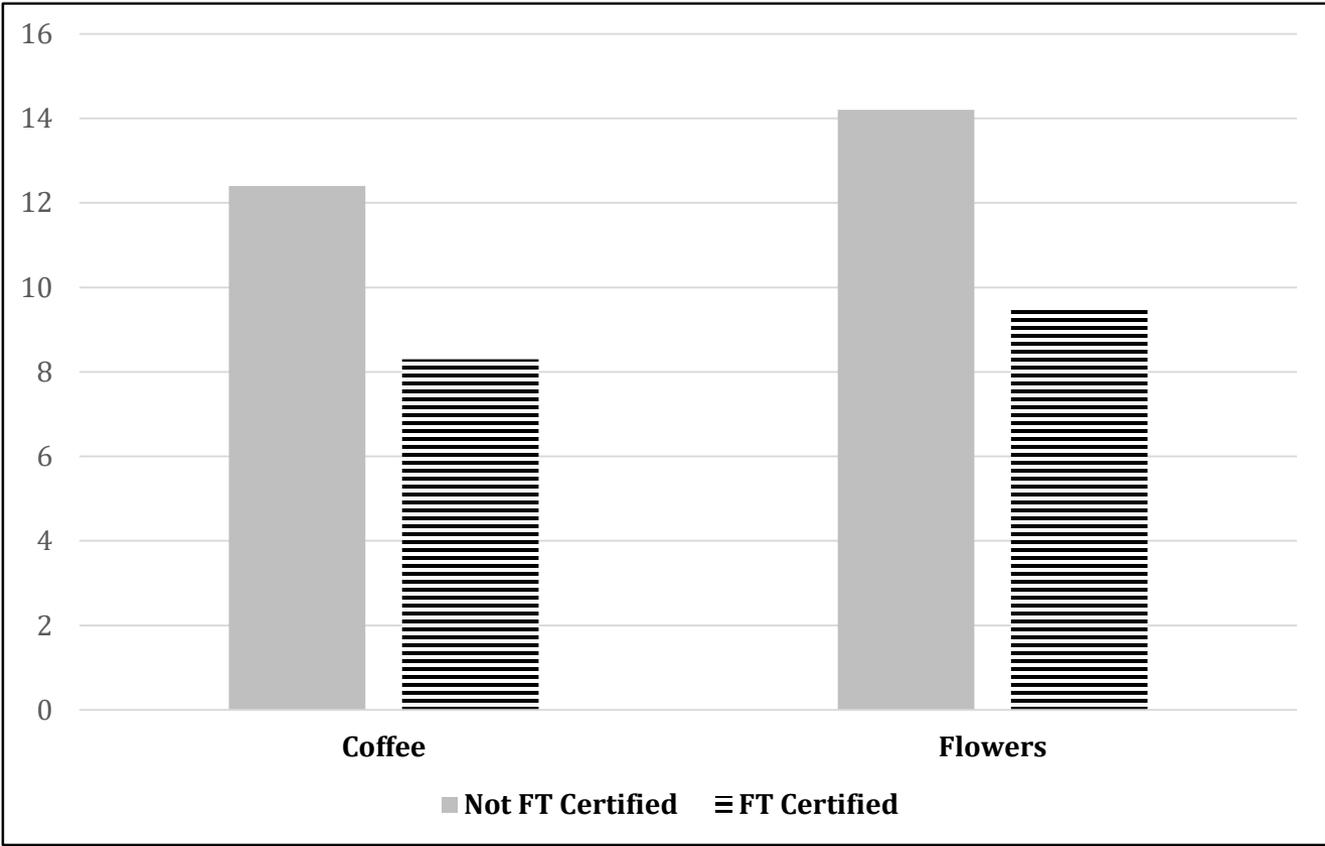
### Radio: DHS



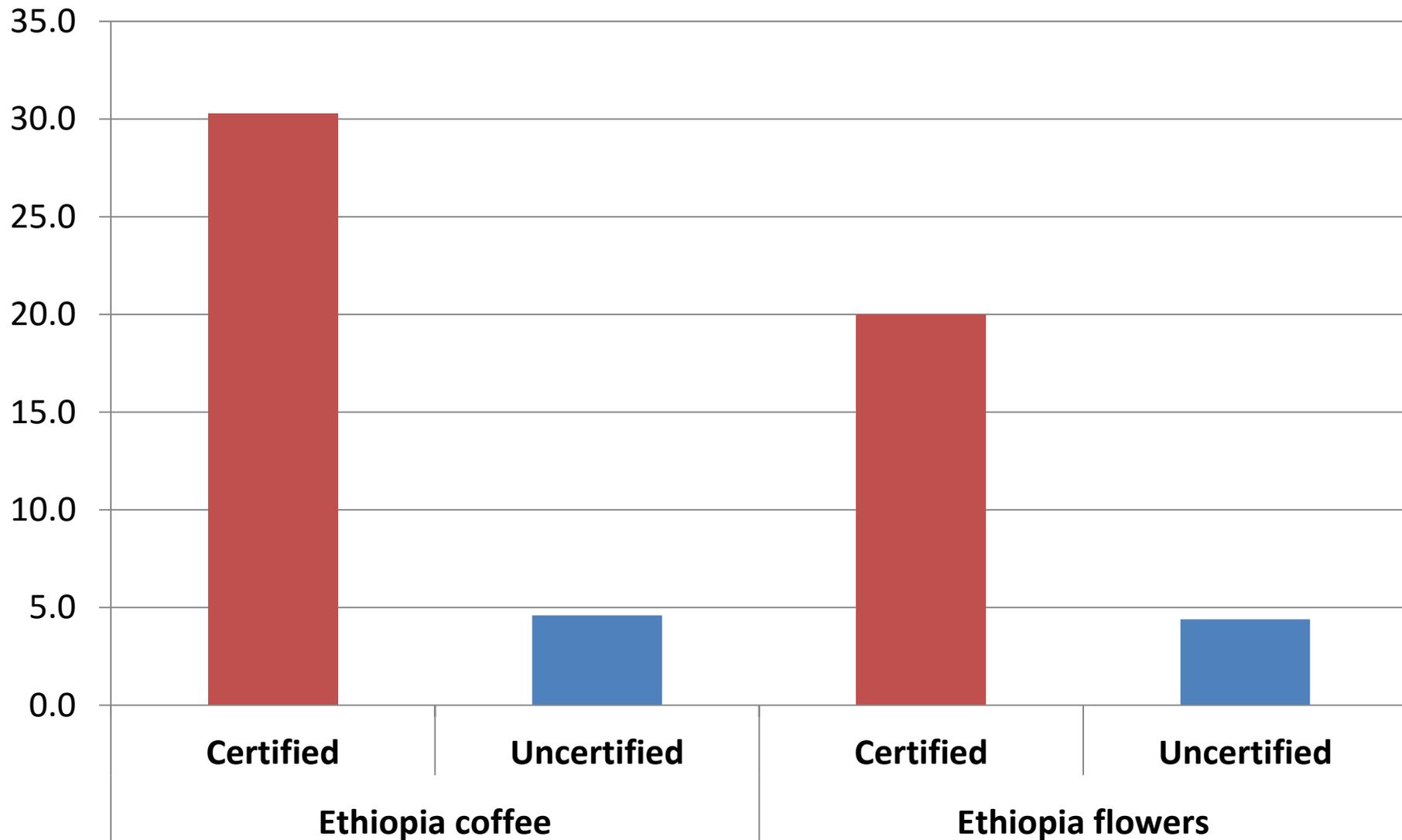
## Fairtrade certification has no positive impact on wage workers

- Both flower and coffee workers on Ethiopian Fairtrade certified production sites are generally paid **much less than** those on non-certified sites.

**Figure 1. Average nominal daily wages (Birr), by product and certification status in Ethiopia**



## Proportion of workers with wages below 60% of median wage (FT Certified v Uncertified)



# Detailed econometric analysis confirms these results

- Regression analysis allows us to control for some of these factors: scale, gender, education, time in job, socioeconomic status. The factors most significantly correlated with wages are: large-scale (+), male (+), primary school completed (+), household size (+), FT certification (-)
- And the regressions confirm that differences in wages between FT and non-FT are both highly significant & large: 20-28% in Ethiopia and Uganda coffee; 40% in Uganda tea.
- We also used PSM analysis to identify a 'control group', i.e. to use comparable sub-samples → again: results were confirmed

# Qualitative research adds

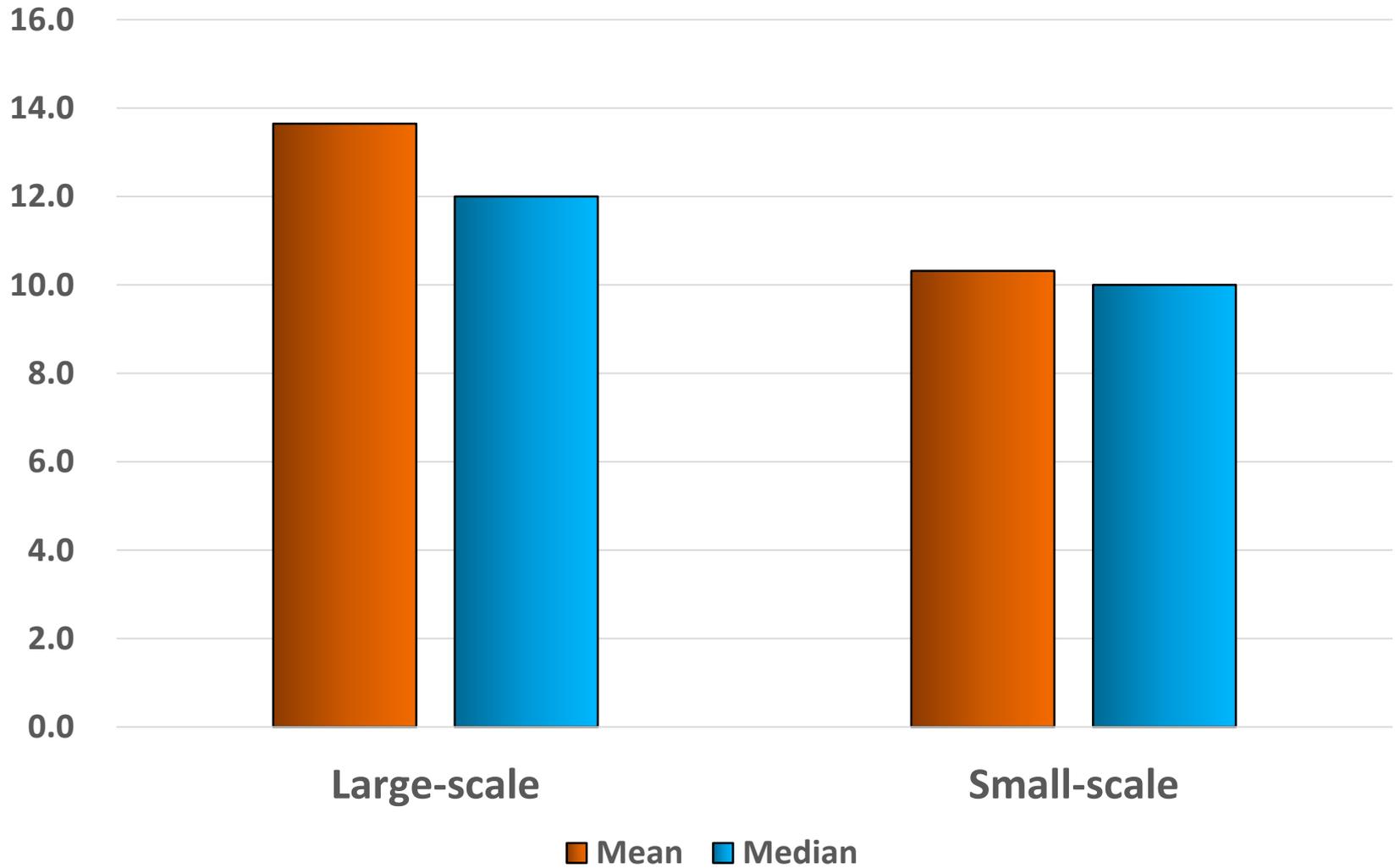
Detailed working life histories (80+ in Ethiopia) and focus group interviews suggest:

- It is very easy to find **very young children** who work for wages in coffee
- Women working for wages (in certified and non-certified sites) are often compelled to offer **sexual favours** to supervisors and/or bribes
- To pay health and schooling costs, **many people have incurred debts at usurious interest rates**, restricting options in labour & coffee markets
- **Wages/conditions vary** a great deal across employers and better working conditions do not weaken enterprise competitiveness

# What does make a difference to wages & conditions?

- In coffee, **size matters**
- In flowers, more idiosyncratic: there are some very competitive good employers; others with plenty of resources are not good employers
- State regulation helps (maternity leave...) but capacity for oversight encounters same problems as for international certification schemes

## Production Scale and Calculated Daily Wages Averages: Coffee



# Policy responses

- Direct labour market interventions
  - Difficult to monitor but not useless
- Indirect measures to tighten labour market
- Support for agricultural investment
- **IPA**: capturing the gains of the industrialisation of freshness

# Policy Issues: tightening labour markets

- **Education**, especially for rural girls. Ensure girls stay in school to tighten labour market and to improve their labour market bargaining power.
- There is a need for large-scale discrimination in favour of rural girls – biased educational expenditure and cash transfers directly to girls attending secondary schools.
- More *targeted infrastructure* interventions - feeder roads, irrigation, storage. The targets should be those rural areas producing female labour-intensive crops, e.g. irrigated high-value horticulture, coffee.

# Policy issues – state expenditure to improve quality and quantity of output

- Massively increase share of public expenditure on agriculture to support exports and growth of female jobs.
- For example, a massive expansion in the number of high quality coffee washing plants is urgently required, as well as a greater emphasis on agronomic research on export crops.
- Those sectors with the greatest potential to contribute to both balance of payments objectives and employment/poverty reduction objectives should be supported by well resourced parastatal institutions.
- The state must discipline the larger farmers and agribusiness by imposing performance criteria (wages/labour conditions, export volume, export quality, productivity). In return, the state should **channel additional resources** to responsive farmers, ‘betting on the strong’ and subsidizing their enterprises.

# Agricultural (and rural employment) policy IS industrial policy

- Seeds
- Inputs/drip and nano-irrigation
- Control of humidity, temperature, light/UV
- Traceability IT
- Phyto-sanitary measures
- Processing time: cooling, ripening
- Transport, logistics, packaging, branding

# Manufacturing poinsettia













# Additional slides

# Fairtrade certified (average) daily wages as a percentage of non-Fairtrade certified (average) daily wages

	Female manual agricultural workers	Male manual agricultural workers	Total manual agricultural workers	Total sub-sample (N)
<b>Coffee sites Ethiopia</b>	71%	62%	67%	433
<b>Flowers sites Ethiopia</b>	71%	59%	67%	225

# Non-wage labour conditions: selected indicators for Ethiopia flowers

Conditions	Fairtrade Certified	Uncertified or other
<i>Sick leave</i>	<b>7%</b>	<b>62%</b>
<i>Paid medical care</i>	<b>4%</b>	<b>53%</b>
<i>Paid holidays</i>	<b>17%</b>	<b>65%</b>
<i>Physical/sexual abuse or threat at workplace</i>	<b>52%</b>	<b>29%</b>
<i>Pesticides applied in greenhouse when workers present</i>	<b>58%</b>	<b>40%</b>
<i>Regular health &amp; safety training</i>	<b>15%</b>	<b>28%</b>
<i>Overtime compensation</i>	<b>69%</b>	<b>90%</b>
<i>Payment delays</i>	<b>64%</b>	<b>44%</b>

# Calculated daily wage rates (Birr): Flowers Ethiopia

	female	male	total
uncertified	12.7	11.9	<b>12.5</b>
MPS-ABC certified	10.8	10.4	<b>10.6</b>
MPS-ABC and MPS-SQ certified	15.9	18.3	<b>16.7</b>
<b>Fairtrade certified</b>	<b>9.9</b>	<b>8.7</b>	<b>9.5</b>
total	13.1	13.6	<b>13.3</b>

all differences across gender and certification status are statistically significant