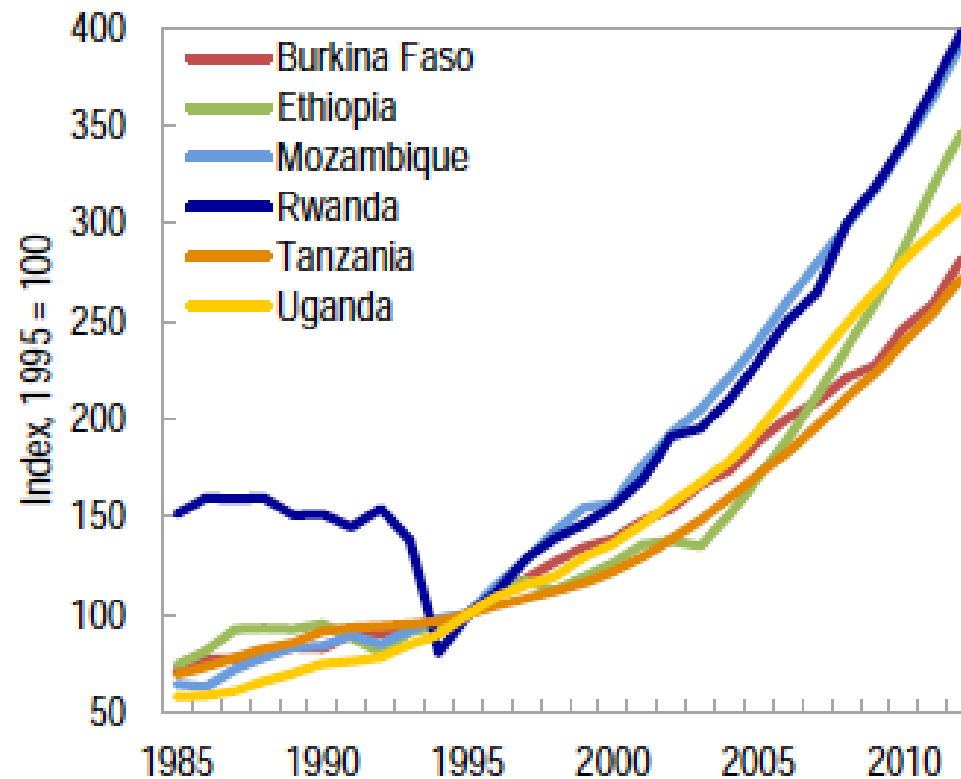


The quality of growth with unlimited supplies of labour

Christopher Cramer
(SOAS, University of London)

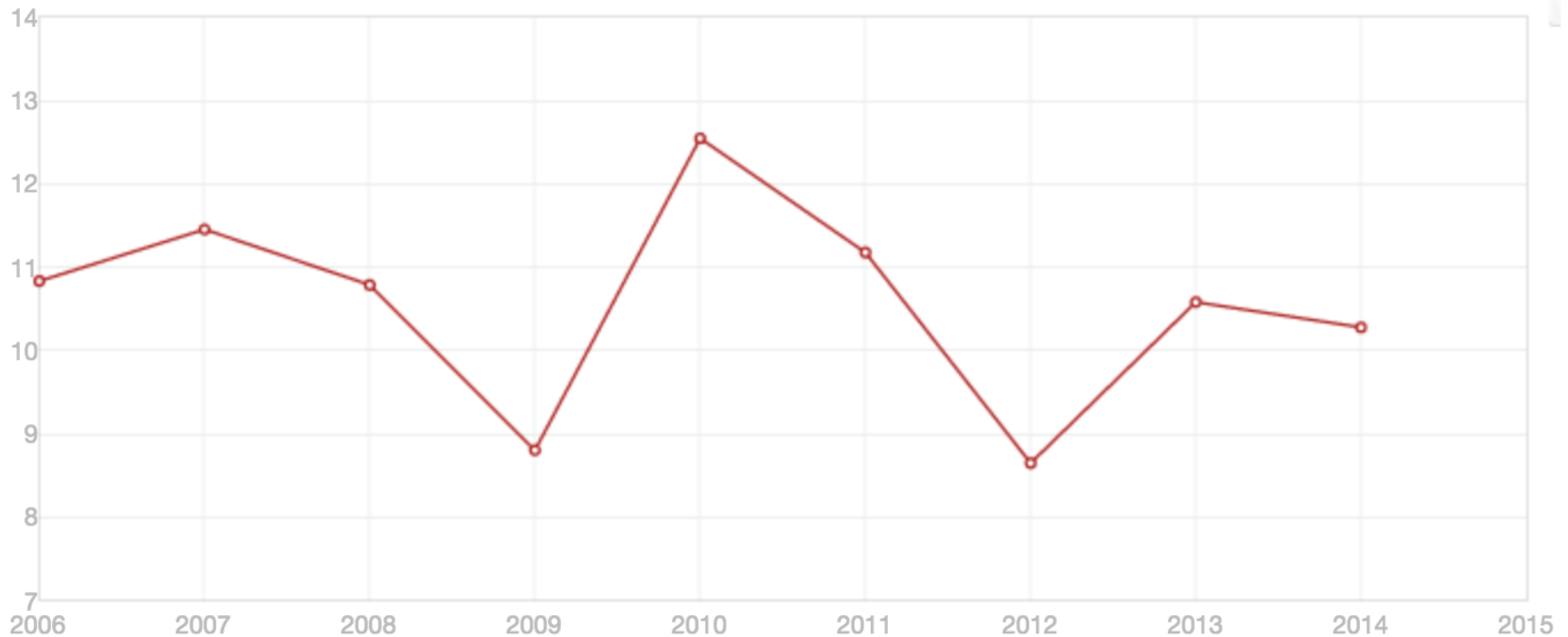
Non-resource rich rapidly growing Africa

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



Source: IMF, World Economic Outlook database.

Rapid growth (annual real GDP growth rate)

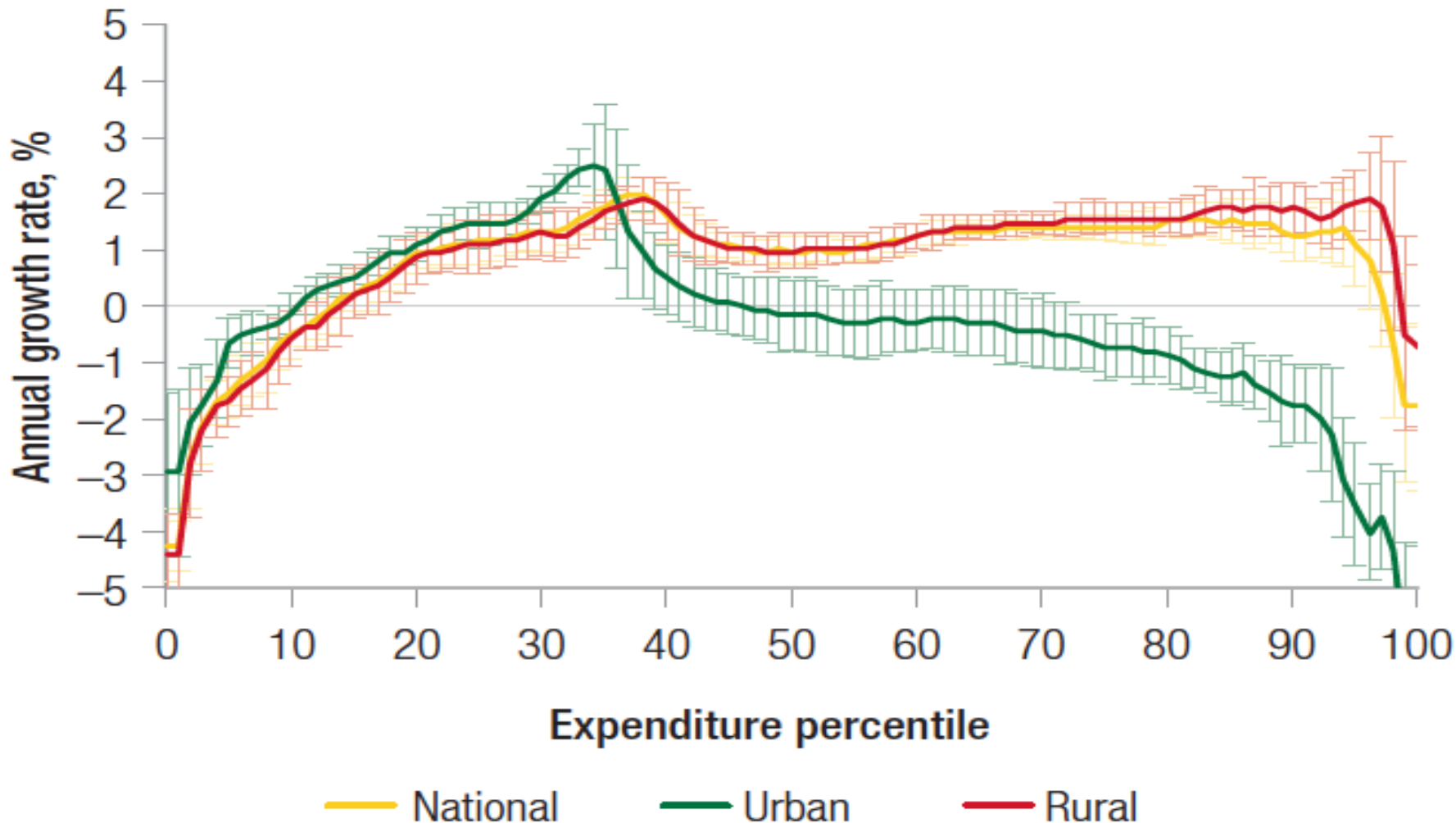


Source: World Bank, WDI

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

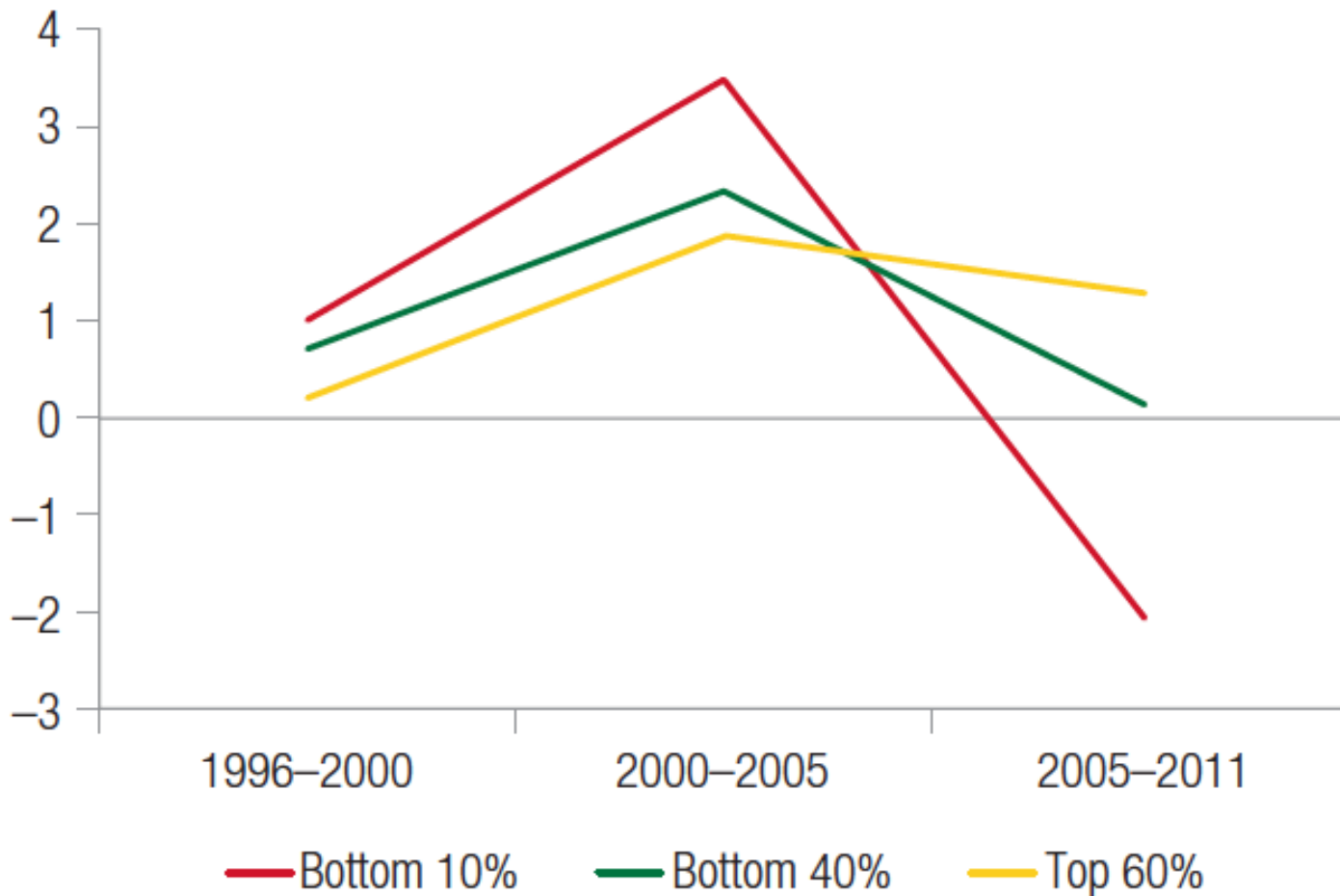
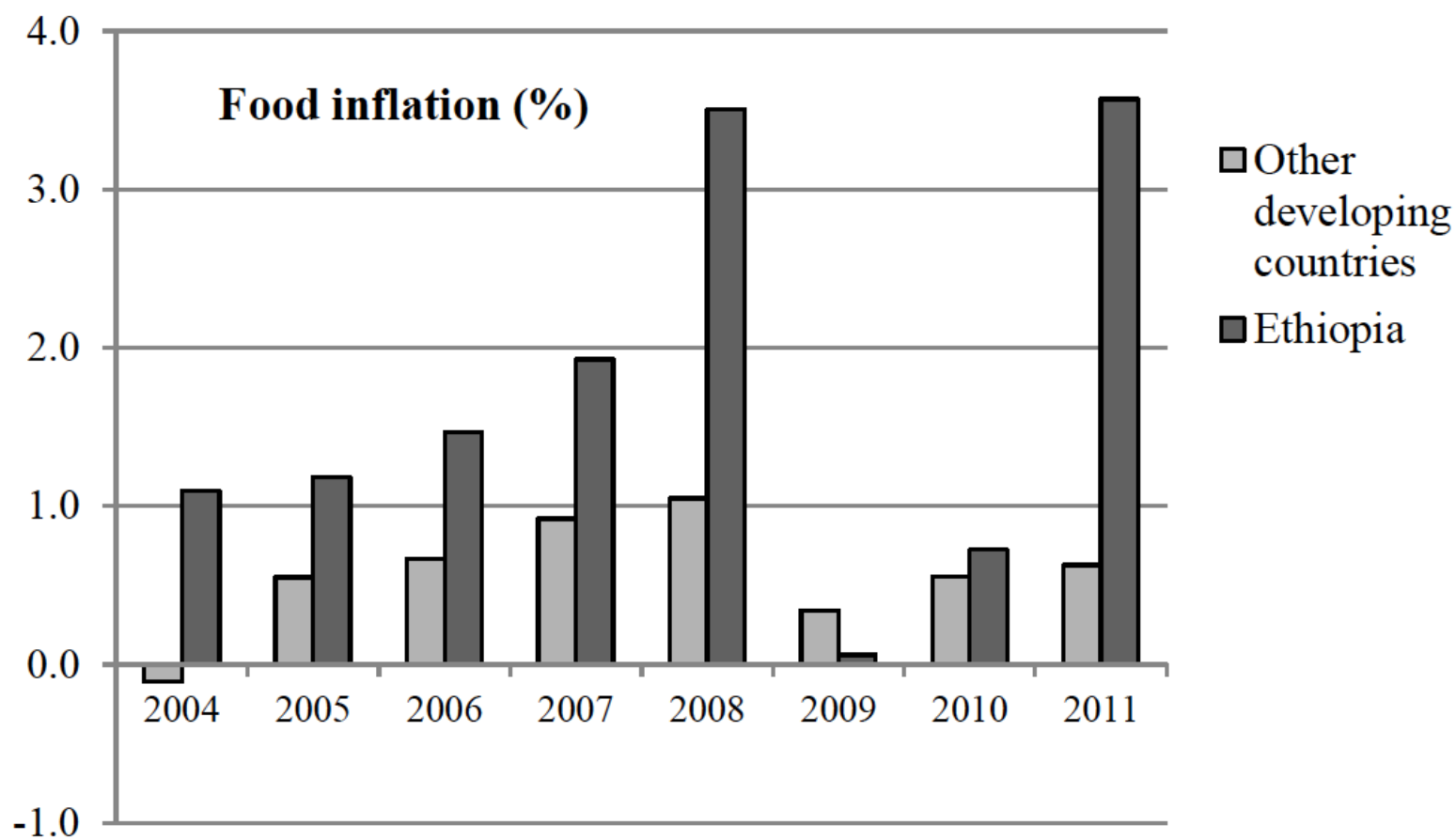


Figure 1.1—Average monthly inflation in Ethiopia and other developing countries, 2004–2011



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).

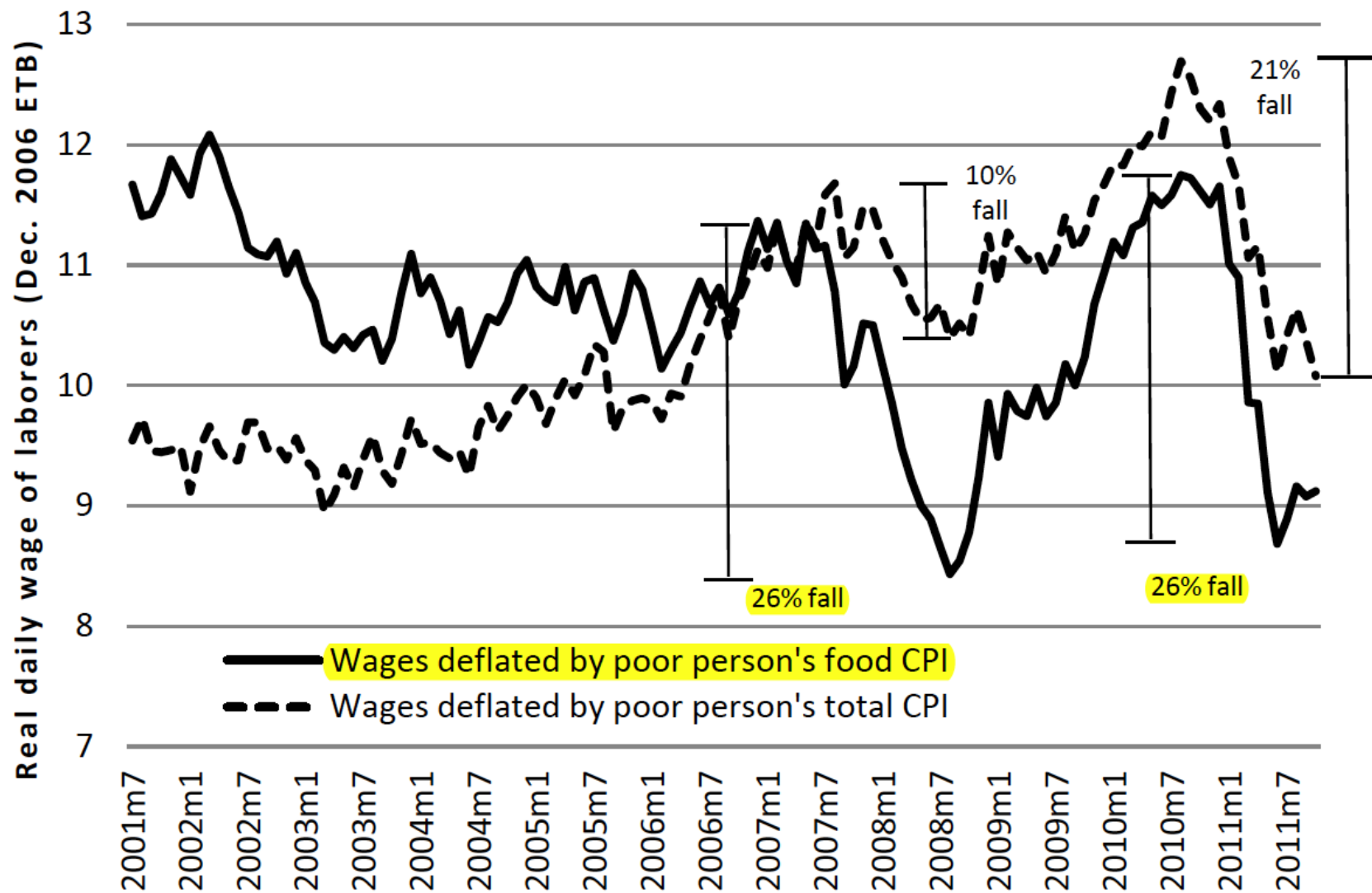
How long does it take for wages to adapt to price spikes?

- 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

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.



Sample overview (individuals)

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

Ferro site - Sidamo



Zeway Flower site

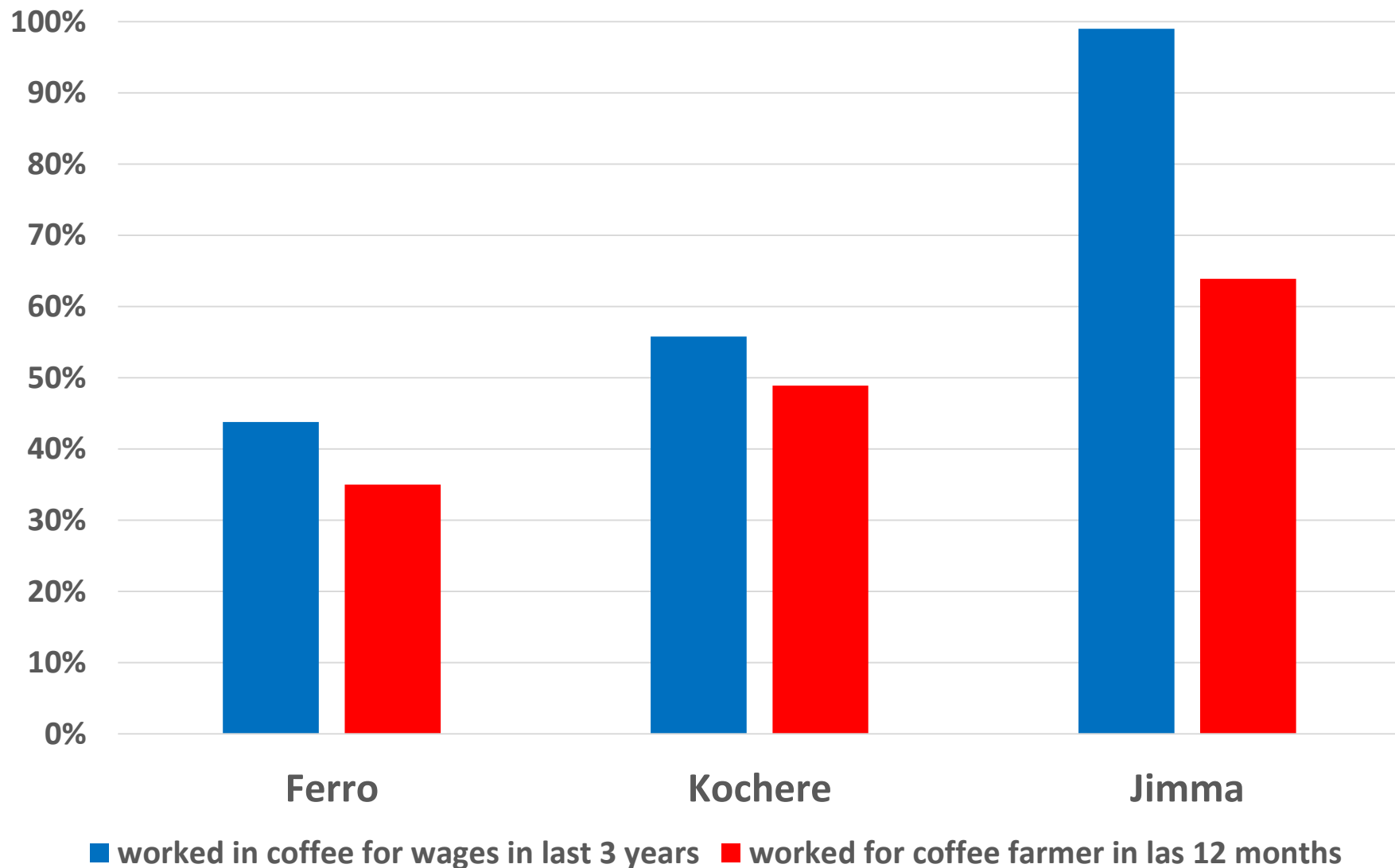


SOME KEY FINDINGS

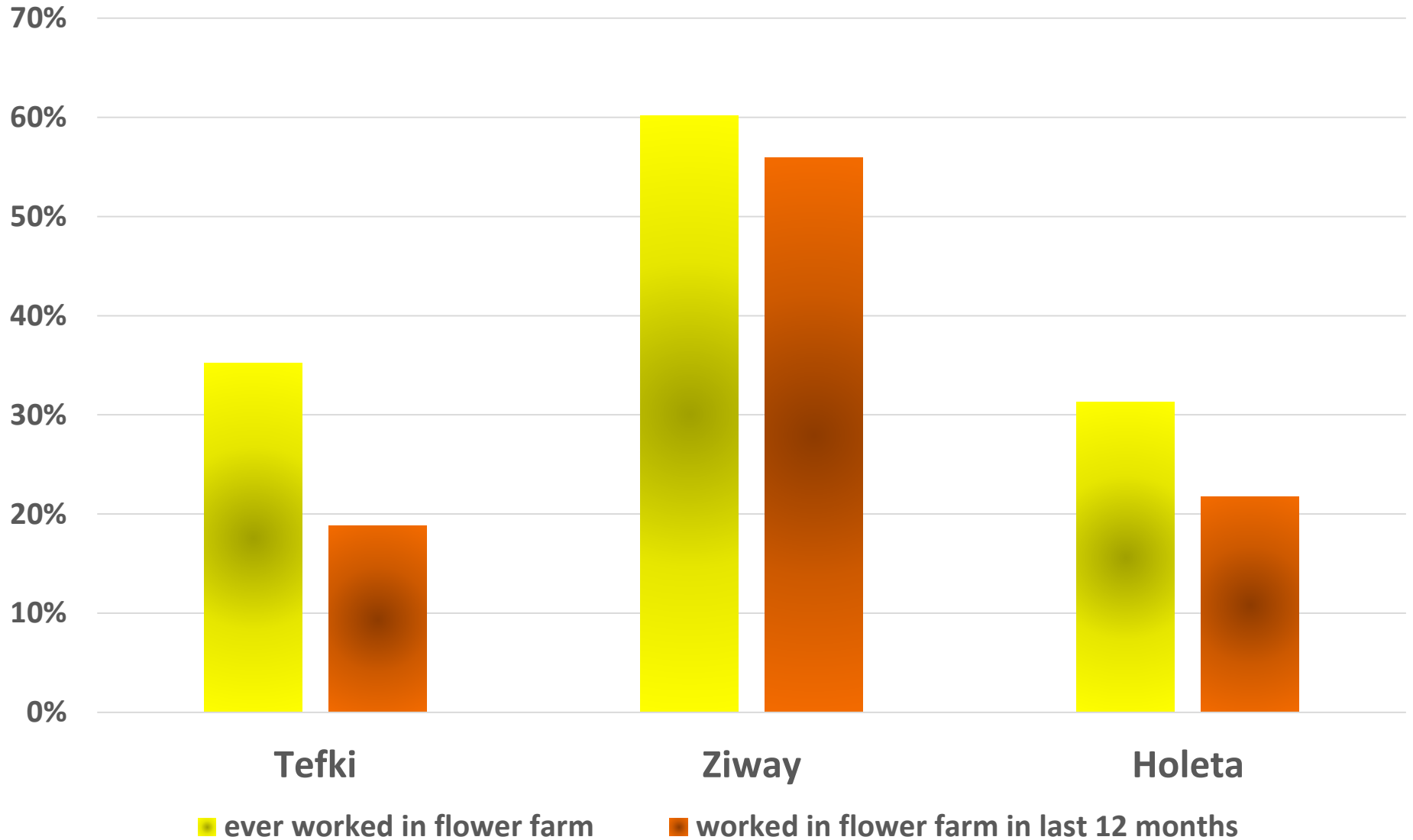
Agricultural exports provide wage employment opportunities vital to the welfare of poor rural Ethiopians

- 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



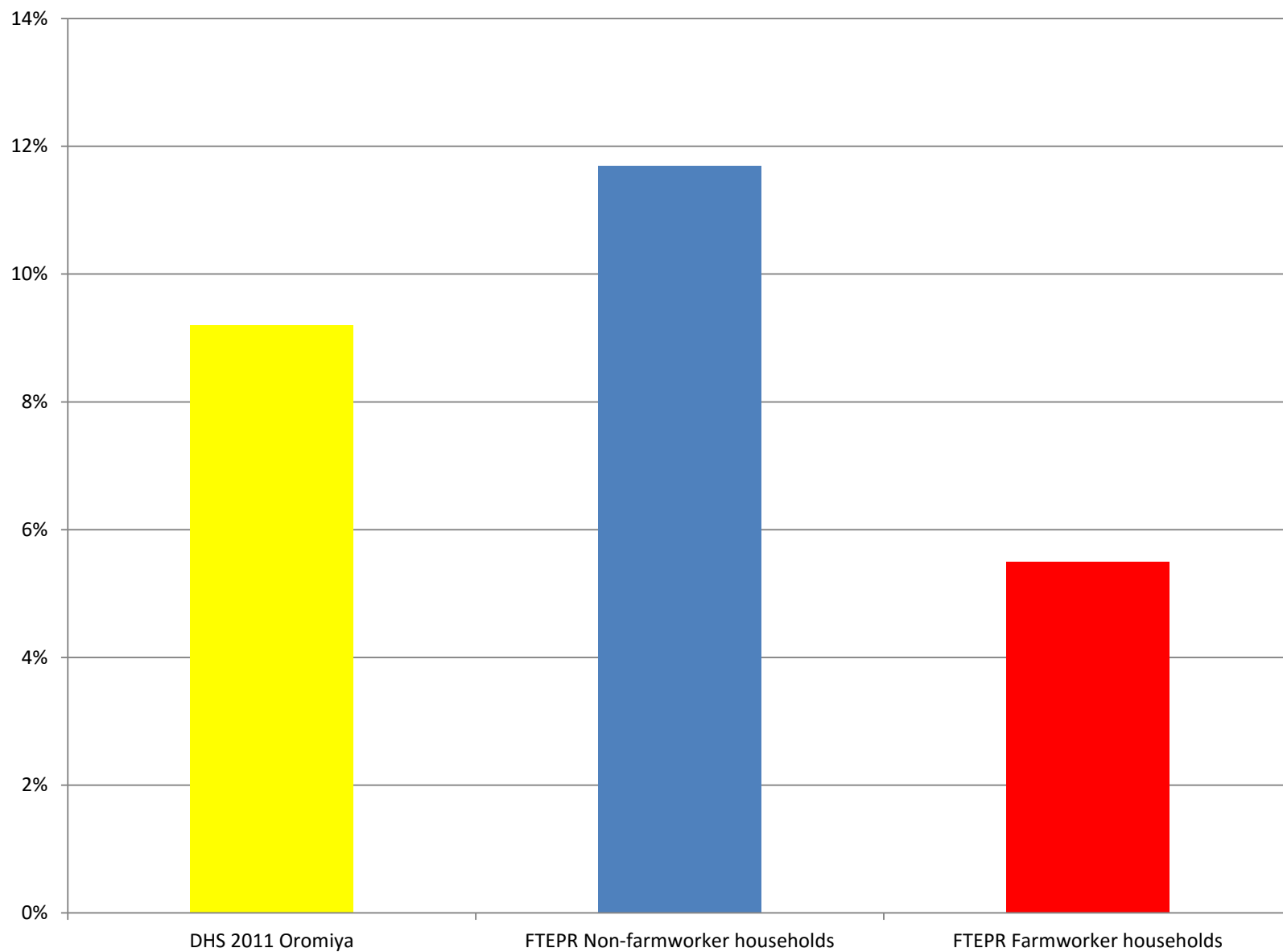
Adults participating in wage labour: Ethiopia flower sites



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

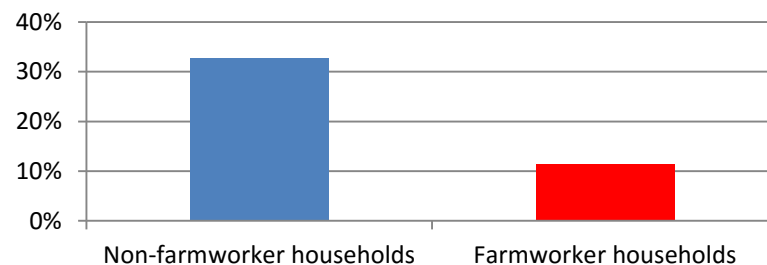
% Women aged 15-49 Years, Secondary Education or Higher



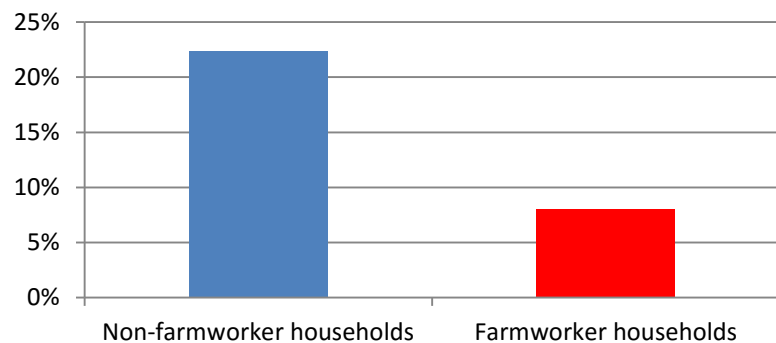
Mobile phone



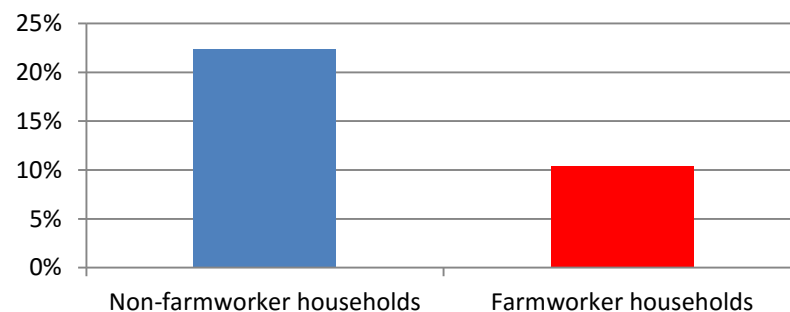
Radio-cassette-CD Player



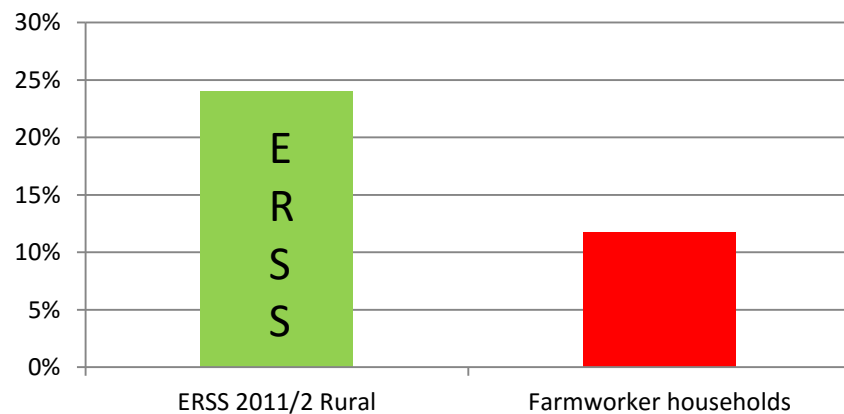
Ox plough



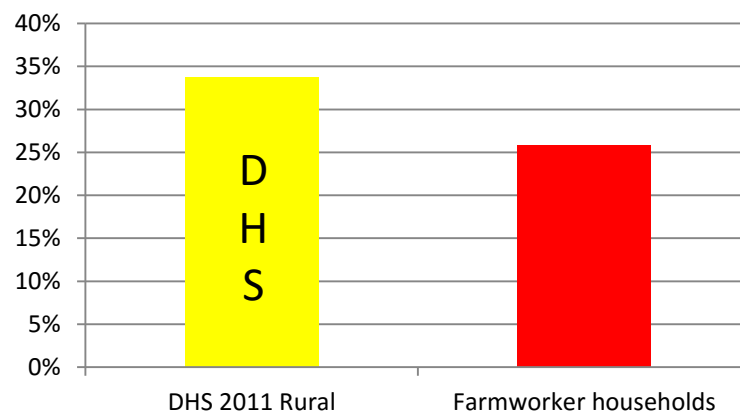
Kerosene Lamp



Mobile Phone: ERSS



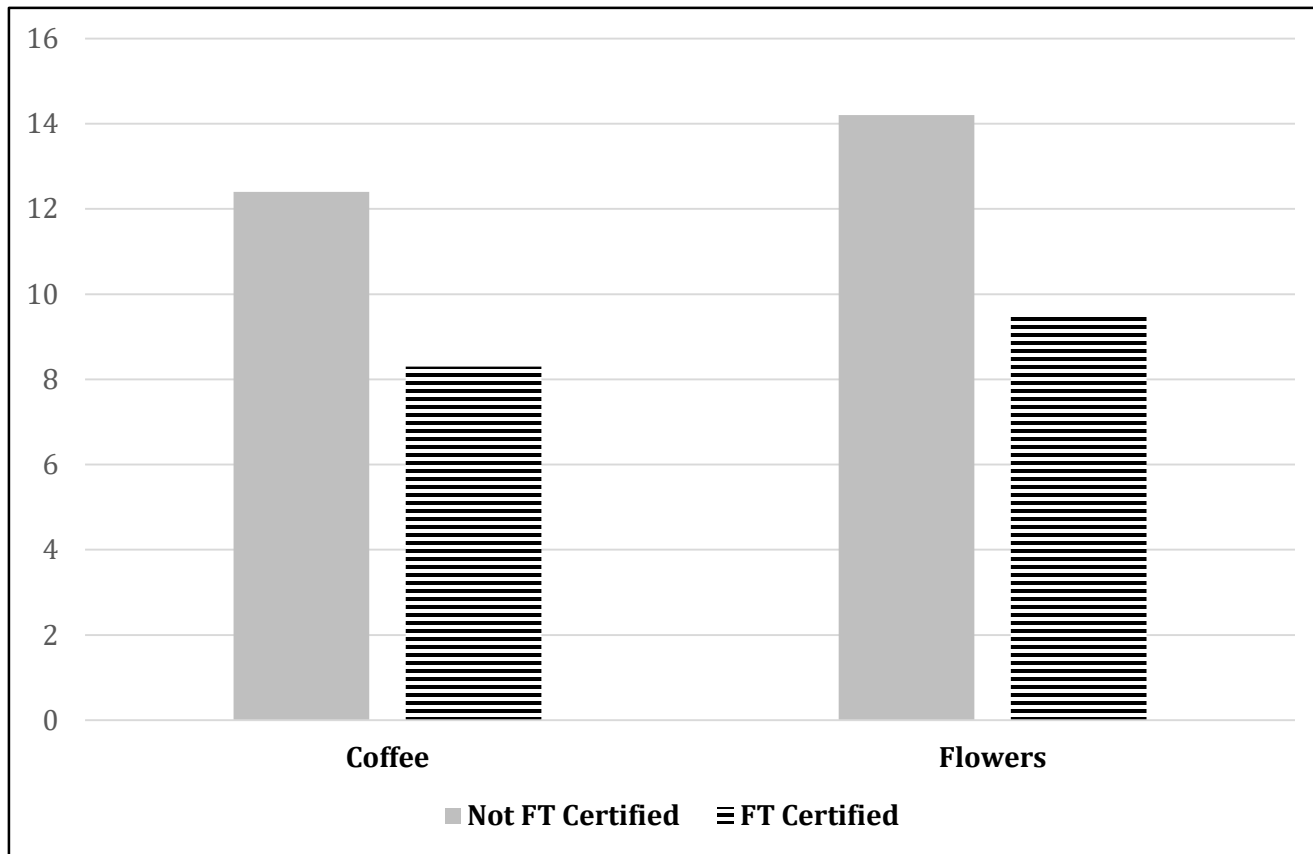
Radio: DHS



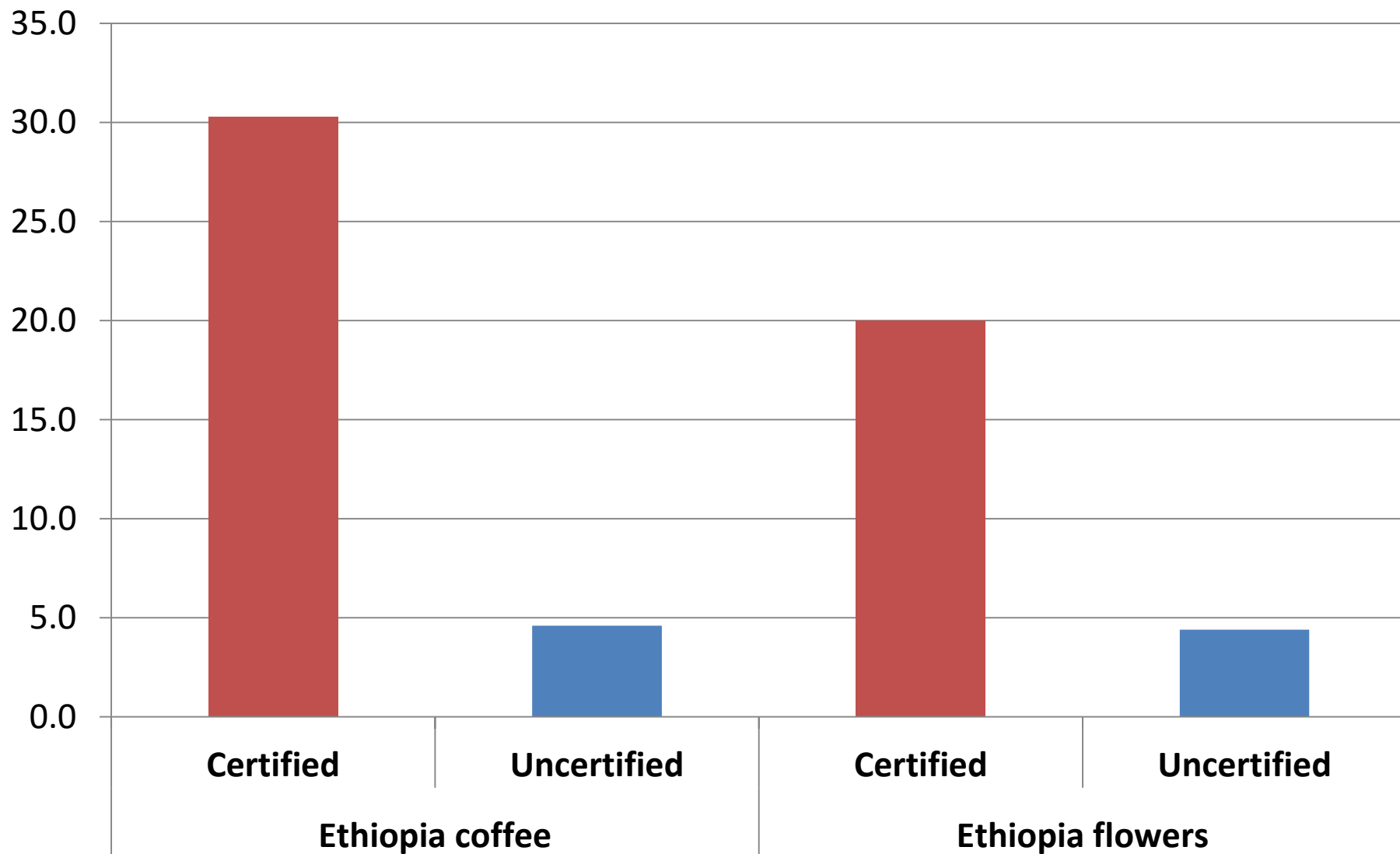
Fairtrade certification has no positive impact on wage workers

- 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

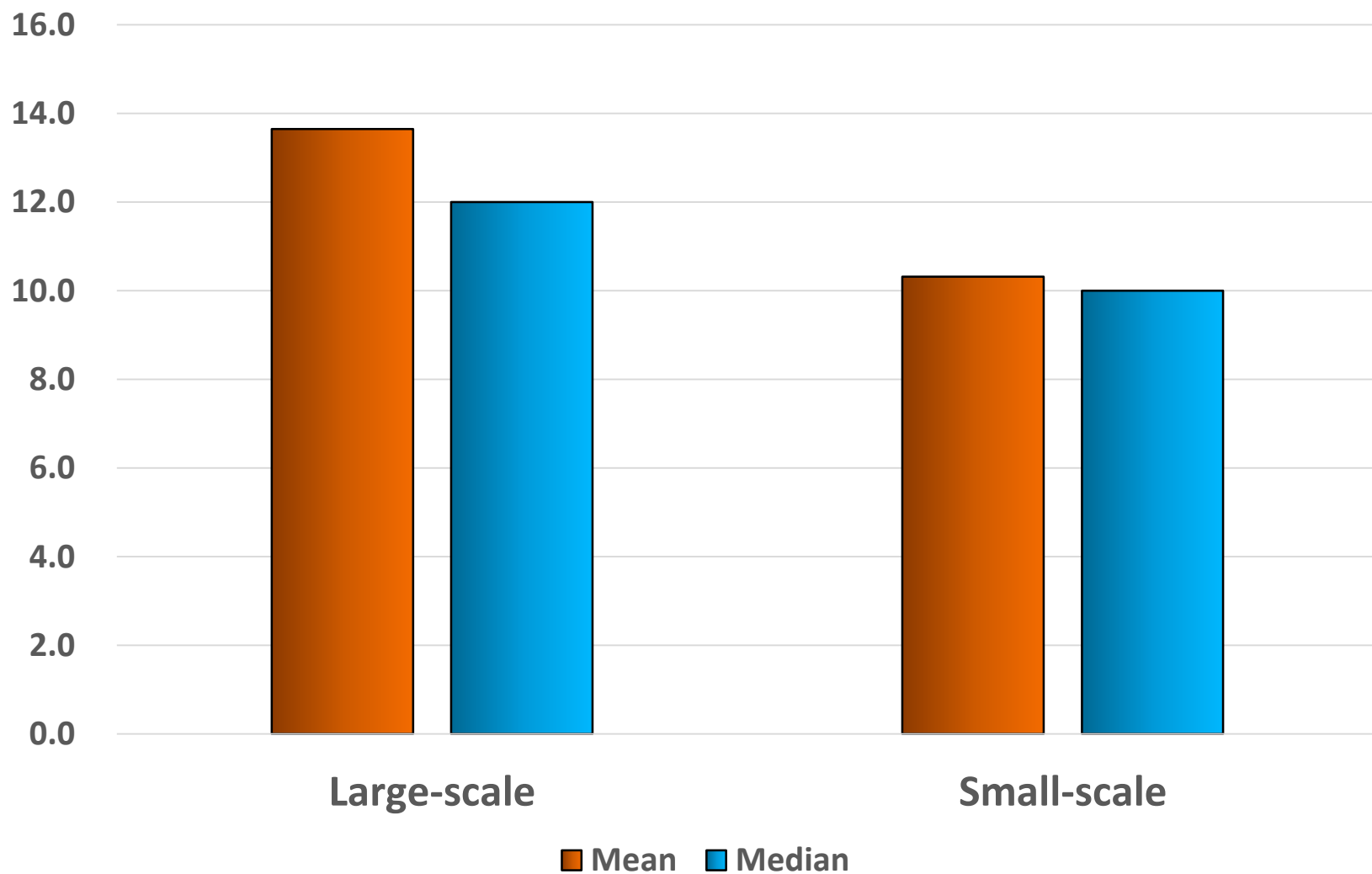
Detailed working life histories (80+ in Ethiopia) and focus group interviews suggest:

- 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)
Coffee sites Ethiopia	71%	62%	67%	433
Flowers sites Ethiopia	71%	59%	67%	225

Non-wage labour conditions: selected indicators for Ethiopia flowers

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

Calculated daily wage rates (Birr): Flowers Ethiopia

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

all differences across gender and certification status are statistically significant