



Grace Mwagi
Flower worker at Karen Roses, Kenya

Photographer: © Christoph Köstlin / Fairtrade

Exploring individual economic benefits of Fairtrade Premium in the Kenyan flower sector

Prepared by ImpactLoop Ltd.

October 2024



FAIRTRADE
FOUNDATION



FAIRTRADE
AFRICA



List of Acronyms and terms

EUR	EURO
FPC	Fairtrade Premium Committee
HLO	Hired Labour Organisation
FOB	Freight on Board
PO	Producer Organisation
IDH	IDH - Sustainable Trade Initiative
KES	Kenyan Shilling
KPAWU	Kenya Plantation and Agricultural Workers Union
COTU	Central Organization of Trade Unions
AEA	Agricultural Employers' Association
PPP	Purchase Power Parity
FLOCERT	Independent certification body auditing and certifying all actors within Fairtrade supply chains
LW	Living Wages
FGD	Focus Group Discussion

List of Tables and Figures

Figure 1: Overview of Fairtrade Premium allocation within a Producer Organisation

Figure 2: Mean benefit per worker (EUR)

Figure 3: Preferred Premium items by women and men (N=113)

Table 1 – Determinants of Premium benefits

Table 2 – Economic benefits from Premium investment in education

Table 3 – Economic benefits from Premium investment in healthcare

Table 4 – Economic benefits from Premium investment in housing

Table 5 – Economic benefits from Premium investment in food

Table of Contents

List of Acronyms and terms.....	2
List of Tables and Figures.....	2
Executive summary	4
Key findings.....	5
1. Introduction and background.....	6
1.1 Fairtrade Premium in the context of sustainable livelihoods and living wages.....	6
1.2. Challenges in the Kenyan flower sector	8
2. Study design.....	10
2.1 Research questions.....	10
2.2 Research design.....	10
2.3. Approach to analysis.....	11
3. Findings.....	12
3.1. Financial benefits of Premium per worker.....	12
3.1. Determinants of economic Premium benefits.....	13
3.2. Workers' preferences for in-kind and cash benefits.....	15
3.3. Key areas of Premium investment.....	16
4. Discussion and recommendations.....	22
4.1. Importance of access to finance in the context of living wages	22
4.2. Fairtrade Premium benefits and gender.....	23
4.3 Recommendations and next steps.....	23
Publication bibliography	25

Executive summary

Sustainable livelihoods and living wages are important in addressing persistent poverty and poor working conditions in agricultural value chains. Fairtrade aims to contribute to improvements in livelihoods and working conditions through mechanisms including the Fairtrade Minimum Price, producer training and support via local Producer Networks, and the Fairtrade Premium, including in the Kenyan flower sector where there are 55 Fairtrade certified flower farms.

Over and above the Fairtrade Minimum Price, the Fairtrade Premium is an additional sum of money which goes into a communal fund for workers and farmers to use – as they see fit – to improve their social, economic and environmental conditions. While the Fairtrade Premium cannot be formally counted toward a living wage using the Anker methodology, it can contribute to the components of a living wage and workers' livelihoods. For example, Premium uses that increase disposable incomes, such as cash paid out regularly to workers or that reduce expenditures, such as in-kind items which are selected by workers to improve living conditions or bursaries for workers' children which reduce school fees, can all contribute meaningfully to sustainable livelihoods.

Against this backdrop, we analysed individual economic benefits of the Fairtrade Premium and how they contribute to the livelihoods of Kenyan flower workers. We used secondary data to gain insights into Premium uses of all Fairtrade-certified flower farms in Kenya. With the help of a mixed-method case study on three selected flower farms, we then quantified workers' benefits from the different Premium investments and provide an in-depth understanding of decision-making around the Premium. We specifically analyse the links between gender and the Premium, given the pervasiveness of gender discrimination in agricultural value chains and the case of the Kenyan flower industry, which has been showing noteworthy improvements in a sector where around two-thirds of the workforce are women.

Our results highlight the importance of the Fairtrade Premium in improving living conditions and enhancing worker livelihoods. Benefits that contribute to living wage categories according to the Anker methodology amount to EUR 107 per worker per year, and when including loans, that are not considered relevant to living wages (which constitutes a main share in Premium benefits), benefits amount to EUR 464 per worker annually. These benefits are considerable given the annual average wages we found (EUR 895) and the living wage benchmark in the region (EUR 2,808). Wages for women workers are lower than men's, therefore the importance of Premium benefits is even greater for women.

The study found that within the farms included in the study, there is gender parity in Fairtrade Premium Committees (FPC) and women's needs are well considered for decisions on the Premium investments. Women mostly prefer individual in-kind benefits, especially for bursaries for children, skills training for adult workers and in-kind items that aim at improving housing or living conditions. This is partially related to low financial literacy and intra-household dynamics reported by participants and might change over time. Loans cannot be counted towards living wages, according to the Anker methodology, but are highly valued by the workers and are likely to increase due to low and variable Premium amounts. However, it is important to note that high loan repayments can

become burdensome for workers, particularly where wages are low and in cases of low financial literacy.

Workers showed a higher level of satisfaction when they were more involved in Premium decision-making processes and when the FPC were working independently. Further training for FPC members might improve democratic processes and worker satisfaction. In addition to higher wages, continued financial literacy training might support workers with particularly low pay to benefit from the Premium through improved management of their loan repayments. Given the low average wages, and the high debt repayments of up to two-thirds of the salary, further supporting labour unions and worker committees through Fairtrade Producer Network trainings and support is recommended.

Key findings

- While Premium cannot be formally counted towards a living wage, benefits that contribute to the components of a living wage amount to EUR 107 per year per worker. If loans are included (which is a major part of the Premium benefits but not included in living wage frameworks), the benefits amount to EUR 464 per year. This is significant given the average annual wages we found (EUR 895) and the living wage benchmark in the region (EUR 2,808). Women's wages are on average lower than men's, so the importance of Premium benefits is even greater for women.
- Loans do not count towards living wages, according to the Anker methodology, but are highly valued by the workers and loans are likely to increase due to low and variable Premium amounts. Therefore, although living wage frameworks currently do not capture all the economic benefits of the Premium, it is important to document these economic benefits given the support Premium provides to workers livelihoods.
- While higher wages is the long-term goal, in the absence of these, ongoing financial education could support workers with particularly low pay to benefit more not only from the Premium, but also from other loans that are offered through company or buyer initiatives. Listening to workers is essential to strike a balance between equitable access to finance and the risk of debt / high debt repayments of up to two-thirds of wages.
- Workers were more satisfied when they were more involved in the Premium decision-making process and when the Fairtrade Premium Committees (FPC) were more independent of management. Further training of FPC members and raising awareness among workers could improve democratic processes and worker satisfaction. If accompanied by further improvements in working conditions and wages, this could also improve labour productivity.
- In line with Fairtrade's Theory of Change and given the current wage levels, continued support for trade unions, worker committees and collective bargaining is strongly recommended. This could take the form of Producer Network support or trainings and support funded through the Fairtrade Premium. The promotion of worker representation sets Fairtrade apart from other sustainability certification standards.



1. Introduction and background

1.1 Fairtrade Premium in the context of sustainable livelihoods and living wages

Fairtrade's Theory of Change envisages that workers have the power to improve their own livelihoods and negotiate their wages and terms of work. At the heart of this ambition is a deep-rooted commitment to see worker wages regularly improve. Strategic use of the Premium by Hired Labour Organisations (HLOs), such as flower farms, supports workers to address contextual challenges related to their standard of living.

Fairtrade certification at HLOs operates through different mechanisms, such as the Fairtrade Premium, the Fairtrade Minimum Price, the requirement for democratic collective action by workers, and several standards related to on-farm labour conditions, environmental protection, and agricultural infrastructure and traceability (e.g. Dragusanu et al., 2014; Raynolds & Bennett, 2015). Over and above the Fairtrade Minimum Price, the Fairtrade Premium (Premium hereafter) is an additional sum of money which goes into a communal fund for workers to use – as they see fit through worker's Fairtrade Premium Committees– to improve their social, economic and environmental conditions. This sets Fairtrade certification (amongst other factors) apart from other certification systems.

Depending on the commodity, the Premium is calculated either as a percentage of the volume of produce sold or fixed per unit of output. For cut flowers, the Premium is 10% of the Freight on Board (FOB) price. The Premium is paid at the Producer Organisation (PO) level. How the Premium is spent differs by PO, with Fairtrade assuming that workers know best how to spend this money and what investments will improve the quality of their lives. HLOs are required to create separate Fairtrade Premium Committees (FPC), that consist of democratically elected workers' representatives who decide upon how the Premium is spent and who operate separate bank accounts (Loconto et al., 2021).

There are different modalities through which the Premium can be spent (see Figure 1). FPC's can decide to 1) pay out cash, 2) provide in-kind benefits, 3) invest in community projects, or 4) use them for trainings and others administrative costs at the FPC or PO level.

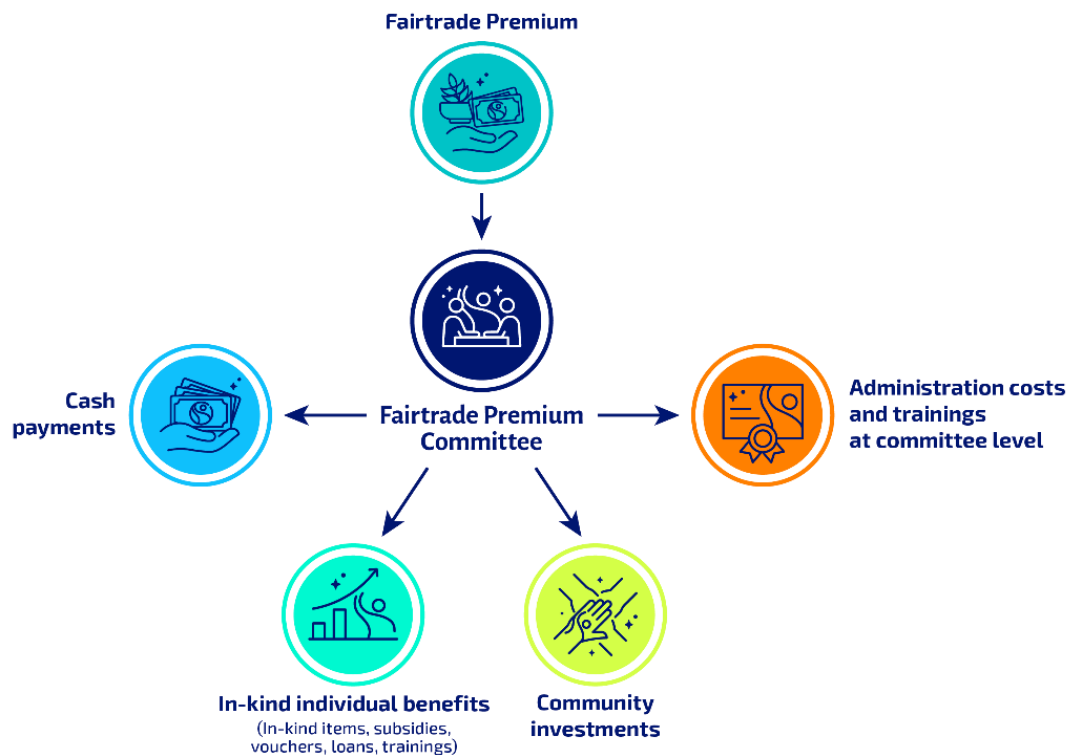


Figure 1: Overview of Fairtrade Premium allocation within a Producer Organisation

The most commonly used definition of a living wage is by Anker and Anker (2017): “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, transport, clothing, and other essential needs, including provision for unexpected events (Anker & Anker, 2017; Global Living Wage Coalition, 2023). Cash payments, if paid regularly, and unless subject to taxes or other mandatory deductions, can support workers with additional income. Within the Anker methodology, a percentage of individual in-kind benefits provided by the employer can contribute towards a living wage, for example, through meals provided at work or investments in transport. Loans are not included in this definition of a living wage because, as according to IDH “workers should be able to earn a wage sufficient to meet a basic, decent standard of living within a calendar year without needing to take out loans” (IDH, 2021). The framework is therefore limited when it comes to capturing improved access to finance, e.g. when providing loans for acquiring plots of land.

Because the Fairtrade Premium is not paid through workers' wages and can vary based on the amount of Fairtrade sales in a year, cash payouts, in-kind benefits and community investments through the Premium are not included within living wage calculations using the Anker methodology. Nonetheless, in-kind benefits provided through Premium can be mapped to components of a living wage and are an important element of reducing the amount of cash income workers need to reach a decent standard of living. Therefore, this study aimed to explore the vital way that Premium supports improvements in workers' livelihoods using the categories of a living wage as a guiding framework¹.

1.2. Challenges in the Kenyan flower sector

A literature review on livelihoods and workers' rights within the flower sector in Kenya reveals achievements and challenges. For instance, Barrientos et al. (2019) describe that while private governance has been largely ineffective in promoting worker rights, pressure from civil society and government legislation have been instrumental to promoting worker rights in the Kenyan tea and flower sector. Especially the flower sector was accused of poor labour conditions, particularly for women, i.e. constantly renewed temporary contracts, violation of health and safety rules in greenhouses, and sexual harassment of women workers by male supervisors (Barrientos et al., 2019). After public campaigns and following legislation by the Kenyan government in 2010, the authors describe how flower and tea companies appointed gender managers, developed policies and procedures to address gender bias in recruitment and established quota for women including at the supervisor and management level, established gender committees that were to deal with sexual harassment and discrimination, and provided women workers with channels for raising complaints and accessing remediation (Barrientos et al., 2019). Fairtrade, jointly with the Kenya Flower Council adopted policies on gender councils and sexual harassment at the workplace in 2016 (Hivos, 2020). According to Barrientos et al. (2019) and the literature the authors reviewed, the gender policies in the Kenyan flower sector significantly improved working conditions and benefited companies in terms of productivity and quality of the produce. This did not happen in all companies, and at the company level, it was found that particularly vulnerable women like those on temporary contracts would not have access to gender committees, let alone labour unions (Barrientos et al., 2019).

¹ As we take the Anker methodology as a guiding framework, there are some in-kind benefits we include within benefit categories, for example white goods and household items, which are not counted as in-kind benefits within living wage frameworks.

These types are not included when provided by employers for several practical reasons, including that depending on the value of the household goods, they could reduce cash wages available for workers and their agency in how those wages are spent. However, we have chosen to include these benefits in this study because 1.) We had the opportunity to determine their value to workers, and 2.) The Anker methodology is designed to value benefits provided by employers. Because the Fairtrade Premium is decided by workers we assumed that workers' agency was maintained in the provision of these benefits.

There are many methodologies available to calculate living wage benchmarks. Fairtrade are engaged in the Global Living Wage Coalition to establish independently validated country-and region-specific living wage benchmarks using the Anker methodology. Living wage benchmarks are calculated based on the cost of basic needs such as food, housing, healthcare, education, and transportation in a specific region or country (Global Living Wage Coalition, 2023). The monthly living wage benchmark for the Naivasha region (non-metropolitan, urban, for a family of 5 with 1.69 workers) for 2023 was estimated at KES 35,518, up from KES 32,488 in 2022. These include mandatory allowances and contributions. The net living wage benchmark for 2023 was KES 30,916 (218.12 EUR monthly, or 2617 EUR annually) (Global Living Wage Coalition, 2024).

Actual wages in the Kenyan flower sector are often much lower than the living wage benchmark. Wages are however aligned to Kenyan regulations and higher than in other sectors. The minimum wages for unskilled plantation and agricultural workers negotiated between the Kenya Plantation and Agricultural Workers Union (KPAWU), part of the Central Organization of Trade Unions (COTU), and the Agricultural Employers' Association (AEA), have been raised to KES 8,110 monthly as of 2022². These benchmarks are, however, determined for farm workers in rural areas, where living costs are cheaper compared to the settlements around the flower farms, which are peri-urban. Reasons for the low wages in the sector include a high share of untrained and migrant workers, top-down and highly regulated trade unions, and power of the flower companies in the landscape of unfair global trade structures (see e.g. Kuiper, 2018). The Fairtrade Floor Wage requires companies to ensure that all wages on Fairtrade certified farms are at least above the global poverty line of \$2.15/day PPP set by the World Bank (as of 2024). This has led to improvement in wages for thousands of Fairtrade flower farm workers in Uganda, Ethiopia, and Tanzania. Further, trade unions have been found successful in increasing wages, but wages cannot keep up with higher living costs, particularly in the context of living wage benchmarks, and many flower workers reported having additional income sources (Oxfam, 2015). It is in this context that the Fairtrade Premium continues to be an important means for workers to invest in benefits that reduce pressure on wages to improve their standards of living.

² <https://www.labour.go.ke/sites/default/files/2023-05/Minimum%20Wage%20Gazette%20Notice%202022.pdf>



Photo credit: Iñaki Mantz / Fairtrade

2. Study design

2.1 Research questions

The overarching research question that guided our analysis was, ***“What are the individual economic benefits of the Fairtrade Premium for flower workers in Kenya, and how can these benefits reduce pressure on wages to support basic needs, decent living conditions and sustainable livelihoods?”***. The specific research questions were:

- *How can individual benefits from Fairtrade Premium projects be quantified?*
- *How do these benefits support essential needs that are factored into the components that form a living wage?*
- *Are there economies of scale for collective investment in Premium projects that mean workers benefit more than they would if paying for services individually?*
- *What are the perceptions of workers regarding preferences between cash and non-cash benefits?*
- *What are their perceptions on the role of Fairtrade Premium in supporting individual benefits?*
- *How do workers view the role of the Fairtrade Premium in addressing their needs in the short term (e.g. cash availability, food needs) and long term (e.g. housing)?*

2.2 Research design

We use a mixed-methods research approach, where we collect and analyse both secondary (CODImpact data) and primary quantitative and qualitative data including a survey, key informant interviews, and focus group discussions. CODImpact data are collected every 1-3 years within the framework of audit visits from FLOCERT, the independent auditing body for Fairtrade certification. POs complete the CODImpact data requests in a voluntary manner.

CODImpact data are being phased out and will be replaced by FairInsight data³. The database records the certification status for each of the years, the number of workers, the amount of Premium received and the use of the Premium.

We used CODImpact data for 76 flower farms in Kenya who were certified within the Fairtrade system from 2015-2021. Given that CODImpact data are only collected every one to three years, our sample consists of 39-60 farms depending on the year. Three HLOs were purposively selected for primary data collection by the Fairtrade Foundation based on size, typical case, and not having participated in a Fairtrade study in the last three years. We collected survey data from 133 flower farm workers, sampled randomly within the three POs. We sampled 60% of women and also sampled workers that were at least one year with the company so that we could most accurately capture Premium benefits. This means our sample is not representative for the three POs, but demonstrates benefits from workers who had experience accessing them. A majority (87%) had permanent contracts, 81% were migrants⁴. The average time working for the POs is just below 9 years. Average yearly wages amounted to EUR 848 for women and 960 for men. About a third are trade union members, and 16% are FPC members.

2.3. Approach to analysis

CODImpact dataset does not contain individual level data but PO-level data (and the number of workers per PO). Because Premium amount received per PO is known, we assumed that all workers have access to at least one type of Premium use, e.g. in-kind benefits. The extent to which workers benefit from the Premium, however was expected to vary across different social groups. For example, we expected men and women to benefit from childcare benefits differently. We used the full CODImpact dataset to calculate average Premium amounts per worker and analyse determinants for Premium investment by PO characteristics, such as size and sales volume. This allowed us to understand the amount of Premium generated by POs based on their characteristics.

To analyse the primary data, including surveys, key informant interviews, and focus group discussions, we use qualitative content analysis and descriptive statistics. We estimate the monetary benefits of Premium investments per worker by comparing these benefits to the prevailing market prices outside of the POs where possible and triangulate with interview data and use illustrative quotes. We also conduct a regression analysis to shed light on factors that determine the amount of Premium benefits received by workers, for example, gender, trade union membership, and other worker characteristics.

³ FairInsight data is a new producer-led reporting tool for POs to report their Premium plans, use, help with decision-making and their connection to the market. FairInsight data are collected online and allow for a more detailed description of the Premium projects.

⁴ Participants were asked to self-identify as migrants, and so there is some variation in the length of time the workers had lived in the area of the flower farms, their ties to the area, and their plans to stay or leave.



3. Findings

3.1. Financial benefits of Premium per worker

For the year 2022/23, the mean benefit per worker (only considering the Premium benefits which are included as components of a living wage) was EUR 107, while the benefit that includes loans was EUR 464 per worker (see figure 2). Compared to the average yearly wage across the three POs (EUR 895), this represents 12% for benefits that are components of a living wage and 48% when loan benefits are also counted. This is quite remarkable given that average wages are only 33% of the living wage benchmark. Workers are therefore able to supplement their wages considerably through Fairtrade Premium benefits.

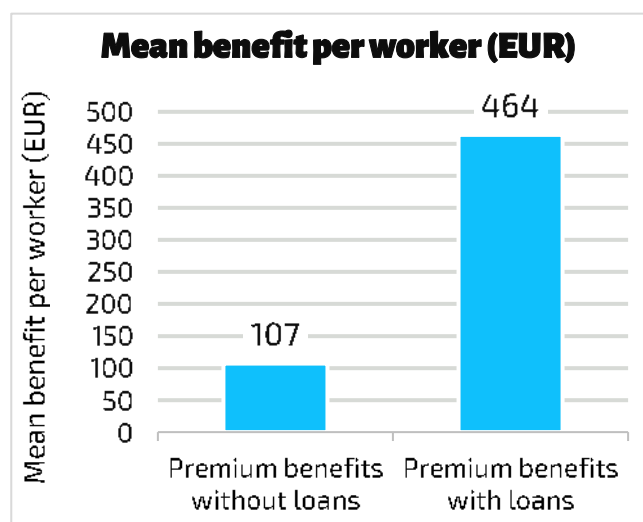


Figure 2: Mean benefit per worker (EUR)

Because most Premium items are given out on credit, not all benefits directly contribute to components of a living wage. The benefits, which exclude loans, mainly take the form of

bursaries (full or partial) and in-kind items. However, some loans are partially subsidised (e.g., 60% for skills training or 20-30% for school bursaries). Some Premium investments like skills trainings might contribute in the mid- or long-term to improved incomes and income diversification for working households.

Many women showed preferences for more long-term investments and start skills trainings funded by the Premium after their normal work day. Many workers had second jobs or did skills trainings to take up a second job or self-employment or get promoted within the company. Community members mentioned that employment-creating projects should be financed by the FPC, as there is high unemployment, especially among young adults.

Although not components of a living wage, access to finance benefitted workers financially. We determined the economic benefits of taking loans, comparing them with a prevailing market interest rate of 15%. Loan benefits amount to an average of EUR 326 per worker. This potentially underestimates their benefit, as especially landless or migrant workers might not easily get such a credit in formal institutions or with worse conditions from informal lenders (see also Haenke and Wadham 2023). The part that is paid out in loans might potentially increase, as the FPCs are more and more under pressure to increase the Premium amount by generating income or loan repayments. For FPCs, earning incomes through Premium projects might constitute a trade-off between direct contributions to workers' livelihoods and providing benefits to a larger number of workers and across a wider spectrum of benefits.

3.1. Determinants of economic Premium benefits

The findings from the regression analysis in Table 1 show how Premium benefits (only those contributing to LW components, and all benefits, including loans), are correlated to socioeconomic characteristics of the workers.

Very few variables are correlated with receiving benefits, which hints to a rather egalitarian distribution of Premium benefits. Workers with permanent contracts receive significantly higher loan Premium benefits. This is explained by the fact that workers are only able to access loans once they have a permanent contract. We also tested for FPC members, but found no correlations. Trade union members accessed fewer loans, however it is important to note that it is unclear whether this is due to difficulties accessing the loans or to trade union members being less likely to need finance or choose to take on debt. Women received significantly more in-kind benefits, hinting to successful gender programmes.

In our sample, neither poverty indicators nor education levels were correlated with the Premium benefits. This might also reflect general trends in the region, both in terms of increasing education levels and flower farms recruiting more educated workers. For instance, Gibbon and Riisgaard (2014) describe how recruiting has changed among flower farms in the lake Naivasha region; flower farms would use more formal channels and hire more educated workers. This could lead to better representation of workers, as more educated workers could engage more in labour unions, but might also lead to a neglect of the needs of the more disadvantaged and less educated workers.

Variables	Total benefit contributing to LW categories (Euro)	Total benefit including loans (Euro)
Labour union membership (1=union member, 0=non-member)	33.67 (35.56)	-294.5* (161.0)
Fairtrade Premium Committee membership (1=FPC member, 0=non-member)	47.77 (56.51)	-134.4 (199.7)
Migrant (1=migrant, 0=non-migrant)	-59.05 (58.77)	-60.61 (200.8)
Permanent contract (1=permanent contract, 0=temporary contract)	36.05 (34.63)	498.0*** (159.6)
Sex (1=women, 0=men)	84.31*** (30.32)	176.3 (138.7)
Length of current employment (in years)	-1.060 (1.743)	7.637 (11.92)
Education (in years)	1.417 (4.381)	-5.549 (23.11)
People under 18 in household (number)	6.246 (12.19)	-14.46 (44.88)
Livestock ownership (1=owns livestock, 0=no livestock)	36.40 (33.98)	149.7 (206.6)
Land ownership (1=owns land, 0=no land)	-30.64 (31.48)	47.98 (176.1)
Distance to drinking water source (in minutes)	3.583 (2.727)	8.559 (9.157)
Meat and fish consumption (frequency per week)	-8.885 (6.770)	-3.565 (55.79)
Size of home (number of rooms)	-9.406 (14.98)	-52.75 (89.46)
Constant	47.11 (72.57)	52.66 (389.5)
Observations	113	113
R-squared	0.174	0.110
Standard errors in parentheses. ***, **, and * markers indicate significance at the 0.1%, 1%, and 5% levels, respectively.		

Table 1: Determinants of Premium benefits

Based on our findings, we cannot confirm the anecdotal evidence from other literature that FPC or other committee members receive larger benefits, nor that migrant workers or women might benefit less from the Premium.

Earlier studies that have been conducted in East Africa point to less egalitarian distribution of benefits. Cramer et al. (2014; 2017; 2014) studied Fairtrade benefits to lower paid and workers on casual contracts in flower, tea and coffee sector in Ethiopia and Uganda, and found that the Premium was not spent to the benefit of these workers. We do not find cases of this. However, our main objective was to identify and monetize Premium benefits. We therefore mostly sampled workers who have been at the PO for at least a year, with the exception of a few seasonal and newly hired workers. We did not purposefully sample workers with lower incomes and workers who've been disadvantaged as Cramer et al. did, and would not have been able to detect such cases. However, we found some areas of improvement for vulnerable workers, such as those on seasonal contracts, to access and benefit from the Premium. Seasonal workers are often exempted from at least some Premium items, sometimes simply because they miss the distribution of in-kind benefits. Wealthier or more educated workers might be able to pay off their debts quicker and thereby be eligible for other Premium benefits.

3.2. Workers' preferences for in-kind and cash benefits

Although a majority of respondents preferred in-kind over cash benefits, there were mixed views on giving cash versus in-kind items. FPC members, other committee representatives and women workers themselves mentioned that workers would prefer in-kind items as they would have improved workers' home and living standards and have a higher impact than cash. Importantly, there would be tax implications for cash and payments would affect negotiations between the company and the labour union on payment increases. Moreover, cash could easily be mishandled or misused, spent in other ways than intended and, according to participants, there would be *"many loopholes and waiting needs"*.

According to a gender representative, however, for women and migrant workers cash could be more beneficial. Women would be able to form savings and credit groups, and migrant workers could buy items for their homes. On the other hand, the same respondent also reported that women would push more for in-kind items and men more for cash. In an focus group discussion with women workers, respondents agreed that they prefer in-kind benefits for the following reasons: *"We prefer in-kind [benefits] because if we are given cash we will use it to pay debts, we will forget to buy those items given, we will eat, it will cause violence at home as men will use it to drink alcohol."*

Out of 31 individually interviewed women workers, nine reported they would prefer cash over in-kind or community projects, to be able to spend it flexibly, or to be able to invest in businesses. These nine respondents who preferred cash over in-kind items, were higher paid compared to the average worker/respondent. Although counterintuitive that lower-income or less food secure workers would prefer in-kind items over cash, this was also found elsewhere. Ethiopian recipients of a social protection programme were more likely to prefer cash over food

if they were more food-secure, closer to markets and financial services, whereas preference for food was possibly related to higher food prices, and concerns for self-control (Hirvonen and Hoddinott 2020).

Others preferred community projects over cash payments, *"because [community projects] would benefit everyone, not only me"*. However, other workers also argued that the community benefits are too much compared to the benefits for workers, who according to them should benefit more. Many respondents in all the POs suggested giving vouchers to spend on items of interest to them.

FPC members of one PO reported that their committee still depends on the management, which would control the Premium allocation process and the outcomes. It would take long from the time of submitting the proposals and at the end management would change them.

Survey results show that preferences only slightly differ between men and women (see figure 3). This agrees with FPC members, who said the most successful Premium projects related to education, especially bursaries and infrastructure development projects in community schools (FGD7). These findings, along with the literature review, demonstrate the importance of in-kind benefits, but the factors that influence preferences for cash and in-kind are complex, and additional analysis is recommended.

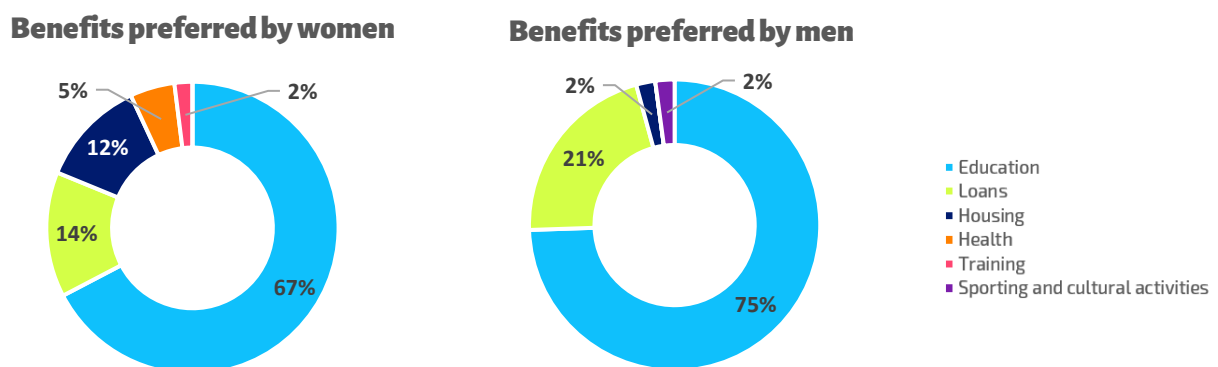


Figure 3: Preferred Premium items by women and men (N=113)

3.3. Key areas of Premium investment

This section provides more detailed findings for each key investment category where workers found significant benefits. For all categories, we first present quantitative figures, supported by findings from qualitative interviews. The following tables show:

- 1) **CODImpact investment in education:** Average Premium investment per worker from the CODImpact data reported by the POs between 2022-23,
- 2) **The percentage of accessing the Premium benefit:** This demonstrates how widespread the benefit was used by workers surveyed. Not all Premium benefits are applicable for all workers, for example, male workers do not access menstrual products.

- 3) **Average benefit per beneficiary:** The average economic benefit for workers who benefited from the Premium type in the 3 POs. This demonstrates the average value of the benefit for the percentage of workers who did report using the benefit in the survey, and
- 4) **The average economic benefit per worker:** This shows the value of the benefit in the 3 POs when averaged across the entire Producer Organisations, including those who did not use the benefit.

We present the latter two values to highlight that sometimes there are large benefits for a small number of workers; this is particularly relevant for considering Premium in the context of living wages where in-kind benefits that only benefit a small number of workers are often considered too difficult to be quantified at scale to be recognised as part of a living wage.



Education (children and adults)

CODImpact investment in education ⁵ (€/worker)	Percentage of workers accessing education benefits	Average benefit per beneficiary (without/with loans)	Average benefit per worker (without/with loans)
€ 42.5	43%	€ 143.2/238.1	€ 54.5/128.5

Table 2: Economic benefits from Premium investment in education

All POs supported community primary schools and provided bursaries for secondary and tertiary education. Monetary benefits from sending children to supported primary schools included that “the worker wouldn’t be included in the fundraising for classroom building”. Bursaries are issued to workers’ children, and to children from the community; as one participant described it, “we have community members who have finalised form four classes and are now in college”. As long as the applicant provides the required documents for verification, they receive the bursaries, which are paid directly to the school account by the FPCs. For workers there is no limit on the number of children to be considered for education

⁵ Note: For all investment area tables, figures were obtained by averaging the values across the three POs, years referenced were 2022/2023. Exchange rate KES/€ 151.55

bursaries. From the community, orphans and vulnerable children, for example from households those experiencing poverty or from single-mother households, are given the priority.

According to several interviewees, the bursaries have been the most successful Premium investment. For the bursaries, especially women workers reported being more motivated to work and would concentrate at work. This was also confirmed by survey respondents; a majority preferred the bursaries over other Premium benefits, because bursaries are not deducted from payslips, as opposed to loan repayments, and everyone could access the bursaries. Due to the high inflation the FPCs decided to reduce the bursary amount, and many workers took education loans for the remaining sum.

Skills trainings for adults were also appreciated. Especially women appreciated the trainings, which would support them to have side jobs or build a business on the side. The trainings were given as loans, but partially subsidised by the FPCs. One woman reported as a benefit of a farm training that *"the children will not stay hungry, there will be peace at home and more so the level of depending on our husbands will reduce as we can afford to buy some of the household items needed."*



Childcare

CODImpact investment in childcare ⁵ (€/worker)	Percentage of workers accessing childcare benefits	Average benefit per beneficiary (without/with loans)	Average benefit per worker (without/with loans)
€ 5.2	8%	€ 51.9	€ 3.2

Table 3: Economic benefits from Premium investment in childcare

Two POs supported a day-care centre, which benefited 8% of interviewed workers. The average economic benefit per worker is lower than the investment, reflecting the higher initial investment in the centres and the relatively small number of workers who took their children there.

The day-care centres offered their services at lower costs compared to other day care centres and private childcare. The centre had given mothers peace of mind and they reported that they

⁵ Note: For all investment area tables, figures were obtained by averaging the values across the three POs, years referenced were 2022/2023. Exchange rate KES/€ 151.55

could comfortably work knowing their babies are in a safe space and they are well fed. Despite the lower price, women with lower monthly salaries could often not afford day care.



Housing

CODImpact investment in housing (€/worker)	Percentage of workers accessing housing benefits	Average benefit per beneficiary (without/with loans)	Average benefit per worker (without/with loans)
€ 75.9	100%	€ 22.7/150	€ 22.7/150

Table 4: Economic benefits from Premium investment in housing

Housing benefits include plot loans, in-kind benefits, and loans for housing items. While two POs had invested in plots, one project had only recently started, so no benefits had yet accrued to the workers. As all respondents had received in-kind benefits, there is no difference between the average benefit per beneficiary and the average benefit per worker. Plots were received by 10% of respondents and loans by 35% of respondents.

Plot loans are intended to enable employees to own houses, as an alternative to the rented accommodations most workers live in. Thanks to economies of scale the plots were estimated at about 40% of the market price, and at the time of the survey were mostly utilised for growing food or planned for future house construction. Women committee members reported that before the plot project it was hard for them to acquire or inherit land in their names; they now have voices in the community and can own plots. As one participant explained, *"women are now able to own land, through the project they have title deed documents written under their names"*. When allocated with a plot, some women mentioned that they experienced financial constraints for developing the plots. Loans are paid back over a period of three-four years. The title deed document, which is kept by the office until payment is complete, acts as guarantee. There is an option for cash payment, allowing individuals to reduce the repayment period. Wealthier or more educated workers might therefore be able to pay off their debts quicker and thereby be eligible for other Premium benefits. None of the respondents had already build a house on the plots they acquired, so there were no savings from rent.

All three POs gave out household items in the form of in-kind benefits. This included mostly iron sheets, kitchen items, and mattresses. Respondents reported that workers would say that in-kind items would benefit every worker, and the same items are given to all workers regardless of their sex, job categories and or migrant status. Migrants who live in temporary settlements

were considered to benefit less from in-kind items. Seasonal workers or workers who are not present during the in-kind benefit distributions would not receive them. In one PO, the amount per worker and year was fixed (roughly 50% of the average monthly salary), in the other two POs, 20% of the Premium amount was invested in in-kind benefits.

For home improvement loans, workers would list items they need and after evaluating them and getting quotations from different suppliers, the FPC then source the items considering price and quality. The loan is limited to KES 10,000 per year and worker, but workers can pay the difference in cash. The majority of respondents reported to have received items like TVs and water dispensers, or gas cylinders. For the latter, the aim was to encourage the use of clean energy for cooking. After giving out stoves and gas cylinders as in-kind benefits, one FPC realised that it was difficult for workers to refill the gas in case it ran out in the middle of the month when they do not have cash. Now workers can refill on credit at lower cost compared to other retailers and have deducted from the payslip.



Healthcare

CODImpact investment in healthcare (€/worker)	Percentage of workers accessing healthcare benefits	Average benefit per beneficiary (without/with loans)	Average benefit per worker (without/with loans)
€ 21.8	1%	€ 128	€ 1.1

Table 5: Economic benefits from Premium investment in healthcare

Healthcare benefits mostly related to grants to settle medical bills and support to HIV/AIDS patients. The benefits in Table 4 only cover the grants to settle medical bills, which were economically significant, but only accessed by few workers. Respondents did not wish to disclose their HIV/AIDS status in the interviews, so we did not capture any of these benefits, however the qualitative findings revealed that these programmes are important to communities. A majority of women had also done cancer screenings and one FPC covered gynaecological treatments, which were however not reflected in our survey.

Workers, even those who did not access healthcare benefits, appreciated the possibility of receiving support in case of sickness. Despite no one reporting having benefited from support to HIV/AIDS groups, respondents valued this Premium investment, as it would have contributed to increasing support for workers living with HIV/AIDS, and reducing stigma.



Food

CODImpact investment in food (€/worker)	Percentage of workers accessing food benefits	Average benefit per beneficiary (without/with loans)	Average benefit per worker (without/with loans)
€ 15.0	60%	€ 2.4	€ 1.5

Table 6: Economic benefits from Premium investment in food

Food-related investments were through the support for flour mills, which were run by the FPCs and allowed workers to buy flour at a cheaper price than outside, and on credit. This was heavily used by workers at the end of the month and is illustrated by the following quote: "We usually get flour from the mill on credit when times are hard". The mills sometimes struggle with maize price volatility but contribute to the budget of the FPCs.



4. Discussion and recommendations

4.1. Importance of access to finance in the context of living wages

Benefits from loans are economically significant (EUR 326 on average per worker) and perceived valuable by workers, as they support or improve access to education, land, and household items, among others. Especially education for children is also seen as hugely important as the majority of workers would not want their children to work in the flower sector but to study and take up other opportunities. One woman worker said "*The benefits [bursaries and loans] motivate us to wake up and report to work every morning*". Loans are also likely to increase due to low and variable Premium amounts.

While living wage frameworks are important to improving livelihoods and Fairtrade is committed to support workers to earn a living wage, these frameworks can be limited when it comes to capturing improved access to finance, e.g. when providing loans for acquiring plots. Many respondents mentioned that they could not take out more loans, as they already serve loans amounting to 2/3 of their monthly salary⁷. While these mechanisms and first-come first-serve rules might benefit more educated and connected committee members more, we could not find any such hints with our data analysis. Having a permanent contract and being a woman worker were significantly and positively correlated to the Premium benefits received, but not other variables.

⁷ The so-called 2/3 rule is based on the Kenyan Employment Act from 2007, paragraph 19(3) (<http://www.kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/EmploymentAct2007.pdf>), which prohibits employers from deducting more than two-thirds of the basic pay from a worker. This includes servicing loans to run personal projects, e.g. for studies and applies to loans given to workers through the Fairtrade Premium and paid back through payslip deductions. FPCs and the company management operate separate bank accounts. The FPCs shares the information on worker's loans, the company deducts them from their salaries and transfers the respective amount to the FPC account.

4.2. Fairtrade Premium benefits and gender

Because many workers in the flower sector are women and face unique challenges, we conducted a gender analysis of our findings to understand how women workers experience and benefit from the Fairtrade Premium. As highlighted above, our regression analysis demonstrated that on average, women received slightly higher in-kind benefits to men workers. This, along with the findings below, suggests that within the 3 POs sampled, gender programmes and awareness have been successful in addressing women's needs.

Within the POs included in this study, women were largely aware of the Premium benefits and mechanisms and decisions around the Premium, and the supporting roles of the different committees, and also participated in them. As per Fairtrade Standards, women's proposals were considered, such as provision of childcare and most proposals for in-kind benefits originated from women. POs had specific budget allocations for women, including targeted skills trainings, family planning, cancer screening and provision of sanitary items. Skills trainings also included promoting women to traditional male roles, such as bus driving and mechanics.

Women specifically highlighted education support, in-kind housing items, and skills trainings as the most appreciated benefits. Interestingly, women mostly preferred in-kind items over cash. This is remarkable given the low wages and the high loan repayment deductions of many women workers and might reflect intra-household decision-making dynamics and access of women to financial services. This goes against the findings of Ton et al. (2024) who recommended paying a larger share of the new Rainforest Alliance Premium in cash.

Women who were considered vulnerable, due to lacking the required education level, had less access to committees, due to lack of required education level, time poverty, or pressure from husbands (see also Raynolds 2021; Barrientos et al. 2019). To address the issue of unfair distribution of Premium uses, strengthening responsibilities for decision-making within POs, for instance by increasing access to training and the number of workers participating in this has been recommended, rather than pushing for more transparent accounting mechanisms between the POs and Fairtrade (Loconto et al. 2021).

4.3. Recommendations and next steps

Benefits that align with living wage categories within the Anker methodology, for example, in housing, education, and health, amount to EUR 107 per year per worker. If loans are included (which is a major part of the Premium benefits but not included in living wage frameworks), the benefits amount to EUR 464 per year per worker. This is significant given the average wages we found (EUR 895) and the living wage benchmark in the region (EUR 2,808). Women's wages are on average lower than men's, so the importance of Premium benefits is even greater for women.

There are three main recommendations that result from our study:

- 1. Loans do not count towards the living wage categories according to the Anker methodology but are highly valued by the workers. Loans are also likely to increase due to low and variable Premium amounts and rising living costs. Therefore, the living wage framework may be too narrow to capture all the benefits of the Premium.** In addition to higher wages, continued financial literacy training might support workers with particularly low pay to benefit from the Premium and other loans that are offered through company or buyer initiatives. Listening to workers is essential to strike a balance between equitable access to finance and the risk of debt/high debt repayments of up to two-thirds of wages.
- 2. Workers were more satisfied when they were more involved in the Premium decision-making process and when the Fairtrade Premium Committees (FPC) were more independent of management.** Continued training for FPC members and raising awareness among workers could improve democratic processes and worker satisfaction. If accompanied by further improvements in working conditions and wages, this could also improve labour productivity.
- 3. In line with Fairtrade's Theory of Change and given the current wage levels, continued support for trade unions and worker committees and Collective Bargaining Agreements funded through the Premium is strongly recommended.** The promotion of worker representation sets Fairtrade apart from other sustainability certification standards and the Premium could be an effective mechanism for promoting worker representation and collective bargaining.

Publication bibliography

Barrientos, Stephanie; Bianchi, Lara; Berman, Cindy (2019): Gender and governance of global value chains: Promoting the rights of women workers. In *International Labour Review* 158 (4), pp. 729–752. DOI: 10.1111/ilr.12150.

Global Living Wage Coalition (2023): The Anker Methodology for Estimating a Living Wage. Global Living Wage Coalition. Global Living Wage Coalition. Available online at <https://www.globallivingwage.org/about/anker-methodology>, checked on 1/30/2024.

Global Living Wage Coalition (2024): Living Wage for Lake Naivasha, Kenya - Global Living Wage Coalition. Available online at <https://www.globallivingwage.org/living-wage-benchmarks/non-metropolitan-urban-kenya/>, updated on 1/21/2024, checked on 5/2/2024.

Haenke, H.; Wadham, R. (2023): Exploring the benefits of the Fairtrade Premium in the context of living wages. Fairtrade Foundation. London, UK.

Hirvonen, Kalle; Hoddinott, John (2020): Beneficiary Views on Cash and In-Kind Payments: Evidence from Ethiopia's Productive Safety Net Programme. In *World Bank Economic Review* 35 (2), pp. 398–413. DOI: 10.1093/wber/lhaa002.

Hivos (2020): End-Term Evaluation of the Citizen Agency Consortium Decent Work for Women Program. Decent work for women - Kenya Case Study. Hivos.

IDH (2021): Help pages Salary matrix. IDH the sustainable trade initiative. Available online at <https://www.idhsustainabletrade.com/uploaded/2021/10/Help-Pages-Salary-Matrix-English.pdf>.

Kuiper, Gerda (2018): Agro-industrial labour in Kenya. Dissertation. Cham: Springer International Publishing.

Loconto, Allison Marie; Arnold, Nadine; Silva-Castaneda Laura; Jimenez, Alejandra (2021): Responsibilising the Fairtrade Premium: Imagining better decision-making. In *Journal of Rural Studies* 86, pp. 711–723. DOI: 10.1016/j.jrurstud.2021.07.011.

Oxfam (2015): In work but trapped in poverty. A summary of five studies conducted by Oxfam, with updates on progress along the road to a living wage. Oxfam International. Oxford, UK.

Raynolds, Laura T. (2021): Gender equity, labor rights, and women's empowerment: lessons from Fairtrade certification in Ecuador flower plantations. In *Agric Hum Values* 38 (3), pp. 657–675. DOI: 10.1007/s10460-020-10171-0.

Ton, Giel; Thorpe, Jodie; Glover, Dominic; Hicks, Jacqueline; Moraes Coelho, Ana; Rivera, Tatiana et al. (2024): Dispositions Towards the Living Wage Proposition: Baseline Report of the Rainforest Alliance Living Wage Strategy Evaluation.



fairtrade.org.uk

Fairtrade Foundation | Unit 5.07, The Loom | 14 Gower's Walk | London E1 5PY

Tel: +44 (0) 20 7 405 5942 | Email: commercial@fairtrade.org.uk

Registered Charity No. 1043886

A company limited by guarantee, registered in England and Wales No. 2733136